

CHALMERS



Improving customer metrics in a subscription based business

A study of a company within the pre-packed grocery bag industry

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Report

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Douglas Haeger & Gabriella Nilsby
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Abstract

This report studies the Pre-Packed Grocery Bag (PPGB) industry and how these e-commerce companies can make use of as well as improve customer metrics. The majority of companies in this industry use a subscription-based business model that enables the use of two key customer metrics namely, Churn and Customer Acquisition Cost (CAC). By not actively using these metrics the companies might be missing important information and make under informed marketing investment decisions. The purpose is to describe and analyse how an e-commerce company, with a subscription based product and limited financial resources, can in a cost efficient way improve their CAC and Churn. Furthermore, give implications about how managing CAC and Churn can support decision-making processes regarding marketing investments.

To improve CAC the first step is to map the company's marketing processes to see which marketing media channels that is most cost-efficient. The most efficient channels are online marketing as they target the customers that are in the buying process and provide the customer with a direct link to the buying place. To improve Churn it is important to improve customer loyalty and one of the drivers of loyalty is relationship commitment. This is in turn divided in calculative and affective commitment. Improving these commitments will improve customer retention and hence Churn. Calculative commitment is created through switching barriers and affective commitment is created through the customer/firm interaction points and aims to develop emotional ties and direct relationships. To support the marketing investment decisions a third metric, Customer Lifetime Value (CLV), is presented. This metric is based on CAC and Churn and shows the long-term profitability of a customer. Incorporating these metrics into a recurring revenue model a firm can forecast their future financial performance. Therefore this model can be a useful tool for decision making-processes regarding marketing investments.

The report provides evaluations of marketing media channels for e-commerce companies and suggestions of alternative channels that generate low CAC are provided. Online media channels are recommended as most suitable for a company to improve CAC, because they are cheaper and provide better targeting than alternative media. The qualitative content analysis provides an overview of the PPGB companies means to retain their customers. It is shown that the levels of calculative commitment differs among the PPGB companies and that Linas matkasse is the most successful company in this area. Affective commitment does not seem to be primary focus in their retention strategies and suggestions for measures to create this commitment is provided. Finally, the recurring revenue model is suggested as a good way to improve the reliability of marketing investments decisions, since it provides a good understanding of how the customer metrics are affected by these decisions.

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1. Introduction

This section should provide an understanding of why this report has been written. First the background is presented to create a setting for the problem formulation. The problem formulation is followed by the purpose of the report and finally the research questions are presented. Concepts that may need to be clarified are marked with an asterisk () and the definition can be found in Appendix I.*

1.1. Background

In this report the definition of a pre-packed grocery bag (PPGB) is a pre-composed bag of groceries with matching recipes, sufficient for a certain number of dinners. Furthermore, the grocery bag is ordered online, from an e-commerce* company in the PPGB industry, by entering a subscription for each or every other week and gets delivered to the customer's home.

The industry of pre-packed grocery bags was founded around 2007 when Middagsfrid began their business. The industry is in an early stage of its lifecycle and the competitors are swarming the market. Since 2007 the business of pre-packed grocery bags has increased in popularity, especially in the larger cities. 2011 the product became Christmas present of the year, which is recognition of its popularity by the Swedish consumers (Svensk Handel, 2011). The concept was founded in Sweden and is now spreading across Europe and the U.S (Moskin, 2013). The online commerce of fast-moving consumer goods (FMCG) represents circa 350 MSEK (0,5%) of the total and is expected to grow in the future. Mainly due to that younger generations are more comfortable and familiar with the online market (Svensk Handel, 2011).

Matkasse AB was started in 2010. Today the company provides pre-packed grocery bags to circa 150 subscribers in the Gothenburg area. The niche is to provide pre-cooked sauces with the bags that Gustav Svensson has prepared by himself. *Matkasse AB* offer four different subscription products, either two or four meals for four days a week to be provided each week or every two weeks. The customers are able to end their subscription or pause it for any preferred amount of time without being charged additional fees. (Svensson, 2013)

The most common business model in this industry is a subscription based business model. To further elaborate on how a subscription based business model is defined the term business model should be outlined. There are many authors who have tried this and several different models can be identified. Rappa (2000) identifies 29 different types of models, which he orders in nine categories. This demonstrates the diversity and complexity that can be

* Find definition in Appendix 1

associated with this terminology. In this report the definition will rely on Osterwalder (2009, p. 14), namely “A business model describes the rationale of how an organization creates, delivers and captures value”. Osterwalder (2009) further presents that the business model contains nine building blocks; Customer segments, Value propositions, Channels, Customer Relationships, Revenue streams, Key resources, Key activities, Key partnerships and Cost structure.

A subscription based business model is mainly distinguished in the fifth building block, Revenue streams. This part should state how the company will generate revenue from the customers and can be divided into two different parts; Transaction revenues that are generated from a one-time purchase and Recurring revenues* that are generated from either repeated delivery of the product or post-purchase customer support (Osterwalder, 2009). The subscription based business model is within recurring revenues and is generated by selling periodic use or access to products or services. The customer is entering into a formal agreement with the vendor for a period of time, which creates recurring revenues. This results in a reduced uncertainty due to that the vendor knows its current active members. It furthermore assures constant revenues during the customer’s subscription. The direct downside is that one might lose customers that only would like to pay a one-time fee (Sundelin, 2008).

For a company with a subscription based business model two key customer metrics are commonly used to measure the company’s performance. These metrics are Churn and Customer Acquisition Cost (CAC) and they are related to the company’s customer base* and sales. Churn is a metric that relates to the retention of customers and measures how many customers that leaves the firm during a specific period of time. CAC, as the name indicates, measures how much it costs for the firm to get a new customer. A company’s decisions affect these metrics and similarly these metrics affects the company’s decision-making processes. Therefore, understanding and actively using the metrics is critical for the company’s managerial decisions and the performance of the firm. (Gupta et al, 2004)

1.2. Problem formulation

In the early phase for a company it is highly prioritized to increase the customer base as without customers, the firm has neither revenues nor profits. To attract new customers the company need to invest in marketing activities with the objective to create a good customer-firm relationship. However, it is a challenge

* Find definition in Appendix I

to understand which customers to acquire and how to retain them; hence, it is a challenge to manage the allocation of marketing expenses* and be able to justify these decisions. (Gupta et al, 2004)

The fundamental goal of a firm is to increase profits, not just to obtain new customers, and therefore using effective marketing activities, meaning higher generated value per invested dollar, is critical. (Dacey, 1997) Understanding the link between customer-firm relationship and financial performance* will support firms' investment decisions. This link can be described as what a firm can do (marketing activities), what customers do, and how this affects a firm's financial performance. Marketing activities and how customers respond can be understood by analysing key customer metrics. (Gupta et al, 2004)

Customer metrics can be categorized as observable and unobservable metrics, where observable relates to purchase or consumption of a product or service and unobservable relates to customer perception, attitude and behavioural intentions. Economists mean that unobserved constructs are stated preferences while observed are revealed preferences. Unobserved metrics relate to observed metrics, which are directly linked to financial gains. For instance, if a customer's perception of a product is positive it will most likely lead to a purchase, which translates into increased sales and profits. (Reinartz et al., 2005) As it is the observable metrics that generate financial improvement to a company these are the metrics that we will focus on in this report. Key observable metrics are Churn and Customer Acquisition Cost. (Gupta et al, 2004)

* Find definition in Appendix I

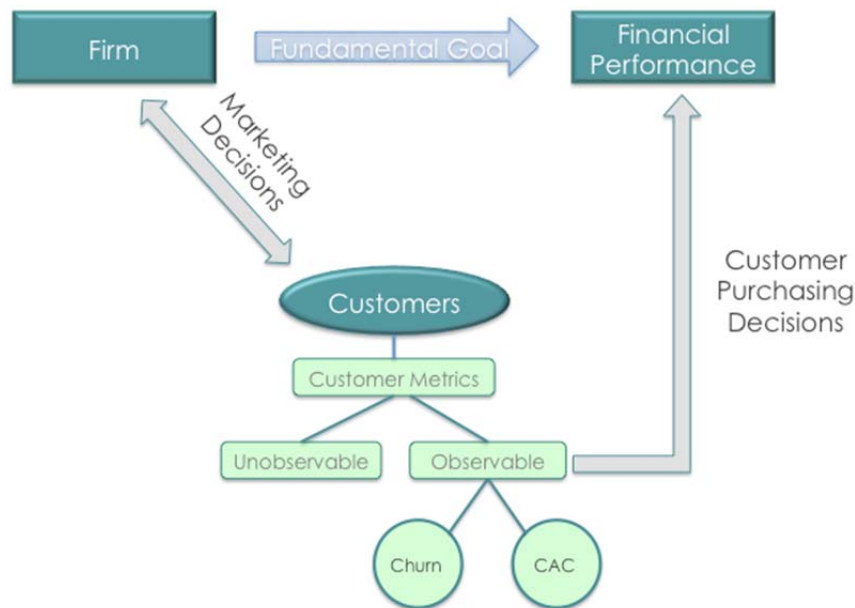


Figure 1 Illustration of relationship between the firm, customers and the firm's financial performance. Compiled by the authors.

CAC and Churn are metrics that measures a company's financial performance and together they constitute a good benchmark to how well the company is performing against its competitors. There are furthermore different ways for the company to affect the metrics in order to enhance the financial performance; therefore, understanding the role of these metrics and how they can be improved becomes critical. The relationship between the firm, customers and the firm's financial performance are illustrated in Figure 1. (Gupta et al, 2004)

As Matkasse AB provides a subscription-based product, managing CAC and Churn is important, but is currently not a part of their decision making processes regarding marketing activities. By not actively using these metrics it can be that they are missing important information and making under informed marketing decisions. Introducing these metrics to the company will be beneficial for the managerial decision-making processes. Matkasse AB don't know if they are over or under investing in customer acquisition or retention or whether these investments are effective. They need new customers to improve their financial performance and strengthen their position on the PPGB market.

1.3. Purpose

Describe and analyse how an e-commerce company, with a subscription based product and limited financial resources, can in a cost efficient way improve their CAC and Churn. Furthermore, give implications about how managing CAC and Churn can support decision-making processes regarding marketing investments.

1.4. Research questions

1. Which marketing media channels*, suitable for an e-commerce company, with a subscription product and limited financial resources, can lower CAC?

Studying the literature will provide an understanding of the meaning of CAC, why it is important and how companies theoretically can affect the metric. This will provide a framework that can be used as a basis for analysis. Next step will be to find marketing media channels that are cost efficient and suitable for a company in the mentioned situation by talking to an expert within the field. Furthermore, the authors will evaluate marketing media channels already used by a PPGB company and assess their impact on customer acquisition. Combining these empirical data will provide a comprehensive understanding of which marketing media channels that should be used in order to lower CAC.

2. How can an e-commerce company, with a subscription product and limited financial resources, take measures to retain their existing customers, i.e. lower Churn?

Studying the literature to understand why Churn is an important metric and how to improve it will provide a framework that can be used as a basis for analysis. By researching four PPGB company's websites it can be shown how they take measures to retain customers. Interviewing an e-commerce company from another line of business will ad insights and make up for good analysis and discussion regarding how to lower Churn.

3. How can a company increase reliability of marketing investment decisions by understanding the impact of CAC and Churn on the financial performance?

Based on obtained knowledge from the theoretical framework and insights from interview with Investment manager, build a forecasting model to see future financial results from marketing investments in marketing activities with the purpose of improving CAC and Churn. The model will then be tested in a fictitious case to demonstrate how the model can be utilized as a tool for supporting marketing decisions.

1.5. Report structure

The next chapter, *Method*, describes the procedure to achieve the purpose of the report, i.e. how the work has been structured and which research methods that have been used. The methods validity, i.e. how far it measures what it is intended to measure, and reliability of the measurements, will be discussed.

Following chapter, *Theoretical framework*, is a review of the theories that are considered relevant to the report. These theories will create theoretical frameworks, which together serves as a starting point for the empirical and analytical chapters.

The *empirical* chapter will present the empirical findings from the reality the study aims to investigate. This chapter is followed by the *Analysis*, where the theoretical and empirical findings are connected and analysed. In the next chapter *Discussion*, the research questions are answered sequentially by discussing previous analysis. Finally, *Conclusions* of the report will be presented.

1.6. Limitation

The thesis will focus on improving the two metrics CAC and Churn, as well as, describe how they can be managed to support decision-making processes regarding marketing investments. This focus is chosen as their main priority at this stage is to increase their customer base, hence, investing in valuable marketing activities is relevant.

CAC and Churn are observable metrics that are directly linked to a purchase of the product; therefore, these metrics have an impact on the financial performance of the company. As unobservable describes the perception, attitude and behavioural intentions of the customers, such metrics cannot be utilized as measurement of financial performance. Therefore, unobservable metrics will not be considered in this report.

Unobservable metrics relates to the concept of the PPGB; for instance, the products offered by the PPGB company. As unobservable metrics are outside the scope of this report, Matkasse AB's concept of the PPGB will not be considered. The reason for this limitation is that Matkasse AB already have taken several measures to improve the concept.

When determining the impact on the firm's financial performance the authors will use the firm's profits as a measure of the financial performance. The product price is a critical financial parameter for the company and affects the company's profits. However, this parameter will not be considered in the thesis as Matkasse AB decides on the price level of their products.

The thesis will limit the geographical aspect to the Gothenburg region, as this is where the analysed company Matkasse AB is active.

2. Method

In this chapter of the report it is described how the work has been structured and which research methods that have been used. The chapter is divided in three parts, namely Research methods, Research procedure and Ensuring quality. The first section is further divided according to the three research questions and brings up the different research methods that have been applied. The second section contains a description of the research process and how this was built. The third and final section is a discussion where different aspects of the quality of the report are brought up in terms of credibility, transferability and dependability.

2.1. Research methods

The research methods in this report is of a qualitative manner and consists of two main methods for the collection and generation of data, namely semi-structured interviews and a qualitative content analysis. The following sections describe the means taken to answer each research question.

2.1.1. First research question

This part of the study aimed to investigate which marketing channels that were suitable for an e-commerce company, with a subscription based product and limited resources, to lower CAC. This was done by studying what marketing channels are most useful to attain a low CAC and what measures that can be taken. Next step was to map the marketing channels already used by a PPGB company and assess the impact on CAC. These two findings formed the basis for understanding what media channels that can be used to lower CAC.

To find the most useful marketing channels to attain a low CAC a semi-structured interview were conducted with Anders Katz campaign planner at MediaView. Teodor Abreu, Sales Representative at Groupon, was also interviewed to get more information about the “deal-of-the-day” marketing media channel. To map the marketing channels of a PPGB company a semi-structured interview with the founder and CEO of Matkasse AB, were made. More about how these samples were chosen can be found in section 2.2 *Research procedure*.

2.1.2. Second research question

This part of the study aimed to investigate how the PPGB industry engages in activities to increase loyalty*, but more specific, how one can engage in activities to build relationship commitment with customers. The authors also examined how other e-commerce companies have engaged in activities to increase loyalty and compared with the previous findings from the PPGB industry. By studying

* Find definition in Appendix I

how the PPGB industry does this and comparing with other e-commerce companies the authors hoped to point out improvement potential.

To find how the PPGB industry retains their customers a qualitative content analysis was used by studying documents as sources of data. More specifically, virtual documents in the form of company webpages were studied to find information about how these companies engage in activities to build loyalty with their customers. Four different companies within this industry were studied. The three biggest actors, Linas matkasse, Middagsfrid and mathem.se, together with the Gothenburg based PPGB company, Matkasse AB, constituted the sample for the content analysis. More about how these samples were chosen can be found in section 2.2 *Research procedure*.

The aim of the content analysis was to analyse switching barriers that the customers within the PPGB industry were subjected to and hence related to the second research question. The aim of the content analysis was set during the literature study of the second research question related to customer retention. The literature study showed that switching barriers were partly the improvement focus when trying to build customer loyalty and hence increase retention. Since all PPGB companies are e-commerce businesses studying their websites gave the authors' access to analyse the exact same situation that the customers in this industry had and hence the switching barriers subjected to them. To fulfil the aim of the content analysis a coding scheme was set up and structured according to the drivers of loyalty and switching barriers highlighted in chapter 3, section 3.2 *Churn*, all in accordance to Bryman & Bell (2011). This coding scheme were then used to conduct the content analysis and also served as a basis when structuring section 4.2. *Churn*.

To find how other e-commerce companies are improving loyalty two semi-structured interviews were conducted with two different companies. One with Albin Johansson, Product Manager at members.com, and one with Max Svärdh, CEO at milkandhoney.se. More about how these samples were chosen can be found in section 2.2 *Research procedure*.

2.1.3. Third research question

This part of the study aimed to investigate how a company can increase the understanding of CAC and Churns impact on the financial performance and how this can be linked to decision-making processes regarding marketing investments.

The initial step was to obtain an understanding of how to improve a firm's profits by managing CAC and Churn. The next step was to build a tool in Excel that can demonstrate how the company's profits are affected by improving CAC and Churn.

To obtain an understanding of how to improve a firm's profits, the literature was studied. A semi-structured interview with Gregory Carson, Investment manager at GU Holding, was also conducted. Carson has experience in forecasting recurring revenues and gave insights in how to build a forecasting model, suitable for a business with a subscription based business model. Based on the obtained knowledge from the theoretical framework and insights from Investment manager, a forecasting model that can be used as a tool for understanding the impact from CAC and Churn on a firm's profits were built.

The model was then tested with a fictitious case to demonstrate how the model can support marketing investment decisions. A fictional company called Chef & Friend is presented with a certain setting. Five scenarios are then demonstrated where CAC and Churn are altered to demonstrate how CLV is affected. *Scenario 1*, with no alterations of the metrics, *Scenario 2*, with a CAC decrease of 10 %, *Scenario 3*, with a Churn decrease of 10 %, *Scenario 4*, with a CAC decrease of 20 % and *Scenario 5*, with a Churn decrease of 20 %. These scenarios were chosen to give an understanding of how CAC and Churn relate to each other, how they relate to CLV and how this model can be used as a tool for evaluating marketing decisions. The different alterations of the metrics will affect CLV in different ways and hence provide the user of the model with information about the profitability, in terms of CLV, in each decision. These tests and the different scenarios are presented in section 4.3.1. *Testing the Recurring Revenue Model: An example of Chef & Friend.*

2.2. Research procedure

Some parts of the research procedures have been brought up in the previous section and this section aim to further elaborate on this subject.

The purpose of the report has been formulated with the purpose of fulfilling the requests from Matkasse AB. The initial problem identified by the constituent was reformulated together with the authors, academic contacts and business advisors at Matkasse AB. This reformulation was also based on a substantial literature study conducted by the authors and resulted in the problem identification. This process resulted in the formulation of the purpose and the research questions, which has been the foundation and scope of the report.

The theory has been studied in two different phases with two different purposes. In the initial phase the focus has been to get familiar with the problem and get a better understanding of the background to the issues. Next step was to divide the research according to the different research questions and provide theoretical frameworks to assist with structuring of the empirics and fulfilling the purpose of the report. Each research question served as the basis for this progress and the literature study has been organized accordingly. The sections in the literature chapter all results in a framework that served as a basis for the

analysis chapter (Chapter 5) described further down. The use of multiple sources to create the frameworks has prevented uncertain opinions from single authors.

The empirics have been based on a series of semi-structured interviews and a qualitative content analysis where virtual documents in the form of webpages were studied. The empiric's chapter (Chapter 4) has been structured in accordance to the three research questions used in this report.

The interviewees for the semi-structured interviews served as the empirical basis for all research questions and were chosen as follows. Anders Katz, campaign planner at MediaView, was chosen because of his experience in the marketing business. He could provide the authors with the relevant information about marketing media channels that were needed to answer the first research question about customer acquisition. After this interview had been conducted the authors also tried to discuss the subject of customer retention (third research question). Anders Katz recommended, Max Svårdh and Albin Johansson as good references when studying customer retention since they both were actively working with this subject at their e-commerce businesses. The interviewee Teodor Abreu was also contacted after recommendation from Anders Katz. Hence, these interviewees (Svårdh, Johansson and Abreu) were sampled through snowballing, in accordance to Bryman & Bell (2011). These interviews provided the authors with relevant information about creating loyalty with customers and hence relating to the second research question. The interview object Gregory Carson was chosen because of his involvement as business advisor to Matkasse AB, but also for his background in finance and experience from recurring revenue models. This interview provided the authors with relevant information about how to create a recurring revenue model.

The sample chosen for the content analysis were the four PPGB companies Matkasse AB, Middagsfrid, Mathem.se and Linas matkasse. Matkasse AB was chosen because of their role as constituents for the subject of this report. Middagsfrid, Mathem.se and Linas matkasse were chosen because of their significant sizes in terms of revenue in the PPGB industry. All these three are the sole biggest actors on this market in terms of revenue. With this sample the authors' got access to study the best practice within customer retention in the PPGB industry. More discussion about how the quality of the research methods used in this report has been ensured is presented in the next section of this chapter (2.3. *Ensuring quality*).

The analysis has been based on the findings from the empirics and compared with the theoretical frameworks from the literature study. Each section in the analysis chapter has been structured according to the three research questions used in this report. Since chapter 3 *Theoretical framework* and chapter 4 *Empirics* has been structured the same way, the analysis were brought together by

combining the theoretical frameworks from each research question with the empirical findings from each research question. The theoretical findings has furthermore served as a basis for the process of generating the empirical data, hence the analysis were conducted in a structured manner providing a rich evaluation of the different results presented in the report.

To ensure an analysis of high quality the authors' own views, ideas and other input has been presented in the discussion. This was important to provide an objective and correct analysis comparing the theoretical findings with the empirical findings. The discussion has also been structured to fulfil the purpose and answer the research questions sequentially. The conclusions have been based on all progress from the theory, empirics, analysis and discussions.

2.3. Ensuring quality

This report has solely used qualitative research methods, such as semi-structured interviews and qualitative content analysis for the collection and generation of data. Bryman & Bell (2011) states that the criteria of reliability and validity are an evident quality issue for most research, but especially for quantitative approaches. The grounding of these criteria is based on quantitative research. Therefore some authors argue that validity and reliability are inapplicable or inappropriate for qualitative research. Instead other criteria should apply to qualitative research, such as *credibility* in parallel with internal validity (how believable are the findings), *transferability* in parallel with external validity (do the findings apply to other contexts) and *dependability* in parallel with reliability (are the findings likely to apply at other times) (Bryman & Bell, 2011).

Bryman & Bell (2011) states that qualitative content analysis probably is the most widespread approach to the qualitative analysis of documents. They further argue that to ensure the credibility and dependability of the findings the extracted themes found by the researchers should be illustrated by quotations or pictures. In this report pictures of the findings are found in Appendix II. Bryman & Bell (2011) further states that this is especially important studying virtual documents since websites continuously are updated and changed.

The interviews have mainly been conducted over the phone but also in person and all of them have been carried out in a semi-structured approach in accordance to the description of Bryman & Bell (2011). Interview guides (see Appendix IV) were prepared and the questions were limited to only a few to ensure that the respondent could answer freely. The interview guide with questions was sent to the respondent three days in advance were a description the purpose of the interview also was included. This was done to ensure that the respondent was prepared to answer the questions correctly. The questions were not asked in any specific order but adapted to the answers given from the

interviewee. This was done to get the conversation flowing. After the interviews the interviewee was able to see the transcripts to ensure that the answers was in line with her or his actual opinion. All these measures were taken to ensure the credibility of the interviews in accordance with Bryman & Bell (2011). The credibility has been further enhanced by triangulation of multiple sources of data from the research methods used in the report and the studied literature.

As qualitative research involves the deeper study of a smaller group qualitative research tend to be oriented towards a specific setting and context (Bryman & Bell, 2011). These arguments are applicable to this report as well and the findings presented should not be viewed as conclusions that can be generalized but are rather solely applicable to the PPGb industry and the companies included in the study. Hence, the transferability could be viewed as rather weak.

The dependability criteria involve the documentation of the research process and that records are kept during all stages (Bryman & Bell, 2011). In this report all interview templates, transcripts of the interviews as well as the findings from the qualitative content analysis has been saved. The problem identification is specified and the selection of research participants are documented and presented. Hence, the dependability of the research has been considered.

3. Theoretical framework

In this chapter of the report the findings from the literature will be presented. CAC and Churn will be presented in two different sections where these metrics will be defined and their role as customer metrics will be described. Furthermore, theoretical suggestions about how to improve CAC and Churn will be provided. This will be followed by a section about financial performance and decision-making processes. Here is Customer Lifetime Value (CLV) introduced, a metric that is based on both CAC and Churn and is a key indicator of a firm's financial performance.

3.1. Two key customer metrics

For a company with a subscription based business model two key customer metrics are commonly used to measure the company's performance. These metrics are Customer Acquisition Cost (CAC) and Churn and they are related to the company's customer base and sales, as illustrated in Figure 2. CAC measures how much it costs for the firm to get a new customer. Churn is a metric that relates to the retention of customers and measures how many customers that leaves the firm during a specific period of time. Improving these metrics will increase the customer base, and hence sales. To attract new customers the company need to invest in marketing activities that generate many customers to a low cost and to retain existing customers the company need to invest in marketing activities that prevent customers from cancelling the subscription. (Gupta et al, 2004)

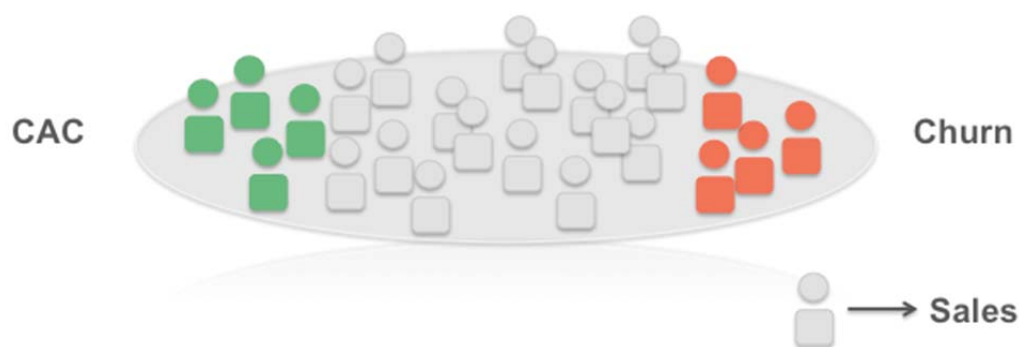


Figure 2 CAC and Churn in relation to the customer base and sales. Compiled by the authors.

A company's decisions affect these metrics and similarly these metrics affects the company's decision-making processes. Deciding to invest in a specific marketing activity will affect the metrics and if the metrics are aimed to be a specific value, this will affect the decision-making processes regarding marketing investments. Therefore, understanding and actively using the metrics is critical for the company's managerial decisions and the performance of the firm. (Gupta et al, 2004)

3.2. CAC

CAC stands for Customer Acquisition Cost and measures the cost to get a new customer. Many different terms are used to describe this metric, such as Cost Per Action (CPA) and Cost Per Acquired Account (CPAA); however, in this report we have chosen the term CAC. To compute CAC the entire cost of sales and marketing over a given period is divided by the number of customers acquired during that period. CAC should, as all other costs, be kept low and weighed against the generated value. In a subscription based business this metrics must not be higher than the ability to monetize those customers, meaning the total value the customer will generate to the company. (Skok, 2009)

CAC could further be seen as a means of controlling marketing expenses and ensure that the firm is not spending money on terms that are not driving the business (Larry, 2013). As CAC is a cost for the firm, successful investments in this metric will save future expenses and therefor improve the firm's financial performance (Gupta & Zeithaml, 2004). With this said a firm must understand how to allocate expenses in order to drive down the CAC.

According to Zohn (2003), mapping out the company's marketing processes and ensure that the most cost-effective resources are used is a first step to lower CAC. Most companies will achieve a more low cost structure only by shifting from high-cost voice and print to low-cost online communication. Following step should be to examine each marketing activity* from acquisition to retention to determine where equally effective but less expensive resource can replace the existing one. Marketing activities, in this sense, relates to marketing media channels for reaching out to targeted customer, which are the drivers of CAC (Zohn, 2003).

How to allocate marketing expenses across different media channels is a classic problem in today's multichannel environment. In order to understand this problem, according to Reinartz et al. (2005) the individual customer should be the measured objective, because persuasion is created at the individual level and because media increasingly can be targeted at the individual level. Furthermore, marketing media channels can be characterized as more or less interpersonal, where personal selling could be argued to be the most interpersonal since it offer the ability for message customization and allows for personal relationship building. Prior studies have shown that more interpersonal channels will have a greater positive impact on customer acquisition as well as customer retention. (Gupta & Zeithaml, 2004)

Marketing media channels can be divided into three categories: paid, owned, and earned media, as illustrated in Figure 3. Paid media includes traditional advertising, such as print, television, direct mail. Owned media consists of properties or channels owned by the company, such as company webpage, Facebook fan page*, mobile apps. The third category, earned media, are generated when the quality or uniqueness of a company's product makes customers promote the company at no cost through external or owned media; for instance, word of mouth*, blogs, Twitter* (Edelman et al., 2010). Each media offers distinctive advantages. Paid media immediately reaches out to a broad audience. An owned media gives the company concrete ways to engage customers. And earned media gives the company insight in how customers perceive them as well as their competitors (Smith, 2010). Furthermore, paid and owned media are cost related channels, while earned media is produced by consumes at no cost. To create paid media the marketing company* invest in advertising creation, placements, purchasing logistics and management, while to create owned media, investments are related to content, technology, response resources, and management. (Edelman et al., 2010). The choice of marketing media channel can have a huge impact on the outcome of a marketing activity, as marketing media channels have varying cost efficiency, different target groups and can create different effects of branding or promotion (Grönlund et al., 2010).

Owned and earned media is becoming more and more commonly used because of the emergence of social media*. Owned is often less costly than traditional paid media and, as already mentioned, earned is produced at no cost; therefore, these channels well suitable alternatives for lowering CAC (Sussin et al., 2013). According to Smith (2010) the best way to work with marketing media channels is to use a mix of the three, where each channel supports the others (Smith, 2010). This positive effect is more and more achievable since the three media channels increasingly interact with each other, mainly due to social media. Paid media can serve as feeders into owned media, where companies can offer a more engaging experience and a more targeted stream of contact with customers. Furthermore, companies can, through both paid and owned media, encourage customer's to e.g. "share" things they like and hence produce earned media. This fan promotion is sometimes spontaneous, however, it is often encourage by giving the customers an attractive offer, such as rewarding for acquiring another customer through recommendation. Thus, paid and owned media efforts can generate earned media to the company. (Edelman et al., 2010)

* Find definition in Appendix I

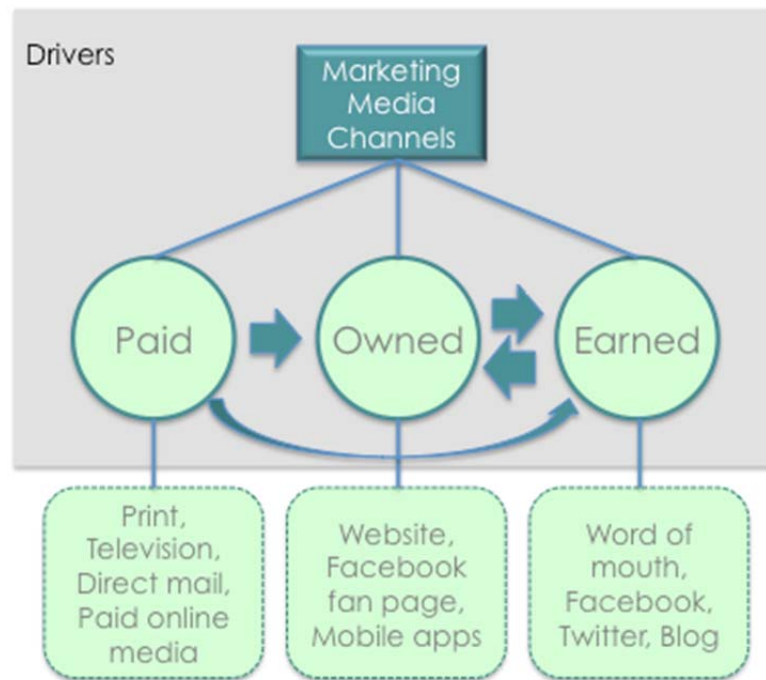


Figure 3 Categorization of marketing media channels. Compiled by the authors.

Online marketing targets consumers that are “in the moment”. Consumers who respond to an ad are already interested in the product and therefore are considered to be in the buying process. This is beneficial as those consumers have high potential of purchasing a product. (Baker, 2005)

Paid online marketing dramatically improves the chance that potential customers find the company’s website. (Heaphy, 2011). When the customer is subjected to an ad on the Internet, that ad can lead the customer directly to the buying place, where the customer can order the product. This increases the likelihood for an actual purchase. The direct link between the advertisement and the buying place can only be achieved on the Internet. (Sauter, 2009)

3.3. Churn

Churn, sometimes also referred to as attrition, is the metric for measuring the rate of customers leaving their subscription. Hence, it is in a negative way directly correlated to the customer base and is usually calculated monthly by dividing the number of defecting customers that month by the number of total customers. The strategy for this metric is of course to keep it as low as possible to be able to retain the customer base and a stable recurring revenue stream (Wileman, 1999).

Another term that is of importance when trying to understand Churn is retention. This is the term for preservation of customers and hence, Churn is a measure of the retention rate or the customer loyalty (Livne et al., 2011). Having a low rate of defecting customers is good proof that the customers are loyal to the company and the products and services they are offered regardless of how

small the customer base may be. With a new product on the market it is important to keep track of the customer loyalty. If the Churn rate starts to increase it is most likely that the customers are taking their money elsewhere (Gustavsson et al., 2005).

Having a small customer base it would be more reasonable to take actions to increase the customer base rather to retain it. In absolute terms the cost of having a Churn rate of two percent is of course less for a smaller customer base than for a bigger one. Although managing the customer Churn would make the growth of new customers more stable since fewer customers are leaving their subscriptions. Furthermore, many studies have shown that the cost of retaining customers is less than acquiring new ones (Claude, 2000)(Huson, 1996). Claude (2000) states that it could be as much as 10 times more expensive.

To understand what measures that can be made to affect the Churn rate and keep it as low as possible it is important to understand the drivers of this metric. The retention of customers is depending on their loyalty towards the products or brand and the drivers of customer loyalty can be divided into two big segments, namely customer satisfaction and relationship commitment. The former are defined as the overall evaluation of the products or services built up over time and the latter can in turn be divided into two smaller parts, namely affective commitment and calculative commitment. Calculative commitment is the more rational one, a sort of economic-based commitment, created by lack of other choices or different kinds of switching barriers. Affective commitment is the softer one that develops through the amount of exchange and personal involvement the customer has with the firm, which develops a higher level of trust and commitment in the relationship. These forms of commitment makes the customers stay with the company and repurchase products or services even when the satisfaction is low (Gustavsson et al., 2005).

One important difference between the two drivers is that customer satisfaction is more backward looking and relationship commitment is more forward looking. Customer satisfaction is built up over time and measures the relationship up to date, whereas relationship commitment is a measure of the strength of the relationship and the commitment to proceed further (Gustavsson et al., 2005).

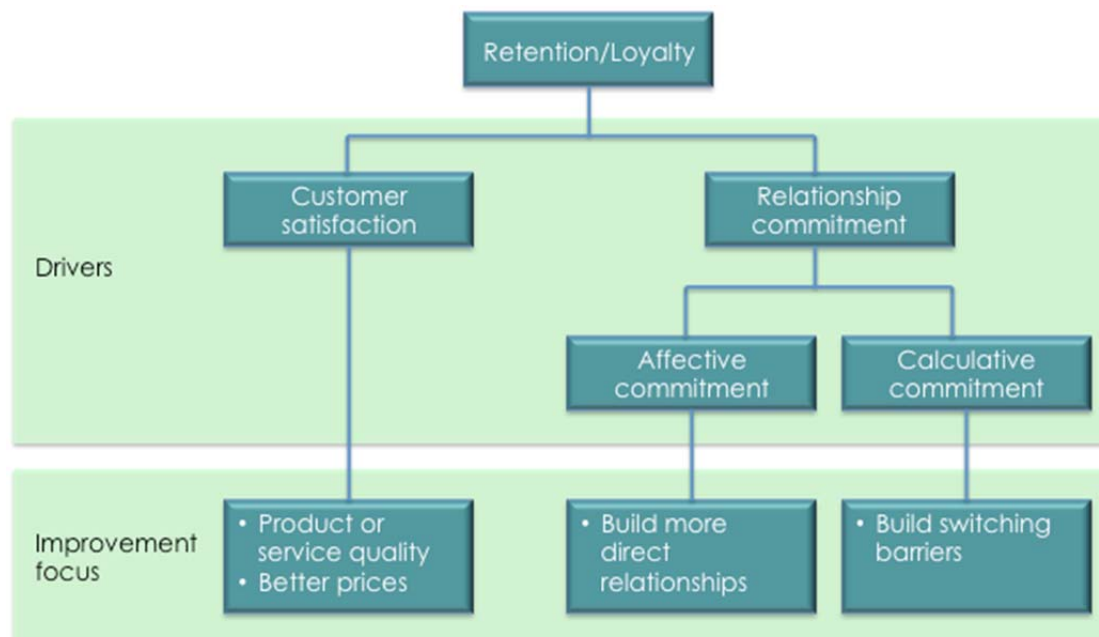


Figure 4 Demonstration of drivers of retention/loyalty and improvement focus to affect each driver. Compiled by the authors.

To lower Churn and increase retention there are different activities to pursue depending on what drives loyalty. If customer satisfaction is the driver there should be measures taken to improve product or service quality or offer a better price. If however relational commitment is the driver, focus should be spent on building more direct relationships to your customers or creating switching barriers (Gustavsson et al. 2005). Figure 4 demonstrates the drivers of loyalty and the improvement focus to affect each driver.

Menon & O'Connor (2007) argues that affective and calculative commitment are fundamentally linked. Since affective commitment is created and fostered during episodes of interpersonal interactions in the relationship between the customers and the firm it is not possible to have affective commitment without first ensuring some extent of calculative commitment. Therefore the presence of calculative commitment should be viewed as a platform on which to build affective commitment. Besides that calculative commitment is a prerequisite for affective commitment, it is also argued that the presence of affective commitment will increase customer calculative commitment (Menon & O'Connor, 2007).

Effective interpersonal interactions are driven by the assertiveness and affiliation that is demonstrated during the interactions in the relationship between the customers and the firm. Hence, to build affective commitment with the customers it is necessary to look at the interaction points (i.e. direct relationships). These interpersonal communication channels must therefore be the focus when trying to improve the affective commitment with customers (Menon & O'Connor, 2007).

Calculative commitment is created and driven by the customers' perception of high (contractual or financial) switching barriers, customer switching inertia or the lack of alternative choices on the market. Hence, it is the customers' inconvenience or difficulty to switch that makes calculative commitment occur and to manage calculative commitment a firm must build switching barriers (Menon & O'Connor, 2007).

When trying to improve Churn it is important to consider where the firm operates its business. For companies with an Internet based business the importance of switching barriers become even more evident and understanding the electronic environment surrounding the company is a vital. In contrast to other more traditional environments the Internet decrease switching barriers and there are foremost three reasons for this. First because of its transparent nature, which is further enhanced by customers' use of smart price agents (e.g. pricerunner.se, etc.), second, because of the absence of physical distance between customers, suppliers and competitors and third because of the lack of personal customer-firm relationships (Wirtz & Lihotzky, 2003).

Interaction with customers is limited to the firms owned media such as webpage and Facebook fan page. The lack of interpersonal interaction in web based businesses means that it is difficult to build an affective commitment in the relationship and develop emotional ties with a customer. Hence, building customer switching barriers becomes an even more important part of retention management when having an Internet based business. It is also apparent that improving customer retention is more difficult to achieve in an environment where there is great transparency and competitors is only a click away (Wirtz & Lihotzky, 2003).

There are five types of switching barriers that can be derived from an Internet based firm, as illustrated in Figure 5; transaction cost, learning cost, relationship costs, convenience costs, and artificial costs (or contractual costs). *Transaction costs* are the costs that arise from starting a new relationship with a firm and involve loss of financially quantifiable resources, such as onetime fees e.g. deposit or initiation fee. In addition, switching may involve replacement of co-assets (assets consumer have bought that is compatible with the specific product). *Learning costs* primarily involves expenses of time and effort. These costs occur when a customer needs to familiarise and create the same comfort and facility with the new e-store as with the old one. Once consumers become familiar with an e-store*, they might be unwilling to change to another, particularly if they have spent time and effort to customise the site to their specific requirements. According to Balabanis et al. (2004), online shoppers do

stick to the same e-store to save time and effort to avoid learning how to use a new site with new layout. *Relational costs* means if a customer feels emotional discomfort when switching to a new provider. This emotional discomfort can appear when a customer don't trust the provider or feel insecure when purchasing a product. Trust may be more important online than in physical stores as customers often have to pay in advance and there are uncertainties whether or when the product will be delivered. Furthermore, customers might feel insecure when providing personal and credit card information online. An effect of risk for Internet fraud* may be that customers have to rely on a small number of trusted providers. *Convenience barrier* are the costs associated to the customer's loss or lack of flexibility with alternative suppliers. For example if a customer has certain needs or are used to specific routines that other suppliers cannot or do not offer. *Artificial costs* are created through deliberate actions by the firm, such as loyalty programs and contractual barriers. Such actions create economic benefits for staying with a provider, as consumers may lose accumulated points, discount, or benefits that are not afforded to new customers. Hence, creating incentives for the customer to stay with the provider. Similar switching barriers can be created by contracts, when a customer signs a contract committing him-self to be liable for the company and buy from the firm for a period of time, e.g. contractually bound to the company until a predetermined date (Pei-Yu & Hitt, 2002) (Balabanis et al., 2004) (Burnham, 2003).

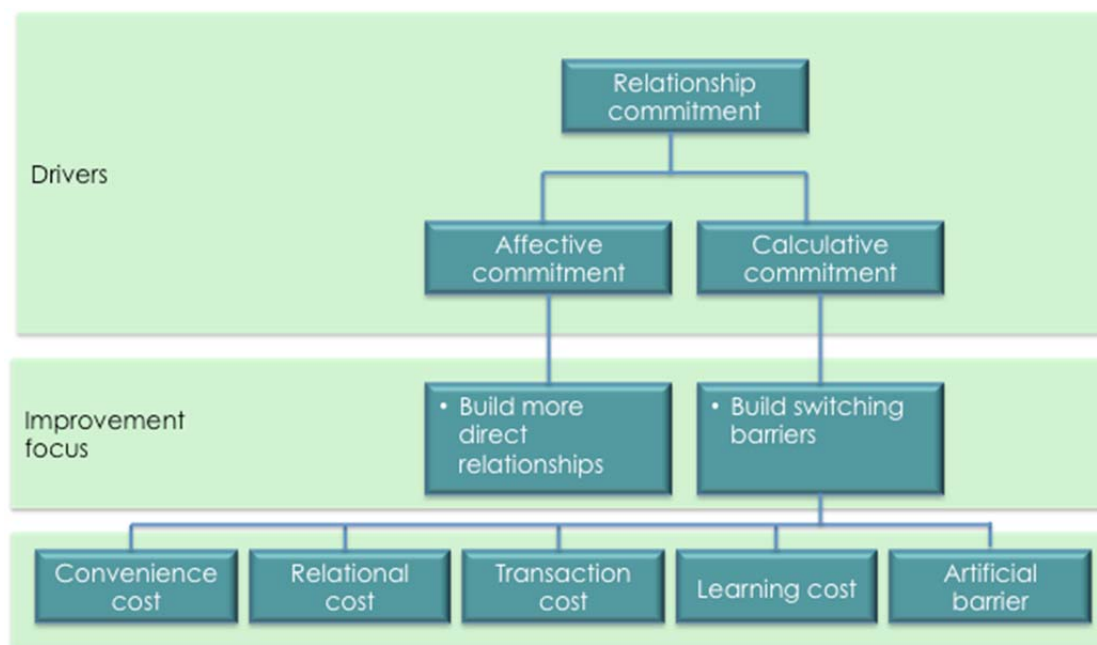


Figure 5 Demonstration of switching barriers to build calculative commitment

A loyalty program aims to encourage a customer to stay with a firm, through the offering of hard and soft benefits. Hard benefits are those that incur financial

* Find definition in Appendix I

costs to the firm, for example by offering merchandise, which help build credibility and customer attention. Soft benefits should try to build a sense of “special status” with the customer by offering special information and recognition. This leads to a deeper and more long-term loyalty compared to the hard benefits (Balabanis et al., 2004).

Implementing a loyalty program is a common way to encourage customers to come back and buy more. A successful loyalty program identifies, connects with and retains the best customers. According to Mosier (1999) there are three key elements of effective loyalty programs: personalization, emotional tie, and soft and hard benefits. Personalization means that the loyalty program should have a targeted message to the best customers that appeals to their specific needs. The customers must perceive a value of the reward and be something that they feel is useful in some way. With the right offer companies can acquire customers but that does not necessarily mean that the customers are loyal. If a better offer comes they might switch to another supplier if the company has not connected with the customer emotionally. Therefore, it is important to create an emotional tie to the customers by making rewards interactive, timely, and exclusive. (Mosier, 1999) Hard benefits are tangible economic rewards, while soft benefits represent the emotional and recognition aspect. Mosier (1999) argues that hard benefits attract customers to join a loyalty program, while soft benefits keep them there. Example of hard benefits can be an introduction discount, premiums for accumulated points, or reduced price for buying more products. Soft benefits, on the other hand, could be to provide a sense of exclusivity for the customer or send notice in advance for events or special promotions. The most successful loyalty programs balance these two types of benefits. (Harris, 2000) Implementing a loyalty program can be perceived as expensive for the company, however, as it is more expensive to acquire new customers than retaining existing ones, this investment has a short pay back time. (Mosier, 1999)

3.4. Financial performance and decision-making processes

Important financial information for a business is presented in the company's financial statement, which typically includes a balance sheet, income statement, and cash flow statement. These statements are important when determining the financial performance of a company as well as when making strategic decisions. (Hillier et al, 2010)

Another tool that is important for supporting decision-making processes is financial forecasting. It helps management track the company's financial performance; hence, it provides a base for decision-making processes as management can see the impact from a decision on the firm's future financial performance. (Whitfield, 2011)

The term revenue means income received from sales of goods or services over a specific period of time. Revenue can be found at the top of an income statement and revenue growth is a key performance indicator for investors and shareholders. (Whitfield, 2011) A subscription based business model generates recurring revenues as customers are contracted for a period of time. Besides reduced uncertainty as the supplier knows its customers, this also improves the predictability of the future revenue streams (Sundelin, 2008). The level of predictability can be further improved with financial forecasting that track recurring revenues. According to Swanson (2008), the best forecasts are based on a good understanding of historical trends combined with future scenarios derived from a detailed analysis of known factors that can affect revenues and costs.

Financial forecasting can predict the inflow of revenues over a specific period of time with respect to how many new customers the company acquires as well as how many existing customers that Churn (Saas Optics, 2012). The forecast provides a clear visibility of future revenues and hence clear picture of the business. Measuring recurring revenues gives a reflection of the state of the business and decisions can be made based on how to maximize the revenue growths and profits of the firm. It is possible to track annual recurring revenues; however, it is more suitable to track monthly since the numbers can change dramatically from month to month. (Cowan, 2012)

CAC and Churn, together with profit generated from a customer, will form a third metric relevant for measuring a company's financial performance, Customer lifetime value (CLV). CLV is the long-run profitability of a customer and is defined as the discounted cash flows from a customer over its relationship with a firm (Gupta & Zeithaml, 2004). In other words, to calculate the CLV it is necessary to project the net cash flows generated from a customer over time and then calculate the present value of those cash flows (Berger & Nasr, 1998). As seen in equation 1, the lifetime (1) of a customer is one over Churn resulting in the average months that a customer stays with the company. Then using the sum of all discounted profits from a customer and subtracting the CAC will result in CLV (2). (Berger & Nasr, 1998)

Equation 1 Formulas for the lifetime of a customer (LT) and customer lifetime value (CLV).

$$(1) \quad LT = \frac{1}{\text{Churn}}$$

$$(2) \quad CLV = \sum_{t=0}^{LT} \frac{\pi_t}{(1+i)^t} - CAC$$

Since CLV focuses on the long-term profits maximizing this metric will maximize the long-term profits and financial performance of the firm. Knowing what

profits your customers are generating will help better decision making about customer selection. In general different customers are generating different amount of profits to the firm and often the 80-20 rule is applicable (80% of a company's profits are generated by 20% of its customers) and furthermore that some customers destroy value. (Gupta & Zeithaml, 2004) Measuring CLV should be an important part of marketing investment decisions, such as budgeting a customer acquisition program and understanding how to maximize the metric will provide a better support for the allocation of marketing investments, as the company will understand which marketing activities to invest in. (Berger & Nasr, 1998)

3.5. Summary of theoretical findings

CAC and Churn can be improved by investing in marketing activities that can improve the drivers of the metrics. Figure 6 illustrates an overview of the drivers of respective metric as well as improvement focus for the drivers. Investing in marketing activities that affect the drivers in a positive way will improve CAC and Churn and hence CLV.

As CAC is a cost, lowering this will have a positive impact on the firm's profit and hence financial performance. Mapping out a company's marketing processes to see which marketing media channel that is most cost-efficient is a first step to improve CAC. Marketing media channels can be categorized as paid, owned, and earned media. Each media channel offers distinctive advantages, as they have varying cost efficiency, different target groups and can create different effects of branding or promotion. Online marketing targets customers that are in the buying process; hence, it targets customers that have high potential of purchasing a product. Furthermore, online marketing dramatically improves the chance that potential customers find the company's website as it enables a direct link between the advertisement and the buying place, which increases the likelihood for a purchase.

To lower Churn and increase retention building relational commitment is important. This could be done by building more direct relationships to customers (affective commitment) or creating switching barriers (calculative commitment). Creating switching barriers is an important part of retention management when having an Internet based business, as there is lack of interpersonal interaction in web-based businesses. It is therefore difficult to build an affective commitment in the relationship and develop emotional ties with a customer. There are five types of switching barriers that can be derived from an Internet based firm; transaction cost, learning cost, relationship costs, convenience costs, and artificial costs (or contractual costs).

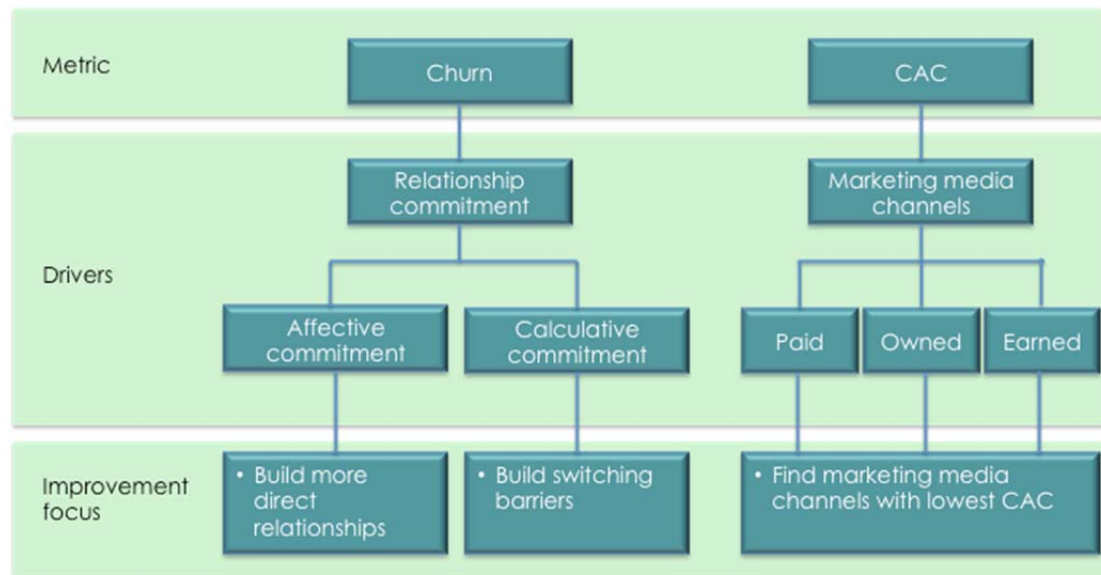


Figure 6 Illustration of the drivers of CAC and Churn, as well as improvement focus for the drivers.
Compiled by the authors.

Financial forecasting can support decision-making processes as it provides a clear picture of the company's revenue growth and profits as a result of a specific decision. Maximizing CLV can improve a firm's profit and as CLV is dependent on the customer metrics CAC and Churn, these metrics are critical to manage. Understanding how to maximize CLV will also support decision-making processes, as the company will understand which marketing activities to invest in, in order to improve CAC and Churn.

4. Empirics

This chapter of the report will present the empirical findings that are divided into separate sections for CAC, Churn and Recurring revenue model. The CAC section is introduced with a description of Matkasse AB's already performed marketing activities. This is followed by suggestions from a media planner expert at Media View of cost efficient marketing media channels. The Churn section presents the findings from the qualitative content analysis of the three largest PPGB companies as well as Matkasse AB. Then measures to retain customers are presented based on interviews with the e-commerce companies Members.com and Milkandhoney.se. The section about the Recurring revenue model presents how the model has been built followed by a section where the model is tested to show how it can support a company's marketing investment decisions.

4.1. CAC

The first part of this section will describe which marketing media channels that Matkasse AB already have used and the second part will present low cost marketing media channels in general and how these can be tracked and traced.

4.1.1. Matkasse AB

This section is based on an interview with Gustav Svensson, the founder and CEO of Matkasse AB, 130403.

So far, Matkasse AB has performed several marketing activities, mainly with the purpose of attracting new customers to the business but also to retain existing customers. They have used both paid, earned and owned media channels for fulfilling these two purposes.

For acquiring new customers following paid media channels have been utilized (marketing media channels are summarized in Figure 7):

*Direct mail marketing**: Svensson himself has posted promotional messages in customers' mailboxes and even given free grocery bags for customers to try. He have targeted streets where his current customers live, as neighbours might have heard of Matkasse AB and hence are interested in trying the bag. This marketing activity has more or less not generated any new customers.

Google advertising: Matkasse AB purchases the service search engine optimization* (SEO) from another company. Svensson believes that this is the main traffic source that generates most new customers. He further believes that be placed on top among search results generates more customers than advertising in the top bar or side bar, hence, it is a better marketing media

* Find definition in Appendix I

channel than Google AdWords (described in section 4.1.2.2. Google AdWords). Therefor, Matkasse AB only spends a small amount of money (around 100 SEK) per month on Google AdWords.

*Deal-of-the-day**: The most recent marketing activity Matkasse AB have performed is a Let's Deal campaign. Let's Deal offer deals of the day to consumers, where suppliers gives minimum 50% discount on their products. Matkasse AB offered 100 pre-packed grocery bags with dinner for 2 persons. The reason for the limited number of bags is that delivering too many bags during the same period can affect the quality of current customers' bags. The deal meant 50% discount of ordinary price. Of the remaining gross income Let's Deal charges 40 %. The deal sold out in 3h and 34 minutes. Svensson estimates that 5-6 customers will be definitive subscribers, however, this result will be more accurately estimated after four weeks when deadline for ordering has passed. He further argues that generating 15 new subscribers from the deal would be a good outcome.

Social media advertising: Matkasse AB does not spend much money on Facebook* advertising (note difference between Facebook advertising and Facebook fan page) as he believes that it does not generate any customers at all. However, he argues that it is a good channel for generating brand awareness.

For acquiring new customers following owned media channels have been utilized:

Social media: Matkasse AB utilized Facebook and Instagram* as marketing media channels for reaching out to customers as it provides viral spread*. They have a Facebook fan page where they display the menu for the coming week, including images, and announce the last day for ordering. After a week has past customers can vote for the best dish on the fan page. Furthermore, the Facebook fan page enables the possibility for Facebook users to "like"* and "share"* the fan page; as a result, the fan page will appear in the user's newsfeed and be visible to his/her friends. At the time of writing, there is a contest on their fan page encouraging customers to make their own pizza and take pictures to upload on Facebook. The picture with most "likes" wins a dinner cooked by Gustav Svensson worth 5000 SEK. The purpose with this contest is to increase the viral spread of Matkasse AB. Furthermore, Matkasse AB have an Intagram account, where they upload images of dishes, ingredients, events etc. Svensson believes that people have not understood Instagram well enough for it to have any effect.

* Find definition in Appendix I

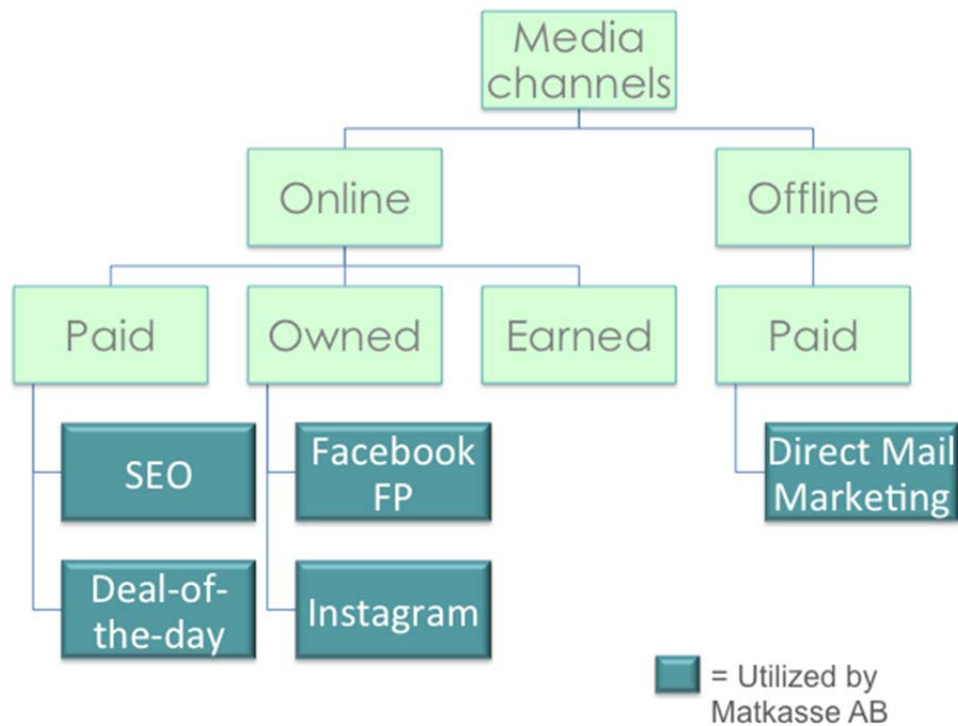


Figure 7 Marketing media channels utilized by Matkasse AB. Compiled by the authors.

Matkasse AB believes that earned media channels¹, such as word of mouth, have generated the majority of customers so far. As already mentioned, Matkasse AB has a Facebook fan page and this enables “share” and “like” features, which can be considered as earned media. Matkasse AB also offers discounts to customers generates another customer by recommending the product. Independent webpages rating pre-packed grocery bags show high scores for Matkasse AB compared to competitors; they are ranked as the best PPGB in Gothenburg at www.matkasse.se and www.matkasse.com.

Matkasse AB track their marketing with a Stats counter, a program for visitor analysis on the websites. They have also installed Google analytics but do not use it yet.

Matkasse AB define a good customer as a customer staying at least 16 weeks and purchase minimum 9 grocery bags. The critical point is when the customer buys their second bag, as that is when the customer decides if they want to continue or not. Overall, Svensson considers his customers being very loyal; nevertheless, they perform activities for keeping existing customers as well as winning Churners back.

Svensson keeps track of his best customers and sometimes visits them with a gift or sends a gift with their grocery bag. Furthermore, Matkasse AB has considered implementing a loyalty program, however, they believe that it is not appropriate until they reach a certain number of customers.

¹ Earned media channels are not illustrated in the picture, as it is difficult to categorize into specific media channels.

Customers that have paused their subscription receive an e-mail every week, including the coming menu, with the purpose to lure them to start subscribing again. For customers that have Churned, Matkasse AB calls or sends an e-mail offering the same offer as for new subscribers.

Matkasse AB mainly communicates with their customers via SMS. At delivery day, Matkasse AB sends SMSs about delivery time notifying which hour the bag will be delivered. They want to be able to send out these messages earlier to increase convenience for the customer.

4.1.2. Marketing activities with low CAC

This section is based on an interview with Anders Katz, 130410, except for "Deal-of-the-day", which is based on an interview with Teodor Abreu, 130502.

Recommended media channels are summarized in Figure 8.

4.1.2.1. Online marketing is most cost efficient

As Matkasse AB is in an early phase it is highly prioritized to increase their customer base. This objective can be achieved by marketing the company through different media channels, but as the financial resources are limited they need to find low cost media channels. According to Anders Katz, Campaign Planner at MediaView, the most cost efficient marketing options are online marketing, where you pay less than for traditional media, such as newspaper, television, direct mail marketing, etc. and reaching more customers. Furthermore, as all orders of pre packed grocery bags are placed online (e-commerce), Katz suggests that Internet is the place for advertising. There is a risk that a company markets is competitors when, for instance, placing an ad in a newspaper, since the potential customer might only perceive a message saying that the concept pre-packed grocery bags are attractive, but the company brand is ignored. It is easier to *capture* the persons exposed to the ad with an online ad as s/he can click on it in the exact moment it is exposed and then be directly linked to the website and the buying place. Katz believe that you can have higher control over marketing investments in online marketing as it is easy to monitor and track which media generated which visitor/potential customer. For a company as Matkasse AB, Anders Katz recommends two media channels to use for marketing, Google AdWords and online banner advertising, as these are both examples of *paid media* that are cost efficient and reach out to many potential customers.

4.1.2.2. Google AdWords

Google AdWords enables creation of own ads together with a *keyword portfolio* including key words and phrases that relates to the business. When a person "googles" on those specific words the ad will appear next to the search results.

According to Katz, this is a good alternative since the majority of people nowadays know about the concept pre-packed grocery bags so it is not necessary to market the product concept, however, a company with this product need to create brand awareness so potential customers choose that specific supplier over another. The marketing company also has the possibility to create an ad with a specific campaign or something else they want to communicate. It is further beneficial since it actually targets persons that have actively done research on Google about the specific product and are most likely considering being a customer, which increases the chance for turning a visitor into a customer. When using Google AdWords one can control the ad so it targets a specific customer, by choosing keywords, region, time for exposing the ad (days and hours), etc.

For a Google Ad companies pay per click, meaning paying a specific amount each time a visitor clicks on the add. Google AdWords can be expensive for a company in the pre-packed grocery industry since the words related to the business are competitive keywords and will therefor cost more to include in the portfolio. However, they could choose words that are more related to the uniqueness of the company, for instance sauces for Matkasse AB, which might be cheaper but still reaches potential customers to the business. The marketing company can decide exactly how much they want to pay each month, i.e. maximum clicks, and how the amount should be distributed over days. Anders Katz, estimates that it will cost about 20 000 SEK per month for Google AdWords to get a fair share of clicks and exposure as well as attractive keywords.

4.1.2.3. Online banner advertising

The meaning of the second media channel, online banner advertising, is self-explanatory. Basically there are two ways to buy an online banner ad. One way is to directly contact a company, e.g. a newspaper, and request advertising space on their webpage. The most attractive ones have a lot of visitors on their webpage and can therefor charge an expensive price for the ad. The other alternative is to utilize a so called advertising network (annons nätverk), where the marketing company can buy unsold advertising space from publishers, such as Aftonbladet, Göteborgs-Posten etc., in the network for a cheaper price. As for Google AdWords it is possible to choose where and when the banner should be exposed, however, it cannot be controlled on which website it will appear.

Utilizing an advertising network is, as already mentioned a cheaper alternative than buying advertising space from a specific publisher. The company pay for number of exposures of the ad, using a metric called “cost per mille”, meaning the cost of thousand exposures. The CPM for a banner is normally within the range 20 – 100 SEK.

Banner advertising also enables a feature called retargeting*, meaning that the ad is exposed to previous visitors. When a person visits a company's webpage, do some research, and then leave the site, this person's computer ID will be registered and remembered. Later if this same person visits a webpage within the advertising network s/he will be exposed to an ad from the owner of the first webpage. The intention is that this person will be reminded of the company and its product and return to the webpage and purchase the product. This is very effective marketing since the company knows that the targeted customer has previously visited its webpage, hence, done research about the products but without placing an order. As the customer is retargeted they will get a reminder of buying the product. Retargeting is cheaper than advertising on specific publishers' websites; however, it is not possible to have full control over where the ad will be exposed. Even if lacking control of the advertising space the company will know that the ad will target a customer that is interested in its product as s/he has visited the website before. Retargeting costs around 10 to 20 SEK per exposure.

Anders Katz recommends a combination of Google AdWords and banner advertising with retargeting. Then the company can get customer to visit your webpage with AdWords and then retarget them via the advertising network.

4.1.2.4. Facebook

In addition to AdWords and banners, Facebook is a cost efficient media channel, which could be argued is a mixture of the two. In a Facebook ad even more parameters than for a Google ad can be set along with what is desired to achieve with the ad; for instance, where the person live, age, interests. The Facebook features "like" and "share"* reveals a lot of information about the users interest, which is great information for marketing decisions. As for Google AdWords the company pay per click for a Facebook ad. It is also possible to pay extra for exposing a "status update" in specific customers' news feed, even if they have not chosen to follow the specific page. For instance, the company can write something about a product or offer in their status field and then pay for this status to appear in specific person's news feed. Companies can also create a Facebook fan page, which is categorized as *owned media*, where they can update their fans with information. This is also beneficial because it enables fans to "like" or "share" information from the page, which results in exposure to friends of the fan. This type of *earned marketing* is very effective marketing as words from a friend is more relevant and reliable than an ad and it is provided to no cost.

* Find definition in Appendix I

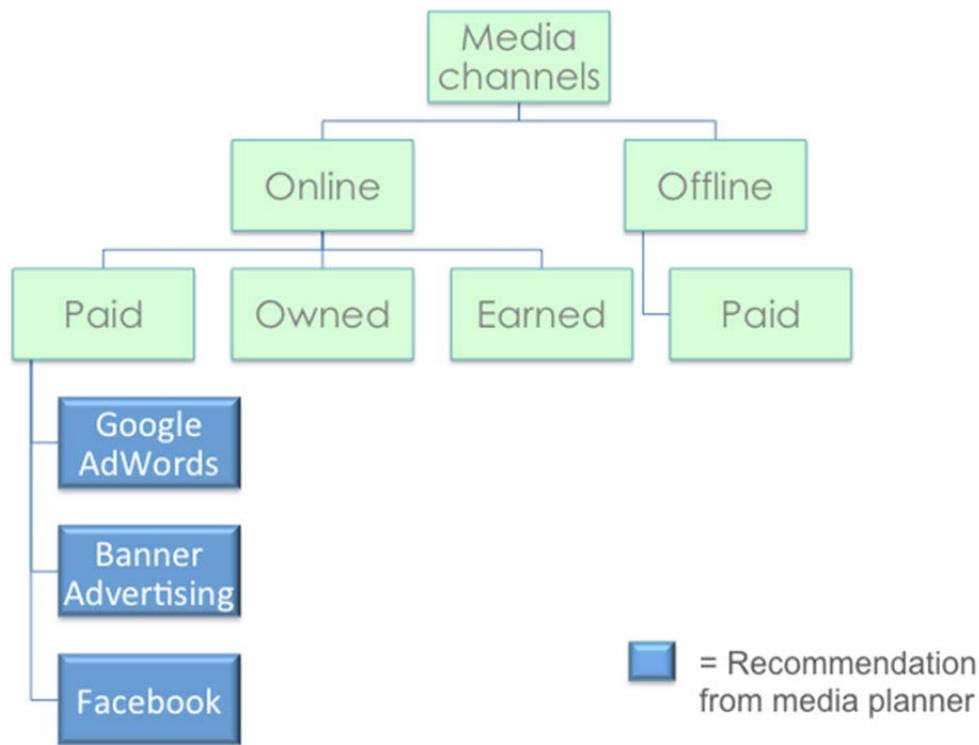


Figure 8 Recommendation of marketing media channels suitable for Matkasse AB. Compiled by the authors.

4.1.2.5. Effectiveness of the marketing media channels

It is difficult to measure the effectiveness of a marketing media channel, which is important when comparing them with each other. Media agencies use a metric called Click Free Rate* (CFR), which measures the proportion of people exposed to the ad that clicks on the ad. For Google AdWords the CFR is usually 3-5 %, while banners only have a CFR of 0,5%. The main reason for this is that banners are placed next to other interesting media such as news, videos, etc. However, a banner is exposed more frequently to a lower price so even if the CFR is low many people have probably seen the ad, which is important for building brand awareness. One could argue that Google AdWords generate more Internet traffic to the website, while banners increase brand awareness. The two medias also differ in which potential customers they target. A Google ad targets a person whom you are aware have actively has done research on a specific product/service by searching on specific keywords. This enhances the change of getting the potential customer to visit the company's website and hopefully purchase a product. Using banner advertising it is impossible to know how far a person, the ad is exposed to, is in the buying process. Facebook allows for huge amount of exposure, possibly even more targeted marketing than Google AdWords and to a lower price; this is mainly because the ad can be customize to a very specific target group and hence avoid irrelevant customers. With that said,

* Find definition in Appendix I

Google AdWords and Facebook provides a more accurate targeting, while banners increase brand awareness and with retargeting can remind potential customers to visit the website and find out about e.g. current deals.

4.1.2.6. Track and trace media channels

Online media is to track and trace, which is something Katz highly recommends that companies do. Understanding which media that generates the most new customers or visitors to the website enables optimized allocation of marketing expenses. For instance, let say that spending 10000 SEK on Facebook and 10000 SEK on Google AdWords one month results in 100 new visitors traced to derive from Facebook while only 10 new comes from the Google AdWords. Shifting part of the Google AdWords budget to Facebook advertising then should optimize the distribution of marketing allocation.

Google Analytics is Google's own statistical program that generates detailed statistics about a website's traffic and traffic sources, and measures conversations and sales. The program provides reports showing how visitor use the site, how they arrived (from what source), which part of the site are performing well, which parts are most popular, and so on. Together all this information will provide a very solid decision-base for marketing strategies, e.g. allocation of expenses, customization of marketing campaigns, improvement of advertise performance, etc. Furthermore, Google Analytics provides Return on Investment (ROI) analysis showing how much profit you have made from marketing compare to marketing expenses related to the marketing campaign. (Google Analytics, 2013)

4.1.2.7. Deal-of-the-day

According to Abreu, previous employee atgroupon.com, it is important to emphasize thatgroupon.com is not a sales channel; it is a marketing media channel. Their business model works as following: the marketing company offers their product to consumers with a discount (groupon.com have a minimum discount level of 60%). Of the remaining gross incomegroupon.com, or other site, charges a specific percentage (groupon.com charges 50%) for utilizing their marketing media channel. In the end such deal does not generate much income, Abreu argues. However, marketing ongroupon.com is a good way to get customers to try the product. It is remarkable that deal-of-the-day does not enables targeting a specific customer

4.2. Churn

The first four parts of this section ("Linaskasse", "Middagsfrid", "Mathem.se", "Matkasse AB") will provide the information collected from the qualitative content analysis of virtual documents. Results from the analysis are summarized in Table 1 and pictures of the findings can be found in Appendix II. The final two

parts of this section (“Members.com”, “Milkandhoney.se”) presents how two e-commerce companies strive to increase loyalty with their customers.

4.2.1. Linas matkasse

Linas matkasse started in 2008 and their turnover 2011 was 312 million SEK, which makes them the largest PPGB company in Sweden. The grocery bags can be delivered throughout Sweden. Linas matkasse offers three products; original, inspirational, and child friendly grocery bag and some add-on products like fruit bag and snack bags. The price per portion ranges between 39–48 SEK. Three words that best describe the concept: tasty, healthy and quick.

4.2.1.1. Main page

On the front page of Linas Matkasse’s website visitors find five tabs in the top menu “About us”, “About the bags”, “Order”, “Contact us” and the final tab “Log in” is for present customers, where they can find personal information regarding their subscription of “Linas Matkasse”. In the middle of the page there is a banner, which states that Linas matkasse is the most sold PPGB in Sweden (Appendix II – 1).

4.2.1.2. Membership & subscription terms

When a customer is registered a subscription has started, which means that the new customer have to terminate the subscription him-self if s/he wishes. After having registered the “Log in” page are available. Linas Matkasse requires 8 days notice in advance for booking or cancellation of an order (Appendix II – 2).

4.2.1.3. Delivery

They deliver the bag each other week on Mondays or Sundays, depending on where you live, between 17.00-22.00. Residents in Stockholm, Gothenburg, and Malmö have the option to receive the bag every week. Customers cannot choose if they want deliveries even or odd week due to logistical issues. Furthermore, Linas Matkasse does not offer the possibility for customers to pick up their bag themselves (Appendix II – 3).

4.2.1.4. The menu

The menu and recipes are sent together with the food bag, but can also be found online, for registered customers only, 4-5 days before delivery. A customer can only see the recipes from their previous orders, not from all grocery bags. For potential customers that want to try a Linas matkasse recipe, examples of recipes can be found online (Appendix II - 4).

4.2.1.5. Contact

Contact channels to Linas Matkasse are phone and email. Their customer service is open during office hours with extended opening hours until 22.00 on delivery days Sundays and Mondays (Appendix II – 5).

4.2.1.6. Member's page/club

Becoming a subscriber of Linas matkasse you are automatically a member of their customer club "Klubb Lina". Customers collect points for every order they make and extra points if they recommend to someone who becomes a subscriber. The accumulated points can then be converted in to premiums, e.g. kitchen equipment, hotel nights, magazine subscriptions, etc. The original bag is worth 10 points and the first premium starts at 20 points. Recommendations generating a new customer generate 30 points. The validity of the points is two years. Customers buying more than 16 bags a year becomes a premium customer, a so-called "Topp kund". This gives the customers additional benefits, such as initial 20 points, menus with recipes from all grocery bags, special deals on selected products and a free membership of "Linas Kom I Form" (Appendix II – 6).

As a member of "Klubb Lina" you can also join "Linas Kom i form" where customers get access to videos with instructions for different gym sessions for improving strength and cardio (Appendix II – 7).

Members also have an opportunity to pay more for the bags and "extra" money will contribute to Linas matkasse's project of giving food to poor families in Kenya (Appendix II – 8).

Linas Matkasse furthermore provides a mobile software application* (here by referred to as an App**) for subscribers. There you can find recipes to ordered grocery bags and nutritional content of the dishes. Furthermore, the accumulated points in Klubb Lina are showed in the app and a feature where customers can "check in" on Facebook when receiving a bag. This means that a message will appear on the customers Facebook page and hence be displayed to friends of the customers. This feature can generate more point to the Klubb Lina account, as each share is worth 1 point.

4.2.2. Middagsfrid

Middagsfrid was first to enter the PPGB industry in the summer of 2007. 2011 they had a turnover of 85 MSEK. Their distribution reaches most of Sweden and the business has also expanded to Norway, Denmark, Germany and Belgium. They offer four main PPGB's one large (4 persons for 5 days), one medium (4 persons for 3 days), one small (2 persons for 4 days) and one children friendly alternative (2 persons for four days). Aside from these offering there are add-on products such as a breakfast bag and snacks. The average price per portion of

* Find definition in Appendix I

*

food is between 45 and 72 SEK. Three words that best describe the concept: tasty, healthy and quality.

4.2.2.1. Main page

The first page when entering Middagsfrid's website shows five main categories of navigation all connected to the PPGB service "How it works", "The bags", "Menu", "About us" and "Order". Through these tabs one could find information about their concept, how and where deliveries are made and order the products online. Certification in safe e-commerce (Trygg E-handel), which is a certificate from third party and "Best-in-test" awards that they have won are presented on the top of the page along with links to visit their social media (Appendix II – 9).

Clicking on the link "About us" reveals information about the company and presents different prices and nominations that Middagsfrid has received during the years (Appendix II – 10).

4.2.2.2. Membership & subscription terms

There is no binding time when entering into a subscription and to pause or end the subscription one must notify the customer support nine days in advance (Appendix II – 11).

4.2.2.3. Delivery

Deliveries these can be done Sunday and Monday between 17-22 in Gothenburg and Stockholm, and the smaller cities only have Monday between 17-22. No other deliveries are possible (Appendix II – 12).

4.2.2.4. Menu

Their recipes and menu's are publicly available on the website for 3 weeks in advance. Old recipes are also displayed for non-members as well. All recipes are printed with pictures and instructions that come along with the bag (Appendix – 13).

4.2.2.5. Contact

Customer services are available on the telephone, chat and email and open during regular office hours. The ambition is to answer all emails from customers within 24 hours sorts of questions are welcome (Appendix – 14).

4.2.2.6. Member's page/club

When entering into a subscription one gets access to a member's page. From here it is possible log in and manage the account, choose delivery times and pause or terminate the subscription. All recipes are also available from this page.

4.2.3. Mathem.se

Mathem.se was started 2009 as an online grocery store and later came to offer PPGB's the following year. In 2012 they had a turnover of 65 MSEK. Their

distribution range includes Stockholm, Uppsala, Gothenburg, Helsingborg, Lund and Malmö. They offer a range of four different products (all for four persons), one original bag for 3 or 5 days and one ecological bag for 3 or 5 days. Aside from this they offer all products that are available in a regular grocery store. The average price per portion of food is between 38 and 57 SEK. Three words that best describe the concept: healthy, quick and easy.

4.2.3.1. Main page

On the first page when reaching mathem.se the information is related to the general grocery store that they operate. Clicking on “Matkasse” gives the first information about their PPGB offerings. Displayed in the up-right corner there is certification for safe e-commerce (clicking on the icon for safe e-commerce displays the whole certificate from third party) and a reward of “Best food site 2012” from Internetworld. Also customer reviews are displayed in the first view (Appendix II – 15).

4.2.3.2. Membership & subscription terms

Ordering a product can be done both by phone and online. The order will automatically start a subscription at mathem.se with PPGBs being delivered every week. A subscription with mathem.se can be terminated or paused at any time, but this must be done eight days before delivery by logging in to “My site” (Appendix II – 16).

4.2.3.3. Delivery

Deliveries are available from Monday to Friday 12.00-22.00 and the customer can choose which hour between these times that they want their products delivered (Appendix II – 17).

4.2.3.4. The menu

Menu's and recipes are available and displayed on the webpage for non-members as well. All recipes are printed with pictures and instructions that come along with the bag (Appendix II – 18).

4.2.3.5. Contact

Mathem.se provides two different direct phone numbers, one to order and the other to reach customer services. The opening hours are Monday to Friday 08.00-22.00 and 12.00-22.00 on Sundays (Appendix II – 19).

4.2.3.6. Member's page/club

When ordering from mathem.se you create an account that one could manage through “My site” (Min sida). On this member page it is possible to look at current orders, create shopping lists and administer different account settings. There is also a bonus system connected to “My site” where the customer receives one point for each krona that they spend. Collecting 2500 points will result in a

bonus check of 25 SEK that only can be spent buying products on the website (Appendix II – 20).

Through My site it is possible to buy delivery checks, which enables free deliveries for a time period of either three or six months. The checks also have three different denominations base, silver and gold where silver and base checks are restricted to certain delivery times and gold checks are not (Appendix II – 21).

The services that mathem.se offers are also available in their free of charge mobile App, which is accessible for both Android and iPhone. In the app it is possible to both pay and order PPGB's and access information that is stored in My site (Appendix II – 22).

4.2.4. Matkasse AB

Matkasse AB was started in 2010 by the chef Gustav Svensson and 2012 they had a turnover of 1,3 MSEK. They can deliver in the Gothenburg area and most of its suburbs. The products offered are one original bag and one that is free from gluten. Both can be ordered for either two or four persons for four days a week. Aside from these products it is also possible to order a snack bag. The price per portion is between 55-73 SEK. Their niche is to provide pre-cooked sauces that the chef has prepared himself. Three words that best describe the concept: nutritious, quality and easy.

4.2.4.1. Main page

There are eight tabs presented on the main page "Home", "About Matkasse AB", "About the bags", "Order", "Delivery", "Contact us" and "My pages" where the customer can log in to the member page. In the top section of the page there are links to their fan pages in social media. There is also information about why the customers choose their PPGB according to a customer survey by Intermetra, 2013 (Appendix II – 23).

4.2.4.2. Membership & subscription terms

When ordering a PPGB it is possible to choose whether to buy one PPGB or enter into a subscription. The subscriptions can either be every week or every other week. There is no binging time in the agreements, but to end or pause your subscription this must be made 5 days in advance on the member's page (Appendix II – 24).

4.2.4.3. Delivery

Deliveries are made on Mondays and can be delivered to workplaces during 14.00 to 16.00 and at home 16.00-22.00 (Appendix II – 25).

4.2.4.4. The menu

Menu's and recipes for the PPGB's that are still offered for order are available on the homepage. More recipes can be found on the member's page. All recipes are printed with pictures and instructions that come along with the bag (Appendix II – 26).

4.2.4.5. Contact

The company can be contacted by phone during office hours and otherwise on email (Appendix II – 27).

4.2.4.6. Member's page/club

When entering into a subscription with Matkasse AB one gets access to a member's page where there is additional information about the products each week. The old recipes are also available and pictures of the food that has been ordered previous weeks. It is from this page that the customers can pause or end their subscription (Appendix II – 28).

Table 1 Overview of results from qualitative content analysis of virtual documents.

Feature Company	Main page	Membership & subscription terms	Delivery	The menu	Contact	Member's page/club
Linäs Matkasse	<ul style="list-style-type: none">• Display tabs for navigation on the website	<ul style="list-style-type: none">• Registration = Subscription• 8 days notice for cancellation	<ul style="list-style-type: none">• Sunday or Monday 17.00-22.00	<ul style="list-style-type: none">• Menus are sent with PPGB.• Found on the website 5 days in advance for customers	<ul style="list-style-type: none">• Phone and e-mail during office hours.• Extended opening hours on delivery days.	<ul style="list-style-type: none">• "Klubb Lina". - Receive point for every order to convert into premiums.
Middagsfrid	<ul style="list-style-type: none">• Display tabs for navigation on the website	<ul style="list-style-type: none">• Registration = Subscription• 9 days notice for cancellation	<ul style="list-style-type: none">• Sunday or Monday 17.00-22.00	<ul style="list-style-type: none">• Menus are sent with PPGB.• Publicly available on website 3 w in advance	<ul style="list-style-type: none">• Phone, chat, e-mail. Open regular office hours.	<ul style="list-style-type: none">• Member's page where account can be managed.
Mathem.se	<ul style="list-style-type: none">• The grocery store.• "Matkasse"-button is linked to information about PPGB.• Certificates & rewards.	<ul style="list-style-type: none">• Registration = Subscription• 8 days notice for cancellation.• Order online or phone	<ul style="list-style-type: none">• Monday to Friday 12.00-22.00• Customers can specify hour.	<ul style="list-style-type: none">• Menus are sent with the PPGB• Publicly available on website.	<ul style="list-style-type: none">• Phone. 8.00-22.00 (Sundays 12.00-22.00)	<ul style="list-style-type: none">• Member's page where account can be managed.
Matkasse AB	<ul style="list-style-type: none">• Display tabs for navigation on the website.• Excerpt from survey.	<ul style="list-style-type: none">• Option: one-time purchase or subscription.• 5 days notice for cancellation.	<ul style="list-style-type: none">• Monday 14.00-16.00 (workplace) 16.00-22.00 (home)	<ul style="list-style-type: none">• Menus are sent with the PPGB.• Publicly available on homepage.	<ul style="list-style-type: none">• Phone during office hours.• E-mail.	<ul style="list-style-type: none">• Member's page where account can be managed.

4.2.5. Members.com

This section is based on an interview with Albin Johansson, 130416.

Members.com is an e-commerce company that sells clothes and accessories through campaigns with 30-80% discount. They differs from other retailers on the market because they run a closed website. Closed in the sense that the customer needs to apply for membership before they can view the content and

start shopping. This is done to create an exclusive feeling with their customers and make them feel chosen (Johansson, 2013-05).

Johansson states that on members.com they continuously work on building recognition and awareness with their customers by selling well-known brands to discounted prices. This will create a viral spread that is very important. When the site delivers meaningful content it creates value to the customer and s/he will spread that information to their friends. Sending out emails to our customers where a well-known brand is marketed at a discount also creates viral spread. Even though many of the receivers will not care about that particular brand this will send a message to the customer that members.com sells premium brands to discounted prices and it will be valuable to keep visiting the website and receive emails to be offered more discounts (Johansson, 2013-05).

The barrier between offline shopping and online shopping is definitely smaller today. Customers feel more secure shopping online than before. It is important to stay in contact with your customers and remind them of the new campaigns and products. Members.com also use blogs* to create value for their customers make them return to the website. It can be difficult to create this value but when it succeeds it is very effective. The customers will return to the website to read the blogs and are at the same time exposed to the campaigns. The bloggers write about the products and give fashion tips but they also write about other things like traveling. The aim is to create an experience on the website, where the customer visits the website for more than just shopping. This will result in an experience that creates more value than just shopping online it creates closeness to the customer that otherwise is difficult to achieve on the Internet. Johansson further states that there is another website that is particularly successful at this where the CEO writes a blog and send personalized emails to the members. This gives a more personal experience and provides the customer with a face that represents the website and creates trust (Johansson, 2013-05).

It is important to be a part of fashion and this is done through the blogs but also social media and more specifically the Facebook fan page and Instagram. Johansson states that members.com are very active on their Facebook fan page where they almost have 30 000 likes. Here they communicate with their customers through campaigns, styling tips, inspiration and discounts (Johansson, 2013-05).

Inactive customers receive emails that remind them of members.com, which also contains special discounts. Other times the emails are more personalized and

* Find definition in Appendix I

states what the customer have bought before and highlights similar products that are on campaign at the moment (Johansson, 2013-05).

4.2.6. Milkandhoney.se

This section is based on an interview with Max Svärdh, 130419.

Milk and Honey is a Gothenburg based business that sells clothes and accessories. They started in 2006 with both a physical store and an Internet based store.

When buying a product from the e-store the customers create an account and become members in their customer club. The customer can also be offered a membership if they have visited the site for more than 6 times. When being a member one can log on to the member site and view your orders and get special information that is not shared on the regular website. This also presents a special interface that is more structured and adapted to the profile.

The members receive emails two times a week where campaigns and discounts are offered. This is to create a sense of exclusivity for the customer since no one else gets the same offers. The emails can also include invitations to events in the physical store where food, mingle and discounted shopping are combined. The number of campaigns and discounts are limited, because otherwise the customer's sense of exclusivity in the membership is ruined. The emails also work as a reminder of the brand and the store to create awareness with the customers. Facebook is also a good communication channel for building awareness as well as closer relationships with the customers and less effective for sales.

Milkandhoney.se have also arranged contest for their members where they are asked to write a short motivation to why they are the best customers. This has received good response and activates the customer to interact.

4.3. Recurring revenue model to support decision-making processes

The purpose with the recurring revenue forecast are three folded. First it provides a clear picture of the revenue growth in the coming three years. Second the model enables a good understanding of how CLV are affected if CAC and/or Churn change. This in turn helps management understand how to allocate marketing investment to maximize CLV. (Carson, 130311)

The recurring revenue model incorporate actual historical data and, based on that data, assumptions are made to forecast future scenarios. The model is linked to the three financial statements: income statement, balance sheet, and cash flow statement. Actual revenues are derived from the income statement and the forecasted revenues in the RRM are input data to the forecasted income statement. Same logic is applied to the number of customers/orders and the

marketing expenses. The RRM is made on a weekly level to give as accurate forecast as possible. (Carson, 130311)

Different parameters serve as drivers for the actual and forecasting part. As seen in Appendix III -1, actual input data are number of new customers, marketing expenses and actual Churners. These input data generates the CAC, Churn rate (%), and the total number of customers. However, as seen in Appendix III – 2, in the forecasting part CAC and Churn rate (%) are the drivers generating number of new customers, actual Churners, and the total number of customers. Marketing expenses is a driver in the forecast as well as this is the steering parameter that management will adjust based on their strategic decisions. (Carson, 130311)

As already mentioned, drivers of actuals generates CAC and Churn rate (%). CAC is calculated as marketing expenses divided by number of new customers. Churn rate (%) is calculated as actual number of Churners divided by the average number of total customers during the last four weeks (including the current week). In the forecast these two parameters are drivers and based on historical data or expected values due to changed circumstances. The output data in the forecasting part are number of new customers and actual Churners. Numbers of new customers are calculated as the marketing expenses divided by CAC. Actual Churner is calculated as the Churn rate multiplied by total number of customers. (Carson, 130311)

Average revenue per user is also included calculated as the total revenue divided by total number of customers, to see how this is affected when generating different type of customers. (Carson, 130311)

Finally, customer lifetime value (CLV) is the key metric for the firm's financial performance. CLV is calculated as the discounted sum of the profits from one customer during the customer's lifetime minus the CAC for that customer. The lifetime of a customer is 1 divided by the Churn rate. The discount rate* is based on a yearly rate of 5 %, which corresponds to a bank rate at a stable account. Input data for CAC, Churn rate and discount rate could be varied to see the result of customer lifetime value. This feature enables the company to see the result from different scenarios and hence make investment decisions in accordance with their marketing strategy. (Carson, 130311)

4.3.1. Testing the Recurring Revenue Model: An example of Chef & Friend

To demonstrate the functions of the recurring revenue model a fictional company called Chef & Friend is presented in this section of the report. Five

* Find definition in Appendix I

scenarios will be demonstrated where CAC and Churn are altered to demonstrate how CLV is affected. *Scenario 1*, with no alterations of the metrics, *Scenario 2*, with a CAC decrease of 10 %, *Scenario 3*, with a Churn decrease of 10 %, *Scenario 4*, with a CAC decrease of 20 % and *Scenario 5*, with a Churn decrease of 20 %. These scenarios will hopefully bring understanding to how CAC and Churn relate to each other, how they relate to CLV and how this model can be used as a tool for evaluating marketing decisions. The different alterations of the metrics will affect CLV in different ways and hence provide the user of the model with information about the profitability, in terms of CLV, in each decision.

Chef & Friend is a subscription-based business selling pre-packed grocery bags in Gothenburg. The company offers a four-person bag for the price of 700 SEK. Chef & Friend aim to improve the firm's financial performance by maximizing CLV. They have a weekly marketing budget of 10000 SEK and needs to understand how they should allocate this budget to achieve these objectives.

The recurring revenue model provides a two years forecast. It is assumed that the marketing budget remains unchanged over the two years, as well as the Churn rate and CAC becomes fixed after the metrics are improved to a desired rate. The yearly discount rate is set at 5%, hence, a weekly discount rate of 0,09 %. As the aim for Chef & Friend is to improve the financial performance of the firm, the key metric is CLV.

Scenario 1 (No alterations): Chef & Friend currently have 200 customers. They have a Churn rate of 5 % and utilize direct mail marketing media channels with a CAC of 500 SEK. Testing these data from Chef & Friend's current situation in the recurring revenue model gives following result:

Table 2 Results from Scenario 1.

Metric	Result
CAC	500 SEK
Churn	5 %
CLV	702 SEK

In their current situation CLV is measured to be 702 SEK, as displayed in Table 1.

Scenario 2 (CAC decrease 10%): Chef & Friend have decided to use the online media channel Google AdWords instead of direct mail marketing and have estimated the CAC for this channel to be 450 SEK (decreasing 10%). Churn rate of 5 % is still remained. Testing these new data from Chef & Friend's in the recurring revenue model gives following result:

Table 3 Results from Scenario 2.

Metric	Result	Change*
CAC	450 SEK	-10%
Churn	5 %	0%
CLV	822 SEK	17%

By decreasing CAC with 10%, CLV is forecasted to be 822 SEK, which is a 17 % increase from Scenario 1, as displayed in Table 2.

Scenario 3 (Churn decrease 10%): The marketing manager of Chef & Friend argues that instead of spending time and effort to change media channel from direct mail marketing, the marketing budget should be invested in decreasing the Churn rate. The marketing manager use the recurring revenue model to see potential results from decreasing Churn to 4,5% (decreasing 10%) and remain CAC at 500 SEK.

Table 4 Results from Scenario 3.

Metric	Result	Change*
CAC	500 SEK	0%
Churn	4,5 %	-10%
CLV	898 SEK	28%

By decreasing Churn with 10%, CLV is forecasted to be 898 SEK, which is a 28 % increase from Scenario 1, as displayed in Table 3.

Scenario 4 (CAC decrease 20%): The marketing manager decides to complement Google AdWords with online banner advertising and retargeting. This would probably decrease CAC even more. To do this, all marketing investments will be allocated to decreasing CAC; hence, Churn will remain at 5%. The new CAC is estimated to be 400 SEK (decreasing 20%). Following results are achieved when testing the data in the recurring revenue model:

Table 5 Results from Scenario 4.

Metric	Result	Change*
CAC	400 SEK	-20%
Churn	5 %	0%
CLV	956 SEK	36%

By decreasing CAC with 20%, CLV is forecasted to be 956 SEK, which is a 36 % increase from Scenario 1, as displayed in Table 4.

Scenario 5 (Churn decrease 20%): As the marketing manager notice that decreasing Churn rate have more impact on CLV than CAC, he decides to try a final scenario where he only allocates the marketing budget to decreasing Churn,

with the purpose to have a Churn rate of 4% (decreasing 20%). Following results are achieved when testing the data in the recurring revenue model:

Table 6 Results from Scenario 5.

Metric	Result	Change*
CAC	500 SEK	0%
Churn	4 %	-20%
CLV	1186 SEK	69%

By decreasing Churn with 20 %, CLV is forecasted to be 1186 SEK, which is a 69% increase from Scenario 1, as displayed in Table 5.

To get a clear view of how CLV is affected of different marketing decisions, the marketing manager compares the result from the scenario 2, 3, 4, and 5 in a graph (see Figure 9).

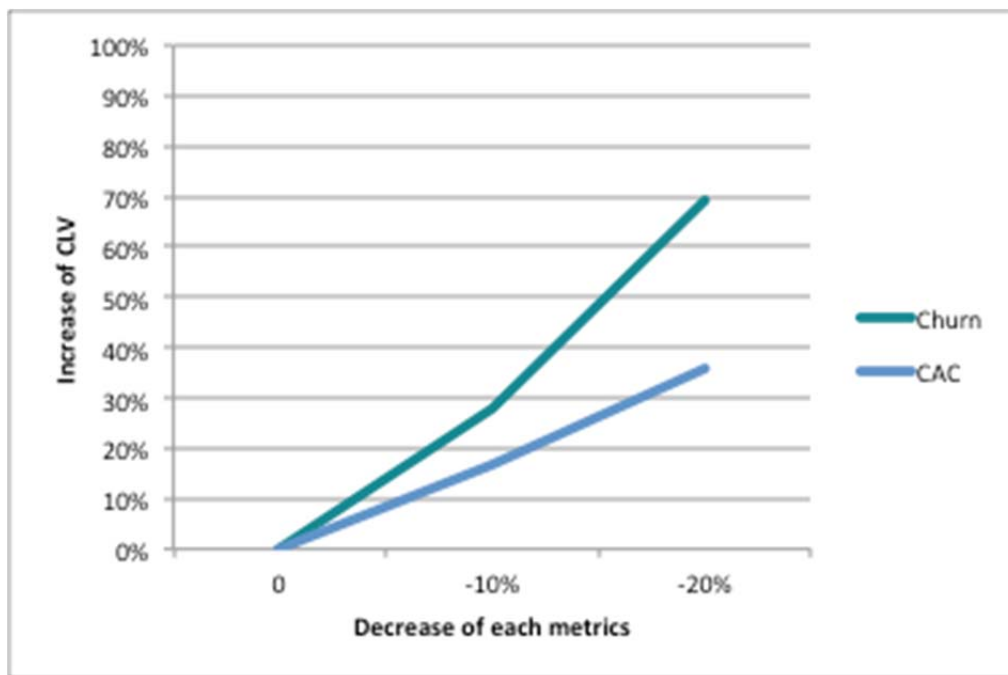


Figure 9 The graph demonstrates the effect on CLV when CAC and Churn decrease.

* This column presents the percentage change, of the metrics, based on Scenario 1.

5. Analysis

In this chapter the literature and empirical findings are analysed. It is divided into three different parts, CAC, Churn and Recurring revenue model.

5.1. CAC

Both the theoretical framework and Katz suggest that online marketing is more cost efficient than traditional marketing, such as prints, direct mail, television, as companies pay less for marketing activities and reach out to more customers. Katz further argues that Internet is the place for advertising for companies having the buying place online. The reason for this is that the link between advertising and the buying place is minimized; as a consequence, the likelihood for a potential customer to become an actual customer increases. This statement is also supported in the theoretical framework. Katz further discusses that another important factor when deciding when and where to target the customer is where in the buying process the customer is. This is because, the further into the process a customer is, and the more likely it is that s/he purchases the product. The theoretical framework states that online marketing targets consumers that are already interested in the product since they have actively done research about the product or similar product and are therefore considered to be in the buying process.

Furthermore, online marketing enables higher control over the marketing investments as it is easy to monitor and track which media generates most visitors to the website. This insight supports decision-making processes regarding choice of marketing media channel. According to the theory, evaluating which media channels that are most efficient enables optimized allocation of marketing expenses; therefore, the marketers can ensure that they spend the money on activities that are driving the business.

The theoretical framework suggests that mapping out the company's marketing processes to ensure that the most cost efficient marketing activities are used is a first step for lowering CAC. Matkasse AB has until now utilized both paid and owned media channels as well as managed to generate positive earned media. Furthermore, according to the theoretical framework it is ideal to combine the three types of channels, where each channel supports the other. For instance, advertising on Facebook, which is a paid media channel, enables a link between the ad and the company's Facebook fan page, which is owned media. The targeted customer might then visit the fan page and "like" it; hence, the Facebook fan page will be exposed for other Facebook users. This activity generates earned media to the company.

5.1.1. Matkasse AB's paid, owned, and earned media channels

The paid media channels Matkasse AB have utilized are *direct mail marketing*, *search engine optimization* (SEO), and *deal-of-the-day*, as illustrated in Figure 10.

The direct mail marketing processes have involved posting flyers and offering free grocery bags. In contrast to online marketing, the link from receiving an ad in the mailbox to go online and purchase the product is long. According to Katz, there is a risk that the potential customer does not make a purchase if this link is too long. Furthermore, Svensson claims that when using this media channel it is difficult to know if the right customer is targeted, as there is lack of information about the customers' need. Even if they approach a certain region, it is still uncertain if the person is even interested in the concept. Referring to the argument of targeting customers far into the buying process, this uncertainty might result in targeting wrong customers that are not yet in the buying process.

Katz highlights another risk with marketing too far from the buying place. Potential customers that have not shown any interest in PPGB might only perceive the ad as information about PPGB concept and ignore the company brand. As a result, when they decide to subscribe they might order from another supplier. Thus, marketing too far from the buying place involves a risk that the company markets its competitors.

As Matkasse AB have utilized SEO they appear among the top hits on Google when searching for PPGB in Gothenburg. Svensson believes that this is Matkasse AB's main source for generating Internet traffic to the website. This media channel is close to the buying place as when customer clicks on the link they are directly forwarded to the website where they can order the product; hence, the likelihood that the purchase is carried out increases. Since SEO generates visitors that have done a Google search about PPGB to the website, it targets consumers that are actually interested in the product and therefore are already in the buying process of a PPGB. According to both the theory and Katz, this factor increases the likelihood of acquiring a new customer as it targets people with high potential of purchasing a product.

The most recent marketing activity Matkasse AB have done is a Let's Deal campaign. According to Abreu, Let's Deal is a good way to get customers to try the product, however, there is no control over which customers the deal targets. This lack of control contradicts the theory about targeting the right customers with high buying potential. With a Deal-of-the-day advertising there is a risk that the buyers only purchase the deal because of the cheap price without any intention to start subscribing.

Regarding owned media channels, Matkasse AB have a Facebook fan page and an Instagram account. According to the theoretical framework, owned media is beneficial as companies can engage their customers through the media. Matkasse AB engages their customers by, for instance, allowing them to vote for their

favourite dish of the week and “like” or “share” post with their Facebook friends. Furthermore, Matkasse AB arranges contests for visitors with the purpose of generating viral spread. Katz argues that this type of media is preferable as it allows for users to tell their friends about the company/product. This type of generated earned media is very effective as words from a friend are more relevant and reliable than an ad and it is provided at no cost. According to the theoretical framework, utilizing media channels that support another channel is ideal and this is something that is possible with a Facebook fan page.

Earned media about Matkasse AB has also been generated through rating websites, where Matkasse AB, as a supplier of PPGB, has achieved top score. According to Svensson, the majority of his customers are very loyal and satisfied with the product, which supports the good reputation. Matkasse AB rewards current customers for recommending the concept to another person that becomes a customer, which, according to the theoretical framework, is a way to encourage creation of earned media.

5.1.2. Additional suggestion of media channels with low CAC

In addition to already used media channels, Katz recommends *Google AdWords*, *online banner advertising*, and *Facebook advertising*, as illustrated in Figure 10. Like SEO, Google AdWords targets customers that are far into the buying process, as it appears on the top or side bar when someone does a Google search on specific keywords. Google AdWords also enables a direct link between advertising and the buying place. According to the theoretical framework and Katz, both these factors increase the likelihood of acquiring new customers. Katz further argues that Google AdWords generates lot of traffic to the company’s website, which is another example of when a media channel supports another (paid supports owned). Finally, with Google AdWords the company can have control over their CAC as they can decide how many clicks they want to pay for; therefore, Katz suggests this alternative for a company with limited financial resources.

As for Google AdWords, online banner advertising means a minimized link between advertising and the buying place. However, it cannot be controlled on which website the ad will appear. To increase the control of which customers to target and to minimize the link between advertising and buying place even further, Katz recommends utilizing the retargeting feature. As the ad then only will be exposed to customers that have already visit the website it ensures that customer that are far into the buying process are targeted. Besides targeting the right customer, the ad becomes a reminder for already interested customers, which increases the likelihood for purchase.

To perform even more targeted advertising, Katz suggests utilizing Facebook advertising. Facebook users reveal information about interest, marital status,

age, gender etc., on their profiles. Such information can be utilized by marketing companies when selecting which customers to target. With this information, Facebook ads allows for targeting customers that are far into the buying process. This enables a minimized link between the advertisement and the buying place, which increases the probability for a purchase, hence, fulfils the purpose of lowering CAC.

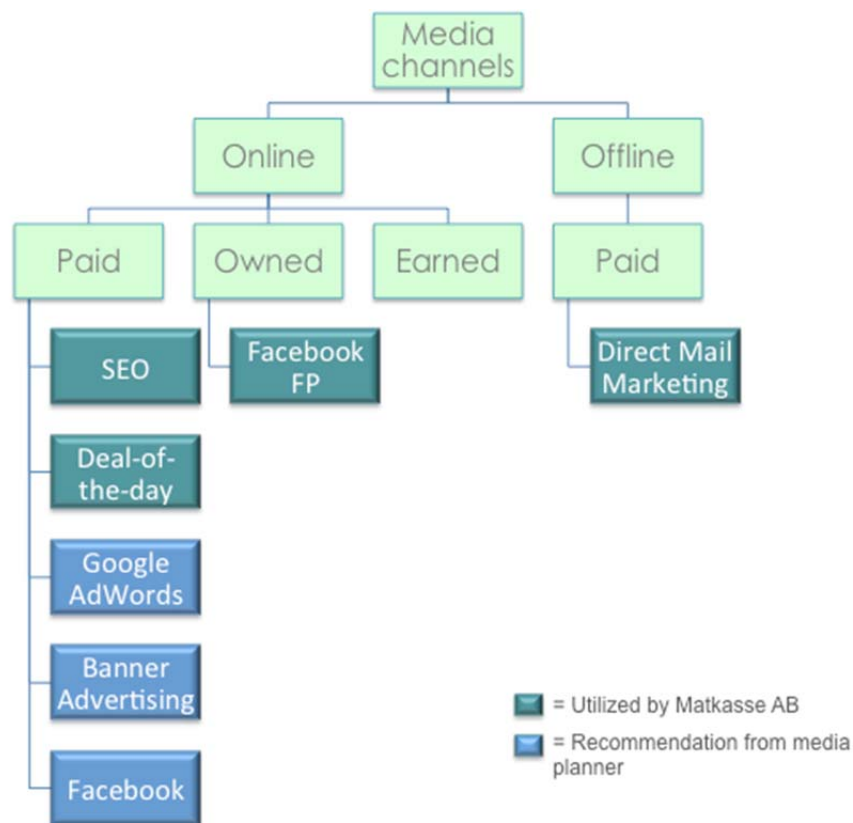


Figure 10 Categorization of utilized marketing media channels, as well as additional suggestions of marketing media channels. Compiled by the authors.

5.2. Churn

The results from the quantitative content analysis can be categorized into different switching barriers, in accordance with the literature. These results are analysed below and Figure 11 summarizes the analysis.

As stated in the literature relationship commitment between the company and their customers is a driver of loyalty and hence an important part of managing retention. The relationship commitment is divided in two parts, the affective commitment and the calculative commitment. To improve affective commitment it is necessary to improve the direct relationship with customers, because this relationship could create emotional ties to the customers, which is an important factor when building affective commitment. This is done through the interpersonal interactions between the firm and the customer as well as the affiliation and assertiveness of this relationship. However, calculative commitment is a prerequisite for affective commitment so ensuring calculative

commitment is vital. Calculative commitment is driven by the customer's inability or inconvenience to switch to another supplier. The firm can affect this commitment through building switching barriers. The literature further presents five main switching barriers; transaction cost, learning cost, relationship costs, convenience costs, and artificial costs.

The literature states that learning costs occur when the customer needs to familiarize and get accustomed to another website. It involves expenses of time and effort to learn a new layout and structure of a website. The PPGB companies in the study have websites that are quite similar, the structure is clear and the layout is also alike. There is no problem to navigate through the pages as well as find information and the content is clear.

The literature suggests that relational costs arise when the customer feels emotional discomfort when switching to another supplier. When the customer don't trust the provider or feels insecure about the purchase. This is even more evident when shopping online because the customer have to pay in advance and do not know whether or when the products arrive. The qualitative content analysis show that Middagsfrid and mathem.se displays certifications from third party about safe e-commerce on their main page, while Matkasse AB and Linas matkasse does not. Some of the companies also display positive opinions from their customer surveys and some of them present prizes and award nominations that present the company as "Best in test" or "The most sold bag".

Studying the subscription terms of the PPGB companies' websites showed that no initial fees or co-assets were necessary to start a subscription. All subscriptions could be paused or ended at any time; however, the customers must give notice in advance. As stated in the literature framework transaction costs are derived from costs that arise to start a new relationship with another supplier or the replacement of co-assets. Contractual barriers arise when the customer are contractually bound to a supplier for a predetermined period of time. None of the PPGB companies apply contractual barriers to their subscriptions.

The literature framework states that the convenience costs arise when the customers are accustomed to a certain routine or service that other suppliers do not offer. The lack of flexibility with other providers makes it convenient for the customer to stay with the supplier. The study showed that the customers from Linas matkasse and Middagsfrid can choose from two different delivery days but it is not possible to specify the exact time. Matkasse AB has deliveries on Monday and can provide the exact hour of time one day in advance by text messages over the phone. Mathem.se have the most flexible deliveries where the customer can choose from all weekdays and specify exact hour of delivery.

According to the literature trust issues may arise from the customer's uncertainty that the product will match expectations or when s/he feels insecure about the purchase. All PPGB companies in the study except from Linas matkasse presents the menus in advance. They treat their recipes as something exclusive for their customers and the only way to get hold of the menu is to buy a grocery bag. This means that the customers do not know what they are buying until they receive the product.

The qualitative content analysis shows that all companies in the study have telephone services and email addresses, both in the form of customer support. Mathem.se also have ordering service provided by telephone where the customers can call in and make their orders. The literature framework states that building affective commitment is done through the interpersonal communication channels that are present in the relationship between the customer and the firm. All interaction must demonstrate affiliation and assertiveness to be effective.

All PPGB companies in the study have a member page that the customers get access to when they purchase a subscription. Matkasse AB and Middagsfrid have very simple member pages where the customers can look at and manage their subscriptions by accessing upcoming deliveries, old orders, recipes from earlier grocery bags and personal information. The literature states that a loyalty program should build incentives for the customer to return the company and buy more products. The incentives are built in the form of rewards that the customers receive when repurchasing the product. These rewards could be hard benefits, resulting in a financial cost for the company, or soft benefits, by offering special information or recognition.

Compared to Matkasse AB and Middagsfrid, Mathem.se have a somewhat more advance members area on their website, which could, according to the literature, be viewed as a loyalty program. The bonus system gives the customers one point for each spent SEK. These points can then be exchanged for cash that can be used when shopping at mathem.se. 2500 points can be traded for 25 SEK, which gives the customer 1% in return for their purchases, hence a financial cost for the company and an artificial barrier for the customer. Furthermore, the customers can buy delivery checks through their member site. These checks enables free deliveries for a time period of three or six months, hence the customer can only save money after a certain amount of deliveries. S/he must order more products to utilize the time of free deliveries that the checks enable; hence, this builds incentives for the customer to continue buying products.

As stated in the literature personalization, along with emotional tie as well as hard and soft benefits, are the elements for creating an effective loyalty program. In accordance with this, the study of Linas matkasse's loyalty program "Klubb

Lina” has both soft and hard benefits, personalization as well as emotional tie. Hard benefits are created through the points that the customers collect when they purchase PPGB’s and which they later can convert to premiums. The premiums are all related to food and cooking and should therefore be relevant for the customers, which could according to the literature be viewed as some extent of personalization. When having bought a certain amount of PPGB’s the customers can reach a new level within the loyalty program called “Topp kund” (Top customer). As a “Topp kund” you get more benefits than a regular customer in the form of special deals on selected products and all recipes from the different PPGB’s that Linas matkasse offers, which creates soft benefits for the customer.

The emotional tie is created through “Linas kom i form”, a fitness program for members in “Klubb Lina”, and “Kenya kassen” where the customers are able to donate money to a project that delivers food to poor families in Kenya. Both these programs provide the customers with a sense of affiliation between them and Linas matkasse and hence, also create an affective commitment.

	Convenience cost	Relational cost	Transaction cost	Learning cost	Artificial barrier
Results	<ul style="list-style-type: none"> • Linas matkasse & Middagsfrid have two delivery days • Matkasse AB notifies the exact hour for delivery • Mathem deliveries every day and hour can be specified 	<ul style="list-style-type: none"> • Middagsfrid & Mathem displays safe e-commerce certifications • Awards and nominations (some) • All companies, except for Linas matkasse, presents menus in advance 	<ul style="list-style-type: none"> • No initial fees or co-assets (all) • Subscriptions can be paused and ended any time (all) • No contractual barriers to subscriptions (all) 	<ul style="list-style-type: none"> • All PPGB companies in the study have quite similar websites, in terms of structure and layout 	<ul style="list-style-type: none"> • Member's pages (all) • Mathem has a more advanced member's page • Linas matkasse offers a loyalty program “Klubb Lina”

Figure 11 Results from qualitative content analysis of PPGB companies categorized into switching barriers. Compiled by the authors.

The concept of members.com is built up like a loyalty program in accordance with the literature. The website is closed in the sense that only members get access to it, which is soft benefits through exclusivity. Being a member allows for access to discounts and campaigns, which is a financial cost for the company and hence hard benefits for the customer.

Members.com’s idea of creating an experience for the customers when shopping at the website is building up a relationship between the customer and the company which is difficult to achieve on the Internet. Creating more value than only shopping through blogs, fashion advice and other tips will result in closeness to the customer. Milkandhoney have the benefit of a physical store

where they can invite customers for mingle, food and shopping, which creates similar emotional ties with the customers. Building stronger relationships with the customers will, in accordance to the literature, build affective commitment to the firm. Creating an emotional tie to the customers is necessary to prevent them from switching supplier and is a part of loyalty programs as artificial barriers. Furthermore the interaction points for an e-commerce business is limited to its owned media such as the webpage and social media, as relationship cannot be built face-to-face. Hence, building emotional ties and close relationships with the customers is difficult.

The literature states that offering customers reduced price for buying more products are examples of hard benefits created through the loyalty program. Both members.com and milkandhoney.se remind customers that have not visited the site for a period of time with emails containing discounts to create incentives to come back.

5.3. Recurring revenue model

According to the theoretical framework, financial forecasting helps management track financial performance of the firm and the theory suggests such tool as support for decision-making processes. In accordance with the theory, the purpose with the recurring revenue model, built by the authors, is first to provide a clear picture of future revenue growth, second to understand how CLV is affected by changes in CAC or Churn, and third to serve as a tool for supporting marketing investment decisions for maximizing CLV.

Furthermore, the theory states that a financial forecast should be based on historical trends combined with future scenarios derived from factors that can affect revenues and cost. CAC and Churn are both factors that affect revenues and costs and hence are incorporated in the model. In accordance with the theory, the model takes into account historical data and forecasts future scenarios based on changes in CAC and Churn. The recurring revenue model is further linked to the financial statements (income statement, balance sheet, and cash flow statement), as they, according to the theory, comprise important data for determining a company's financial performance.

In the model the metrics CAC, Churn, and CLV are calculated as stated in the theory. CLV incorporates CAC and Churn; hence, CLV is affected by changes in these metrics. The theory further suggests that maximizing CLV will maximize the firm's profits; hence, understanding how to maximize CLV is critical in order to improve the firm's profits. As the model enables testing on how different CAC and Churn rates affects CLV this can be a useful tool to learn how to maximize CLV. If the company aims for a certain value of CLV, utilizing the model will provide an insight of which values of CAC and Churn are desired. As CAC and Churn can be improved by marketing investments, results from tests in the

model can support decision-making processes regarding marketing investments as it gives an understanding of which marketing activities to invest in, in order to achieve desired values of CAC and Churn

The example of Chef & Friend shows that the Churn rate has more impact than CAC on CLV, which can be explained by the following reasoning. The Churn rate measures the time a customer stays with a specific supplier and this time length will increase as the Churn rate decreases. This result can also be understood from the formula, as the lifetime is calculated as 1 divided by the Churn rate; therefore, small changes in Churn affect the lifetime of a customer in a substantial way. As CLV is the discounted cash flows from a customer over its lifetime, increasing the lifetime of a customer will obviously increase CLV. The total cash flow from a customer is accumulated over time; however, CAC is a fixed amount that is withdrawn from the total discounted cash flow from a customer.

The theory claims that CAC must never be higher than the total value the customer will generate to the company; hence, it must never be higher than the sum of all discounted profits from a customer. This statement is confirmed by the CLV formula as it is calculated as the sum of all discounted profits from a customer after CAC has been subtracted; hence, if CAC is higher than the sum of all discounted profits CLV will be negative. If CLV becomes negative due to a high CAC this indicates that the marketing investment should not be made. The recurring revenue model enables testing the result on CLV from a specific CAC and this knowledge is useful for a company's decision-making processes regarding marketing investments.

6. Discussion

In this chapter of the report discussions are brought up based on the previous analysis. The aspects of the findings are presented and the research questions are answered sequentially.

6.1. CAC

To answer the research question “Which marketing media channels, suitable for an e-commerce company, with a subscription product and limited financial resources, can lower CAC?” the alternatives of media channels must be evaluated channel by channel. Finding marketing media channels with low CAC means finding alternatives that are cheap and generate many new customers. To generate many new customers the media channel must not only target many customers, it must target the right person with highest potential to become a subscriber of a PPGB company. Such person could be argued is someone that is the person is in the buying process of a PPGB. It could further be contended that the likelihood for a person to become a subscriber is affected by the length of the link from being exposed to an ad and the buying place.

It is difficult to say whether direct mail marketing is a cheap media channel or not, as it depends on which material is distributed and the time required for the process. However, it is interesting to discuss direct mail marketing’s effect on fulfilling the purpose of generating new customers.

It could be considered impossible to target as many customers as online marketing with direct mail marketing as it takes more time and effort to distribute the advertising material. Furthermore, as it is difficult to know the need of the person receiving the ad, it is a risk that the wrong person is targeted. This is of course a risk with almost any media channel; however, as the reach is limited one could argue that it is even more important that the right customer is targeted. On the other hand, even if it is more likely to get a new customer when targeting a customer that already is in the buying process, there can also be potential customers that the concept is suitable for but they are not aware of it or need more information about it. Only focusing on targeting customer far into the buying process can result in neglecting valuable customers. However, in the early phase where Matkasse AB is, with the objective to increase the customer base, picking the lowest hanging fruit, meaning the customers with highest potential of becoming a customer would be the most suitable option. Finally, as the PPGB industry has few well-known players, these players, besides marketing themselves, might also market the PPGB concept. Hence, people will be more aware of the concept over time and come further into the buying process.

As the link from ad exposure to the buying place could be considered long with direct mail marketing, the probability of a customer actually buying the product after receiving the ad decreases. The targeted person might be interested in

trying the concept of PPGB but, because of the long link to the buying place, does not fulfil the buying process. As Matkasse AB is relatively new on the market the risk of marketing a competitors when placing an ad far from the buying place could be high. If the receiver only perceives the message about the concept and not the brand, they might choose one of the most well known suppliers when ordering a PPGB.

SEO have resulted in Matkasse AB appearing among the top hits on Google. With SEO, the link from ad exposure to buying place is short as if the viewer clicks on the link s/he is directly forwarded to Matkasse AB's homepage. If Svensson's statement that this is the main traffic source is true, it is particularly important to continue work with SEO.

SEO is certainly a media channel that targets the right customers as it only appears to them whom have done a Google search on keyword related to the PPGB, which indicates that they are interested in the concept. If a customer knows about the concept and is interested in trying, they will most likely do a Google search on PPGB in the specific city and click on the link to one of the top ones. As the link to purchase a product is short, the likelihood to generate a new customer is high; therefore, being on top of the list will improve the likelihoods of generating more subscribers to Matkasse AB.

Advertising through a deal-of-the-day channel as Let's deal is a preferable alternative for getting customers to try the product as it ensures that a certain amount of persons will purchase the product within a limited period of time. However, it seems to be a small percentage of those customers that continues with there subscription afterwards. The reason for this could be that they were not satisfied with the product; however, as Matkasse AB's current customers seems to be really satisfied, the main reason is probably that it targets customers that only purchases because of the good deal. This could be considered as the disadvantage with this media channel as it is impossible to target the right customers.

The Facebook fan page engages customers but maybe more importantly, it encourages customers to create earned media by "liking" and "sharing" posts. A good example of this is the current contest that Matkasse AB arranges for their customers. To win the price customers must upload a picture of a dish and the picture with most "likes" will win. This will create viral spread over Facebook and visibility of Matkasse AB's business to Facebook friends of the customer. This viral spread occurs to no cost for the company hence is considered to be a media channel with low CAC. However, viral spread does neither mean that the right customer is targeted nor is the link to the buying place short, therefor, this media channel cannot be argued is directly linked to generating many new customers. On the other hand, one can assume that words from a friend is more

reliable than an ad and hence viral spread can have a positive impact on potential customers to become actual customers.

It has already been argued that earned media is beneficial as it is generated to low or no cost, as well as, it provides reliable marketing of the company. Earned media could also imply damaging consequences if the words about the company are negative. As for Matkasse AB, their concept seems to be very appreciated; hence, generated earned media is very valuable and should be encourage. Giving reward for recommendation, as Matkasse AB does, is a good way to create a desirable win-win situation for the supplier and current customers.

Additional suggestion of media channels with low CAC

The marketing company pay per click for a Google ad and can set a maximum total cost for the ad; therefore, Google AdWords could be considered as a cheap media channel. As the company can themselves decide exactly how much they want to pay, this media channel would be suitable for a company with limited financial resources.

Google AdWords can further be considered very effective as it can target a specific customer. Choosing the right keywords, time for display, region, etc., enables lot of control over which type of person the ad targets. Thus, it is possible to target persons far into the buying process. If a person make a Google search including one of the chosen keywords the Google Ad can appear in the top or side bar, areas intended to make the ad more visible. However, the uppermost search hit is, with SEO, directly under the top bar and could be argued is as visible as the Google Ad.

Google Ad, just as SEO, enables a short link from the ad exposure to the buying place as just by clicking on the ad the person is forwarded to the company's website. If the ad describes a campaign that the potential customer perceive as appealing, one could argue that this person is even further into the buying process when clicking on the ad, as they know exactly what they shall buy when they visit the website.

The fact that the company have limited financial resources also support Katz suggestion of becoming a part of an advertising network, as it is a cheaper alternative than regular online banner advertising. Even though it cannot be controlled where the ad will be exposed, there are several other parameters that enable some control over which customer the ad targets. The retargeting feature could be argued is the most specific targeted advertising, as the ad is exposed to people that have already visit the site, hence are further into the buying process. As they obviously have thought about becoming a customer, reminding them with an ad is probably very effective. If they revisit the site after being exposed to the ad, they will most likely make a purchase. Base on this reasoning,

retargeting could be argued is a good way to lower CAC as it is cheap and targets the customer with highest buying potential.

Facebook advertising is a good media channel as it can target even more specific customers. As for Google AdWords, companies pay per click; however, it can be considered a cheaper alternative as the specific targeting eliminates irrelevant customers that potentially would click on the ad even if not interested in buying the product. On the other hand, Facebook advertising appears on the users homepage whether they have actively done research for it or not. Even if the marketing company knows that the targeted person is suitable for the concept, the person is not focusing on PPGB when the ad appears and is therefore not susceptible to advertising.

As the Facebook ad appears on social media, this can generate earned media for Matkasse AB through the “like” and “share” features. This is a good example of when one media channel supports another, which is ideal. As already mentioned, Matkasse AB’s reputation is very positive; hence, increased earned media is advantageous for Matkasse AB.

To be able to find the media channels with lowest CAC it is critical that the company understand the effect on customer acquisition of each media channel, as the media channels with lowest CAC are the media channels that generate most new customers to the lowest price. With that said, it is critical to track and trace the marketing activities as it can provide a clear picture of which media generating which customers. Such insight will support decision-making processes regarding which media channel to choose in order to achieve the best outcome, in this case, the greatest number of new customers to the lowest cost. For a company with limited financial resources the importance of tracking marketing activities could be even more emphasized. If the company realises that they spend money on a media channel that does not generate any new customers they can reallocate their marketing expenses to optimize the outcome.

To sum up, for an e-commerce company, with a subscription product and limited financial resources, the most suitable media channels that targets the person with highest buying potential to a low cost, are online media channels. Therefore, it is suggested that Matkasse AB continues to invest in SEO and maintain their Facebook fan page. To complement their current marketing strategy, it is further suggested to investments in marketing through Google AdWords, online banner advertising in combination with retargeting, and Facebook advertising. This suggestion is summarized in Figure 12.

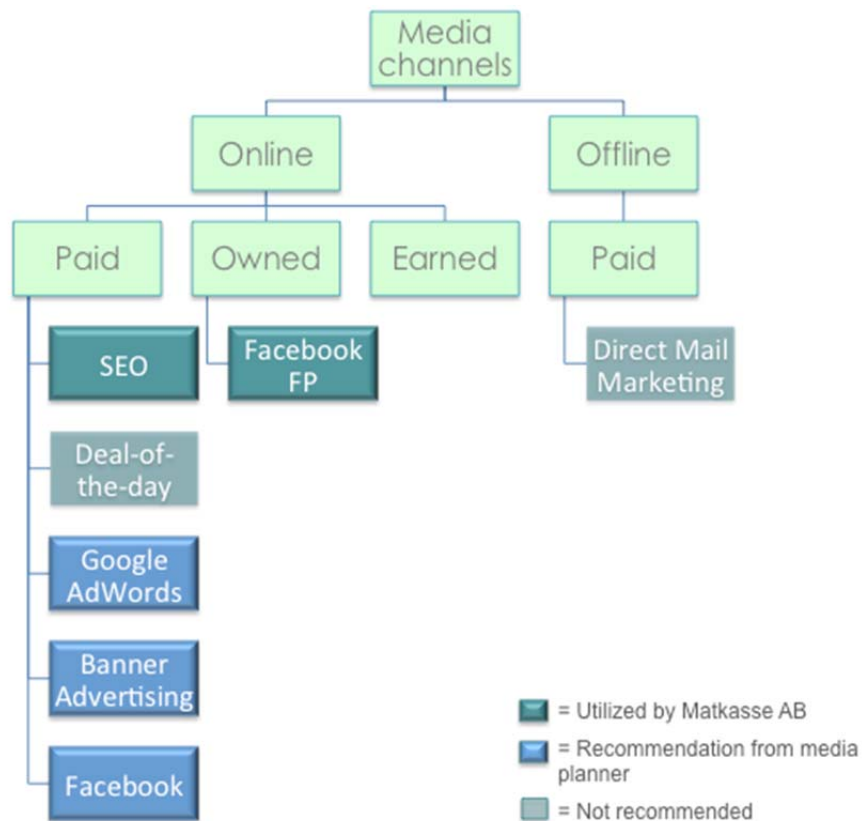


Figure 12 Recommendation of marketing media channels that are suitable for an e-commerce company, with a subscription based product and limited financial resources.

In order to optimize the allocation of marketing expenses, utilizing a program to track and trace each marketing activity is highly recommended. As already mentioned, tracking and tracing marketing activities will provide an insight in which marketing activity that generates most new customers to a low cost; hence, it provide an insight in which marketing activity should be utilized to lower CAC. Such knowledge helps the company understand how to allocate their marketing expenses.

According to the theory, CAC can be seen as a means of controlling marketing expenses and ensure that the firm is spending money on activities that are driving the business. If the firm exchange a marketing activity to another, the change in CAC will give an indication of the effectiveness of the new marketing channel, i.e. if CAC is lower than before this could indicate that the new marketing activity is more efficient, in terms of generating new customers to low cist, than the previous one. However, CAC, as it is described and analysed in this report, does not take into account the selection of targeted customers and can therefore be misleading. Some customers will generate more value to the company if they, for instance, stay longer as a customer or purchase more products, while other customers will only purchase once. The value of CAC will be the same as it only calculates the number of new customers, whether they will generate high value or not. Therefore, the CAC should be analysed in relation to the value each new customer will generate (note that CLV is calculated as

average customer profit) to be a sufficient metric to rely upon when making decisions regarding investments in marketing activities. In other words, relying too much on CAC that does not incorporate the value each new customer will generate can involve a risk of investing in the wrong marketing activities.

6.2. Churn

To answer the second research question, *How an e-commerce company, with a subscription product and limited financial resources, can take measures to retain their existing customers, i.e. lower Churn*, it is important to understand the drivers of loyalty. This report has focused on relational commitment as a driver of loyalty. Hence, affective and calculative commitment is studied, first by how this is done in the PPGB industry and second if there is suggestions from other e-commerce businesses that can be useful to implement. Following this structure it is first discussed which commitments that exists and why in the PPGB industry, second discussion is about how two other e-commerce companies do to build these commitments, which ends up in suggestions about which measures that can be taken.

The qualitative content analysis showed that all PPGB companies have similar products to offer their customers and their concepts are also alike. When comparing the three words that best describe the company none of these words are unique but at least one other company would describe their concept with the same word. Linas matkasse: tasty, healthy and quick. Middagsfrid: tasty, healthy and quality. Mathem.se: healthy, quick and easy. Matkasse AB: nutritious, quality and easy. This shows that the PPGB companies are very much alike and that it would be difficult for the customers to distinct their options when researching the market. This gives implications that switching to another supplier are easy and that managing retention through building relationship commitment with their customers become vital.

The qualitative content analysis showed that the PPGB companies web sites are similar. Hence, they are easy to learn and interact with and the learning barriers for customers are low. This implicates that the customers wont have problems to learn a new website when switching supplier.

Two of the companies in our study, mathem.se and Middagsfrid, are certified in safe e-commerce by third party. The fact that they pay for this service would imply that there still is a relational cost in terms of security issues with the customers that needs to be dealt with, while two of the companies in the study do not see this as a problem. Certifications from third part are safety measures for the customer to ease buying decisions and keep the their trust. There are implications that the PPGB companies want to create a sense of safety and security on their websites.

The membership and subscription terms is the part where companies could really affect their customers and build artificial barriers in the form of contractual barriers to make customers stay with their subscriptions. Having time-based subscriptions during an amount of time would secure recurring revenues and provide safe incomes for the providers. However, none of the companies offers subscriptions that bind the customer over time. This is of course preferable for the customers since they can pause or terminate the contract at any time, which could imply building trust and security with them. Since these types of terms present no contractual costs for the customers the companies miss opportunities to bind their customers to subscriptions over time. By creating monetary incentives for the customers they might be willing to bind themselves contractually over time, which none of the companies have tried to offer.

There are however some contractual barriers in terms of how many days notice the customer must have to pause or end the subscription. This could create irritation with the customers that they have to plan more than a week in advance whether or not they want the products. Hence, their trust towards the company and the products could also be damaged and relational costs decline.

It could be beneficial to have a flexible delivery schedule. Customers that are accustomed to choosing their delivery time might stay with that provider since no one else can offer the same flexibility. They have created a convenience barrier with their customers that make them stay due to otherwise loss of flexibility. This could also be the case with Matkasse AB's delivery notifications through SMS. If the customer is accustomed to be provided with a certain service and no other provider on the market can supply the same type of service this creates the convenience barrier.

Linäs matkasse is not providing their recipes in advance. Not knowing what will be delivered can become a trust issue with the customer since their insecurity of the purchase increases and relational costs are lowered. Furthermore, it might be more convenient to switch to another supplier. However, if the menu is presented in advance and the customer does not like the recipes of that menu they are free to pause the subscription. So there is a trade-off between informing the customer of its purchase, which might build relational costs, and discloses all information, which might result in a paused subscription.

Since it is more difficult to interact with customers when having an Internet based business compared to a physical store it is important that the available interaction works and that the right signals are communicated to the customers. Only having email or chat functions will limit the interaction points and hence limit the development of affective commitment with the customers. The phone contact could build trust with the customers and create relational costs with

them when switching providers, but because all PPGB companies have this service the costs are not effective. Mathem.se also provides phone ordering service, which certain people might find pleasant. Having someone to talk to and ask about advice when choosing among the different products. It also provides another interaction point on which to build affective commitment through demonstrated assertiveness and affiliation. It is important that the service people managing the phone calls with the customers are service minded and seeks to assist the customer in any way. If the customer perceives the communication as unpleasant the relationship and emotional tie to the company could be damaged.

Another interaction point with the customers is through the people who deliver the product. Again the mood and interaction between the customer and these people are vital to restore or build relationships and emotional ties. This interaction might be the only communication that the customer has with the company and it is therefore vital that it does not damage the relationship but rather builds it up.

Both Linas matkasse and mathem.se has a mobile app that is available for subscribers. This has the potential of becoming a new contact channel between the companies and the customers, where they can create valuable content that increases affective commitment and awareness with the customers. Another form of communication is created through the App where the companies can send push notifications* to the customers. Utilizing this channel to create something interesting and that creates value will strengthen the relationship between provider and customer.

The member's page or clubs is where the companies really can build artificial barriers through loyalty programs and loyal customer discounts. Mathem.se have exploited their member club in a reasonably good way, but the company that stands out when it comes to artificial barriers is Linas Matkasse. They have the whole spectra of a successful loyalty program providing both hard and soft benefits, personalization and emotional ties.

Calculative and affective commitment does exist in the PPGB industry and some of the companies are better at retention management than others. When it comes to calculative commitment and switching barriers there are relational costs, through trust and security issues, artificial barriers through loyalty programs and convenience costs through the customers perceived lack of flexibility with other providers. There are however no or very low presence of learning and transaction costs as well as the other part of artificial barriers that is contractual barriers, as illustrated in Figure 13. Since calculative commitment is a platform on which to build affective commitment it is implied that there is

affective commitment with the customers as well. As argued below these implications are however not that strong.

	Convenience cost	Relational cost	Transaction cost	Learning cost	Artificial barrier
Results	<ul style="list-style-type: none"> • Linas matkasse & Middagsfrid have two delivery days • Matkasse AB notifies the exact hour for delivery • Mathem deliveries every day and hour can be specified 	<ul style="list-style-type: none"> • Middagsfrid & Mathem displays safe e-commerce certifications • Awards and nominations (some) • All companies, except for Linas matkasse, presents menus in advance 	<ul style="list-style-type: none"> • No initial fees or co-assets (all) • Subscriptions can be paused and ended any time (all) • No contractual barriers to subscriptions (all) 	<ul style="list-style-type: none"> • All PPGB companies in the study have quite similar websites, in terms of structure and layout 	<ul style="list-style-type: none"> • Member's pages (all) • Mathem has a more advanced member's page • Linas matkasse offers a loyalty program "Klubb Lina"
Degree of presence	Low	Low	None	None	Medium

Figure 13 Each switching barriers degree of presence on the analysed PPGB companies' websites. Compiled by the authors.

The affective commitment could be considered as weak with in the PPGB industry since most of the interpersonal communications are through customer services by telephone and email. This can hardly be enough to create an emotional tie to the customers and strengthen the relationship. A new interaction point are however built through Apps, which some of the companies have released. Using these channels to create further value to the customers could prove important when developing affective commitment.

The e-commerce companies in the clothing business have used interesting strategies to improve the affective commitment with their customers. Having an Internet based business makes it difficult to create close relationships with the customers and develop emotional ties. However both members.com and milkandhoney.se have tried to achieve this in different ways.

Members.com have tried to create a shopping experience for the customers where they visit the website for other reasons than only shopping. Using blogs that write about fashion advice, styling tips, traveling or other, for the customer, relevant content will hopefully create an interest of the site that otherwise would not exist. When this interest is achieved with the customer they will hopefully develop a closer relationship to the website and the company.

Milkandhoney.se have the benefit of complementing their online-based store with a physical store. They invite members of their customer club to events in the physical store where the people can mingle, have a snack and shop at the same time. This is an example of utilizing physical interactions with the customers to create a closer relationship with them and the company.

These companies attempt to create affective commitment with their customers is something that the PPGB industry lack. Therefore, they should try to learn from these examples and apply similar retention strategies to achieve stronger and more direct relationships.

Summing up the recent discussion. The literature framework suggests that to improve Churn and increase retention it is important to increase the customer loyalty. The most interesting drivers of loyalty, argued in this report, is calculative commitment and affective commitment. The PPGB companies have some calculative commitment with their customers through switching barriers. Of the five different barriers that are presented in this report the artificial barriers are the ones that the PPGB companies can take active measures to affect to increase the loyalty with their customers. Linas matkasse are the best example from the qualitative content analysis in creating these barriers through their loyalty program. Hence, other PPGB companies should study this example when they want to increase switching barriers and improve Churn. Contractual barriers are the other improvement area when increasing customer loyalty through calculative commitment. This is a more delicate area for the PPGB companies. There are no contractual binding time when entering into a subscription. If this were created by a PPGB company as an action to increase calculative commitment, the upside would be more predictable revenues since the customers would be contractually obliged to buy products for an amount of time. The downside would be that the customers might choose another PPGB company that does not have contractual barriers with their subscriptions. Whether the upsides are more appealing than the downsides are difficult to imply, but if the customers could get some monetary incentives to enter into a binding agreement for a period of time, in the form of cheaper products this might be an attractive idea. Creating artificial barriers to increase calculative commitment and hence, customer loyalty by working with loyalty programs and contractual barriers are the definite suggestions for the PPGB companies.

The other improvement area for the PPGB companies is affective commitment, which is created through more direct and closer relationship with the customers. The e-commerce companies studied in this report are more successful in this area than the PPGB companies. Therefore, the PPGB companies should take measures to create more affective commitment through studying the examples given in this report. There are foremost two different suggestions of actions that are relevant to create more value for the customers than just the products. First, making the customer visit the website for other reasons than only shopping. Delivering cooking tips and advice on how to be a better chef could for example have this effect. Second, creating closer and more direct relationships with the customers, by for example arranging events where the firm and customers can engage in physical interactions could be a successful way of achieving this.

Managing these barriers will be beneficial for the churn rate, but evaluating the measures taken is not easy. It is difficult to determine how beneficial it will be and how to track and trace investments made to affect churn. Many marketing investments will probably have a positive effect on churn rate, but it would be difficult to trace what specific investment that gave the improvement. If a PPGB company were to implement a loyalty program and contractual barriers with their subscriptions it would be problematic to see how each investment affected the churn rate. Instead the company would have to make these investments sequentially to trace the impact on the churn rate. This is one of the weaknesses with this metric.

It is furthermore difficult to know which customers that react to which activities. Some might love the idea of a loyalty program that gives discounts or other incentives. These types of activities might not affect other customers at all. It would be most beneficial to find switching barriers that could contribute to a positive retention with the broadest range of customers. To make a proper evaluation of this it would be necessary to involve the customers in a survey of some kind.

6.3. Recurring revenue model

The short answer to the research question *“How can a company increase reliability of marketing investment decisions by understanding the impact of CAC and Churn on the financial performance?”* is a recurring revenue model, as a RRM provides a clear picture of how CAC and Churn affects CLV, hence, the company's profits. A recurring revenue model can be designed in various ways; however, the focus will be on the specific model presented in this report.

The fundamentals of the recurring revenue model are that CAC and Churn are input data into the model and CLV is output data. This means that different scenarios, based on changes in CAC and Churn, can be tested and result in different values of CLV. As CLV is defined as a key metric for measuring a firm's financial performance as it measures the firm's profits, the model enables an understanding of the impact on CLV from different CAC and/or Churn rates. With the fundamental goal of increasing a firm's profits, one could argue that marketing investment decisions should be made based upon which marketing investment result in highest CLV. Marketing investments in different marketing activities will have a various impact on CAC and Churn and will in turn have various impact on CLV; therefore, understanding these relationships will help management understand which marketing activities to invest in. With that said, using the recurring revenue model presented in this report will increase the reliability of marketing investments decisions by enabling an understanding of the impact of CAC and Churn on CLV and the firm's profits.

In the case study of the fictitious company Chef & Friend scenarios with various values of CAC and Churn are tested in the recurring revenue model. This study demonstrates the ability to see the effect on the customer base and CLV from CAC and Churn. However, there are some uncertainties that need to be specified to get more reliable results.

The RRM is not more reliable than the data it is based on, hence “garbage in garbage out” is important to consider. When evaluating the effect on CLV from CAC and Churn one must consider the size of the investment for improving each metric. Assuming that a specific marketing investment would improve both metrics equally is not realistic as there are various marketing activities to perform and each marketing activity will generate different results.

To achieve a more reliable result from the model the CAC and Churn values must incorporate more parameters, such as CAC for specific marketing media channel and improvement in Churn from a specific switching barrier. To get this data, one must go one step backwards and evaluate each specific marketing activity over time and perform the marketing activity several times. For instance, create a Facebook ad one month, e.g. December, might generate a lot of customers; however, another month, e.g. July might not generate any customers at all. In December, people might purchase the product as a gift for family and friends while in July most people have vacation and therefore a PPGB is not suitable for the moment. How the ad is designed will for sure also have an impact on the effect as it might target different customers. What is trying to be said is that there are several parameters that can influence the effect from an ad and the marketing activity must therefore be performed several times in order to obtain a reliable average value to utilize in the model.

7. Conclusion

This report has highlighted the importance of customer metrics and how to improve them. The metrics are helpful to manage the customer base of and relate to the acquisition and retention of customers. Since CAC and Churn provides information about the development of the customer base to the one making decisions about marketing investments, these metrics are vital when trying to affect customer base.

The industry of pre-packed grocery bags is a current area within e-commerce, but it has not been that widely studied. This report contributes to the understanding of customer metrics within similar industries of e-commerce and subscription based business models. Many studies have been made regarding customer metrics, but not exclusively within the specific context that this report is contributing to. A qualitative study, like this one, is rarely generalizable to a wider context, as will be concluded further down in this chapter.

For an e-commerce company, with a subscription based product and limited financial resources, it is important to utilize media channels with low CAC, in order to increase their customer base in a cost efficient way. This report evaluates marketing media channels and contributes with suggestions of the alternatives that could be suitable to achieve a low CAC.

The main conclusion is that online media channels is the most suitable for a PPGB company in the described situation, as online media channels are most often cheaper and enables more specific targeting than traditional media channels. It is further emphasized that online media channels, compared to traditional media channels, increase the likelihood of acquiring a new customer, as the link between advertising and the buying place is minimized. To increase the likelihood of acquiring a customer even further, it is suggested to utilize media channels that targets potential customer that are already in the buying process of subscribing to a PPGB.

The importance of tracking and tracing the marketing activities is also highlighted in the report. Understanding the effect of each marketing activity will support decision-making processes regarding choice of media channel and enable optimized allocation of marketing expenses. It is implied that various marketing activities have different outcome, in terms of cost efficiency, and marketing expenses should be allocated to the activities that are most cost efficient, hence, result in lowest CAC. Tracking and tracing the marketing activities will therefore provide a valuable insight for optimizing company's allocation of marketing expenses.

Creating calculative commitment through switching barriers should be an important part of the PPGB companies' retention strategies. This report

highlights the absence of learning barriers, transaction costs and contractual barriers. Other barriers such as relational costs and convenience costs are present. There are also implications that the PPGB companies could learn from each other regarding the artificial barrier of a loyalty program. Linas matkasse is the single most prominent company in this area according to our study.

A successful retention strategy should also include measures to create affective commitment with the customers. This is created through the customer/firm interaction points and aims to develop emotional ties and direct relationships. Since the interactive communication channels are restricted on the Internet this is difficult to achieve. However, the two e-commerce companies interviewed in this report have showed creative attempts to achieve affective commitment, which should be studied by the PPGB companies.

Using a recurring revenue model to forecast a firm's financial performance can increase the reliability of marketing investment decisions. The model provides a good understanding of how CLV is affected if CAC and/or Churn are improved; hence, the model provides a tool for the management decision-making processes regarding marketing investments.

The findings presented in this report are not to be generalized to a wider context without careful considerations. A qualitative study involves the deeper research of smaller groups and is oriented towards a specific setting and context. Since this report has used a qualitative approach for all findings presented up until now this argument is applicable here as well. Therefore, all conclusions are limited to an e-commerce business and the context that these companies act within. The media channels that are recommended for lowering CAC would be the most general findings. Using online media channels could be a successful method for more effective marketing investments in customer acquisition. The aspect of e-commerce as well as having a subscription based business model limits the recommendations regarding retention strategies. The fact that the empirical findings are based on a content analysis focused on company websites within the PPGB industry makes these recommendations limited to direct companies solely within this industry. The recurring revenue model could be used as a tool for marketing decisions within other e-commerce businesses with subscription based business models. The recurring revenues are a prerequisite for the use of this model.

As stated in the background the PPGB industry is a relatively new business that has grown in popularity the recent years. Right now the acquisition of customers are most important but as the business evolves it will be more important with the other side of managing the customer base that is retention management. The best companies at developing their customer base are the ones with the largest revenues and studying these will give smaller actors the possibility of expanding

as well. There are many customers that have not yet tried the PPGB concept so there are still a lot of gains to be harvested by focusing on attaining new customers, but the real winners will be those who actively invest in both sides of the management of the customer base, namely customer acquisition and retention.

7.1. Suggestions for further research

The research has studied how marketing investments can affect CAC and Churn, and based on that how CAC and Churn affect CLV. The first part has resulted in suggestions of marketing activities that can be performed to improve the metrics. These suggestions are qualitative and do not involve quantitative data, such as CAC for a specific marketing activity or size of a marketing investment for lowering Churn to a desired level. For the model to be more accurate and realistic these data is needed. Therefore, suggestions for further research are to quantify proposed marketing activities in monetary terms. Incorporating such data into the recurring revenue model will provide a more solid decision-base for marketing investments.

Furthermore, it would be interesting to investigate more about the relationship between the two metrics and how they affect each other. Based on that research it could be of interest to discuss two matters: First, how to balance investments in drivers of customer acquisition versus retention in order to maximize the firm's profits. Second, if it is a specific time when it is more important to focus on one metric rather than the other. For instance, when the industry is relatively new it could be more important to focus on acquiring new customers rather than retaining existing, in order to get a large market share.

Finally, this study has studied relationship commitment in the PPGB industry in the level of the firm. Further research on switching barriers in the PPGB industry from a customer's perspective would contribute with an additional angle when building a successful retention strategy for a PPGB company.

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Appendix I - Definitions

Definition of words used in the report

Word	Definition
App	See "Software mobile application"
Blog	A discussion or information site published on the Internet that is continuously updated with "posts". The blog often regards a specific subject, but this is not always the case.
Click Free Rate (CFR)	Related to marketing on the Internet and measures the proportion of people exposed to the advertisement that clicks on the advertisement.
Customer base	The group of customers or consumers that a business serves.
Deal-of-the-day	An e-commerce business model that offers products at a discount for a period of time, often 24 to 36 hours.
Direct mail marketing	Communication sent from the firm to the customer via the postal service or other delivery service.
Discount rate	The rate used to discount a future monetary value to the value of today.
E-commerce	Electronic commerce is an industry where the buying and selling of products and services is done over the Internet.
E-store	An electronic store in the form of a website where products or services is sold on the Internet.
Facebook	An online social networking service, where users can create personal profiles and add other users as friends. Users interact on the website and upload pictures. Users can also personalize their profile by liking ("like") and sharing ("share") others information on their profile.
Facebook fan page	A part of Facebook where companies can create fan pages to communicate with the people who "like"

their fan page.

Financial performance	The profitability of a firm
Instagram	An online social networking service, where users take pictures, apply filters and display on their profiles. Other users can “like” and comment on the pictures. The pictures can also be shared through Facebook and Twitter.
Internet fraud	The use of Internet services to commit fraud.
Loyalty (customer loyalty)	The customers preference for a particular firm or product and the commitment to repeat purchase of that particular firm or product.
“like” (Facebook)	See “Facebook”.
Marketing activity	Activities with the purpose to market the company to customers or potential customers.
Marketing company	The company who uses marketing to attract new customers.
Marketing expenses	Expenses related to marketing activities.
Marketing media channels	Medium used to reach customers and potential customers, such as newspapers, television, direct mail, etc.
Mobile software applications	Software applications designed to run on smartphones, tablet computers and other mobile devices.
Push notifications	Messages communicated to mobile devices through mobile software applications.
Recurring revenue	Revenues generated from repeated delivery of a product or service.
Retargeting	It is an online marketing feature targeting specific customers that has visited a website before. The advertisement is targeted to be exposed to previous visitors of a website.

Search engine optimization	The process of affecting the results generated by a search engine to get better visibility in the result list (Higher ranking).
“share” (Facebook)	See “Facebook”.
Social media	Social media refers to the means of interactions among people in which they create, share and exchange information and ideas in virtual communities and networks.
Twitter	An online social networking service that enables users to send and read text-based messages of up to 140 characters.
Viral spread (marketing)	Marketing technique that uses social networks and other technologies to produce awareness with customers and other marketing objectives through self-replicating viral processes. Can be delivered by word of mouth or enhanced by the network effects of the Internet.
Word of mouth	Unpaid form of promotion, where satisfied customers spread positive messages of a company or product.

Appendix II – Screenshots from qualitative document analysis

LINAS MATKASSE
- en skönare vardag

Om oss Om kassarna Beställ Kontakt Logga in

Lina Gebäck
Dietist och Matkreatör

Familjens nya liv kan börja om en vecka!
Mer inspiration och mindre stress. Med Linas Matkasse får du noga utvalda råvaror och recept levererat direkt hem till dörren. Majoriteten av våra kunder tycker dessutom att matkontot minskar eller förblir oförändrat med vår genomtänkta matkasse. Så vad väntar du på?
* Middagar med recept direkt hem till dörren.

Vilken kasse passar dig?
Beställ idag!

ORIGINALKASSEN
499:-
Ord. 789:-
Familjefavorit som gör det roligare att laga vardagsmat.

INSPIRATIONSKASSEN
299:-
Ord. 579:-
Nytänk och husmanskost i en inspirerande blandning.

BARNKASSEN
499:-
Ord. 789:-
Lätt att laga, lätt att gilla.

V 20 I ORIGINALKASSEN

Appendix II - 1

Jag vill göra ett uppehåll i prenumerationen - hur gör jag då?

Det administrerar du enkelt på www.linasmatkasse.se under Mina Sidor. I den gröna rutan till höger klickar du på Mina tjänster. Bredvid den kasse du vill inaktivera klickar du på Ändra och i rullgardinen väljer du från vilket datum du vill inaktivera ifrån och klickar därefter på Inaktivera. Observera också att vi behöver 8 dagars framförhållning för på- och avbokning av våra kassar.

Appendix II - 2

Går det att ändra leveranstiden?

Våra leveranstider är mellan klockan 17.00–22.00, söndag eller måndag beroende på i vilket leveransområde du bor i. Vi har förståelse för att dessa tider inte passar alla, men dessvärre kan vi inte garantera en mer exakt leveranstid än så. Våra varor packas i butik och körs därifrån ut till kund av budfirmornas chaufförer. De kör enligt ett särskilt schema som kan se olika ut från gång till gång beroende på vilka som ska ha leverans i ert område.

Appendix II - 3

Här hittar du dina menyblad!



Linas Originalkasse, vecka 09 - måndag 04/03

 Lätt som en plätt
Visa krönika, bra att ha hemma, PDF m.m.

 **A** Torsk på Hiram's vis med ris och snabb remouladsås **SNABB**

 **B** Persiljetoppad nikkaluoktasoppa med bröd **MEDEL**

Diet:

- Start
- Mina uppgifter
- Betalning
- Mina tjänster
- Leveranser
- Menyblad & Recep
- Checka in din matk
- Reklamera
- Klubb Lina & Toppk

Appendix II - 4

Öppettider för kundtjänst

måndag-fredag 9-17

söndag: 16-22

måndag: 17-22

För oss är det viktigt att du som kund alltid kan nå oss för frågor om din leverans. Därför är du varmt välkommen att ringa till oss, så hjälper vi dig direkt.

010-199 72 00

Vill du istället mejla till oss gör du det enkelt [här!](mailto:info@linasmatkasse.se)
info@linasmatkasse.se



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Välkommen till Klubb Lina!



Klubb Lina är kundklubben där alla Linas Matkasse-kunder samlar poäng som ger möjlighet att klicka hem sköna premier. I premiesortimentet finns kockknivar, presentkort från KitchenLab, stavmixer från Philips, tidningsprenumerationer, grytor från Le Creuset och mycket, mycket mer.

[Så funkar det »](#)

[Villkor för Klubb Lina »](#)

[Längre giltighetstid på poängen i Klubb Lina »](#)



Värva vänner med din tipskod

Dina Klubb Lina-poäng

32

[Klicka här för att se Klubb Lina poänghistorik](#)



Antal kassar senaste 12 månaderna

2 st

14 kassar kvar tills du blir Toppkund



- Start
- Mina uppgifte
- Betalning
- Mina tjänster
- Leveranser
- Menyblad & F
- Checka in din
- Reklamera
- Klubb Lina & "
- Linus Utvalda
- Kom i form
- Frågor och sv
- Logga ut

Appendix II - 6

Träning som verkligen blir av!

15 träningsfilmer med pass som du kan utföra hemma. Linas Kom i form gör att du enkelt kommer igång med vardagsmotionen.

Kom i form
49:-
/mån

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Var med och ge

Du som kund kan vara med och ge till Linas Kenyaskasse genom att välja att bli Kenyagivare under Mina sidor. Runda upp till närmaste hundralapp, eller välj valfritt belopp till bistånd på din vanliga Linas Matkasse-faktura. Pengarna går direkt till vår biståndspartner IAS och Linas Kenyaskasse. Dina pengar blir till mat, de administrativa utgifterna täcker Linas Matkasse.

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MIDDAGSFRID
 @MIDDAGSFRID
 TRYGG E-HANDEL
 BÄST I TEST* AFFÄRSMÄTT
 KICKIS BLOGG
 [LOGGA IN](#)

Middagsfrid levererar en färdigplanerad matkasse med recept och allt du behöver för att laga goda och nyttiga middagar.

[SÅ FUNKAR DET >](#)
[MATKASSARNA >](#)
[VECKANS MENY >](#)
[OM OSS >](#)
[BESTÄLL >](#)
[Kicki Cheander](#)

så funkar det

- VI PLANERAR DIN MIDDAG med hälsosamma recept
- VI PACKAR DIN MATKASSE med färska & fina råvaror
- VI LEVERERAR HEM TILL DIG i kylbil efter kl 17:00
- DU LAGAR & SERVERAR familjen på ca 30 min

LILLA MATKASSEN >
575 KR

299KR
första kassen

MELLANSTORA MATKASSEN 675 KR

399KR
första kassen

BARNKASSEN >
745 KR

499KR
första kassen

STORA MATKASSEN >
895 KR

599KR
första kassen

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MIDDAGSFRIDS PRISER OCH NOMINERINGAR

- Utsedd till "Bäst i test" bland matkassar 2012, Aftonbladet
- Vinnare av titeln "Årets Entreprenör 2010", Nya Affärer
- Vinnare av titeln "Årets tjänsteutvecklare 2009", Nutek
- Vinnare av titeln "Årets kvinnliga stjärnskott, region Sthlm 2009," Ernst & Young
- Finalist i kategorin "Årets medvetna butik", Retail Awards 2010
- Finalist i kategorin "Årets utmanare", Retail Awards 2010
- Vinnare av titeln "Årets Rookie 2009" av branschorganet Friköpenskap
- Anlitade av Sydsvenska Dagbladet som receptleverantör
- I panelen "Makten över maten" på livsmedelsdagarna 2009
- Utvalda av Skandinavien största privata kvinno- och barnhälsomottagning, MamaMia, att stå för deras redaktionella material om kost
- Utnämnd till en av 2009 "100 Inspiratörer" av tidningen Leva
- Kicki återfanns på 23:e plats på listan över Sveriges 100 viktigaste påverkare inom hållbart företagande (CSR i praktiken)
- Nominerad som "Årets inspiratör" av tidningen Mama, 2008
- Nominerad till Matglädjepriset av Matmagasinet, 2008

Appendix II - 10

Har jag någon bindningstid hos Middagsfrid?

Middagsfrid har inga bindningstider. Du bestämmer själv hur många leveranser du vill ta emot och hur ofta du vill få dem inom ramen för din leveransplan. Då vi planerar meny, inköp, packning och utkörning av dina varor i förväg behöver du minst 9 dagar i förväg registrera ditt avslut via Mina Sidor eller via kundservice.

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Vi på Middagsfrid var först i Sverige (och världen vad vi kan se!) med idén att erbjuda hemleverans av middagsmat. Hos oss får du färdigplanerade matkassar med råvaror av mycket hög kvalitet, direkt hem till dörren. Med leveransen följer även vårt veckoblad med tydliga utförliga recept, foton och tips kring tillagningen. Vi kommer hem till dig mellan kl 17-22 på söndag, måndag eller tisdag beroende på var i Sverige du bor och vad du väljer.

HISTORIEN OM HUR VI SKAPADE VÅRA MATKASSAR

Middagsfrid startades sommaren 2007 av Kicki Theander. Syftet var att förenkla middagsbestyren för barnfamiljer och andra hushåll som vill ha bra mat på bordet varje kväll. Många sliter med inköp, planering och matlagning och allt fler väljer hel- och halvfabrikat i brist på tid och ork. Det vill Middagsfrid ändra på. Kicki har själv tre barn och vet att det är viktigt att maten är klar en viss tid. Visst kan det behövas kompromisser när det är stressigt, men genom Middagsfrid delar Kicki med sig av många knep, där kunderna får råvaror och recept

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VECKA 16	VECKA 17	VECKA 18	VECKA 19	VECKA 20	VECKA 21	VECKA 22	VECKA 23
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TJUVKIK PÅ VECKOMENY 21

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Våra öppettider på telefon är klockan 10.00-17.00 måndag till tisdag och klockan 10.00-15.00 onsdag till fredag. Stängt under lunchen mellan 11:30 och 12:30. Under leveransdagarna finns vi även tillgängliga från 17.00- 20:30. Ring oss på 08-55 117 118. Du kan alltid mejla oss på kundservice@middagsfrid.se

Vår ambition är att alltid hjälpa dig med alla dina frågor och vi strävar efter att besvara alla våra mejl inom 24 timmar.

Oss kan du fråga allt mellan himmel och kök, som att registrera dig som kund, vi svarar på frågor kring din leverans och faktura eller kanske rent av en matlagningsfråga. De flesta frågor har vi svar på själva – annars tar vi med oss dem till våra kollegor.

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Hur avbokar jag en order?

Du kan via "[Min sida](#)" klicka på "avboka" till höger om den order som du vill avboka.

Vid avbokning av en order innehållande någon av våra färdiga matkassar måste detta göras 8 dagar innan leveransdag.

Hur gör jag en reklamation?

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< maj 2013 >							Leveranstider
må	ti	on	to	fr	lö	sö	
		1	2	3	4	5	fredag
6	7	8	9	10	11	12	17 maj
13	14	15	16	17	18	19	12:00 - 16:00 (99:-)
20	21	22	23	24	25	26	13:00 - 17:00 (79:-)
27	28	29	30	31			15:00 - 19:00 (79:-)
							16:00 - 22:00 (59:-)
							18:00 - 22:00 (79:-)

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SVARTPEPPARSTEKT LAX I WRAP MED ÖRTIG FÄRSKOST

BROCCOLISOPPA MED SPENAT- OCH FETA FYLLDA QUESADILLAS

HETA KYCKLINGSPETT MED VÅRSALLAD OCH FETAOSTDIPP

PAOLOS PASTA CON SALSICCIA, PANCETTA E FUNGHI

[Ladda hem menyn för vecka \(PDF\)](#)

⁺ [Läs mer om recepten och produkterna för v. 22](#)

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vboka.

te detta

KUNDTJÄNST

Kontakta kundtjänst

Ring oss

031-787 92 90

Vardagar: 08.00-22.00
Lördagar: Stängt
Söndagar: 12.00-22.00

Maila oss

info@mathem.se

Vanliga Frågor


Vad kostar en leverans?

Hur betalar jag?

På sidan [Frågor och svar](#) kan du hitta fler svar på våra vanligaste frågor.


TELEFONORDER

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Sök i butiken

☒ Varor
☐ Recept

Jipsa en vän


Startsida
Varor
Matkasse
Deli
Recept
Inköpslistor
Om oss
Min sida

Mina ordrar och varor
Ordrar
Abonnemang
Inköpslistor
Baslistor
Varor
Min profil

Min sida

På Min sida kan du se och ändra de uppgifter som finns kopplat till ditt användarkonto på MatHem.

Här hittar du dina ordrar, abonnemang och inköpslistor.

Min bonus
Antal bonuspoäng: 2000
Kvar till nästa bonus: 500

Aktivera ditt leveranskort

[Läs om MatHems leveranskort»](#)







Så enkelt han

- Välj bland **10 000** var sortiment, sök i sökf handla direkt i snabbt
- Abonnera på en färdi eller inköpslistor.
- Inspireras av recepte ingredienserna direkt i

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MatHems leveranskort

Genom att köpa MatHems leveranskort kan du spara upp till 1600 kr!

 Leveranskort Silver Ti-fre 3 mån 595.00 kr/st 595.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>	 Leveranskort Bas Ons-fre 3 mån 1.00 kr/st 1.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>	 Leveranskort Silver Ti-fre 6 mån 995.00 kr/st 995.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>	 Order Via Telefon till MatHem 49.00 kr/st 49.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>	 Leveranskort Guld Hö-n-fre 3 mån 895.00 kr/st 895.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>	 Leveranskort Guld Hö-n-fre 6 mån 1495.00 kr/st 1495.00 kr/st <input type="button" value="1"/> <input type="button" value="Köp"/>
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Ladda ner vår app

Du har väl inte missat våra appar?

Både till iPhone och Android

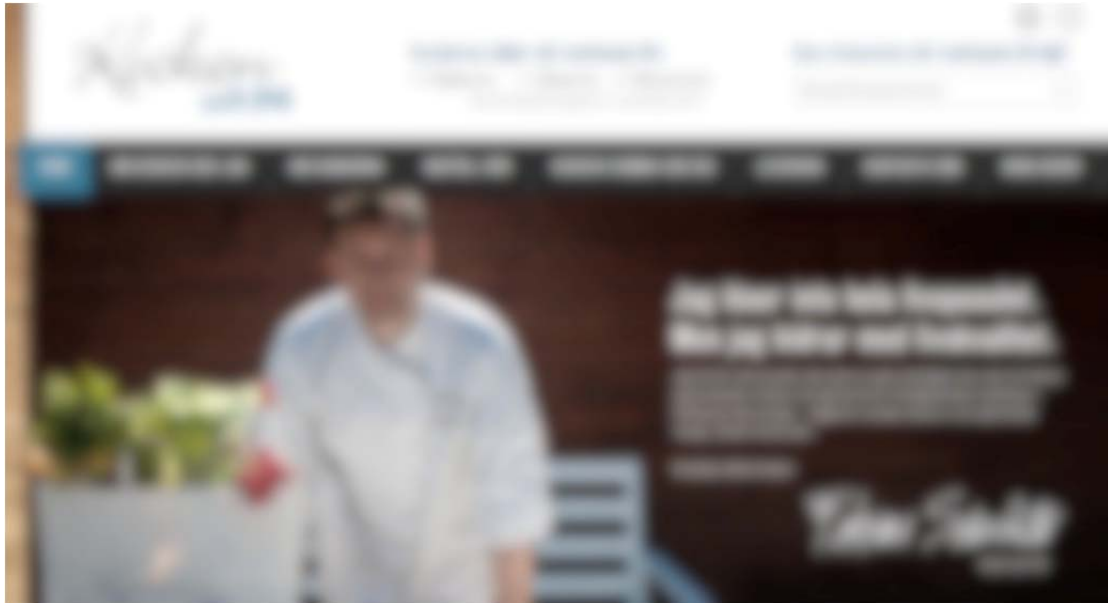
Läs mer



Matkassar

Givetvis går det bra att beställa alla våra matkassar genom appen. Vi har flera olika färdiga matkassar, och självklart kan du handla alla i vår iPhone-app.

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Kan jag göra uppehåll i min prenumeration?

Ja, det går alldeles utmärkt. Om uppehållet gäller en kortare period, exempelvis vid semester, kan det vara enklare att enbart avboka de leveranser då du inte kommer att vara hemma. Alla förändringar måste ske minst 5 dagar före aktuell leverans.

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När kommer leveranserna?

Matkassen levereras måndagar mellan kl. 16-22. Det finns tyvärr inte möjlighet att erbjuda andra leveranstider i dagsläget. Vi jobbar dock ständigt med att förbättra vår service och hoppas kunna erbjuda fler alternativ i framtiden.

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Meny vecka 22. Sista beställningsdag är 22 maj kl 18.00

[Rekommendera](#) 74 [Tweeta](#)



Fisk
Sprödstekt lax med krämig
brunnsallians



Kyckling
Cesarsallad med kyckling &
knäppstekt skinka

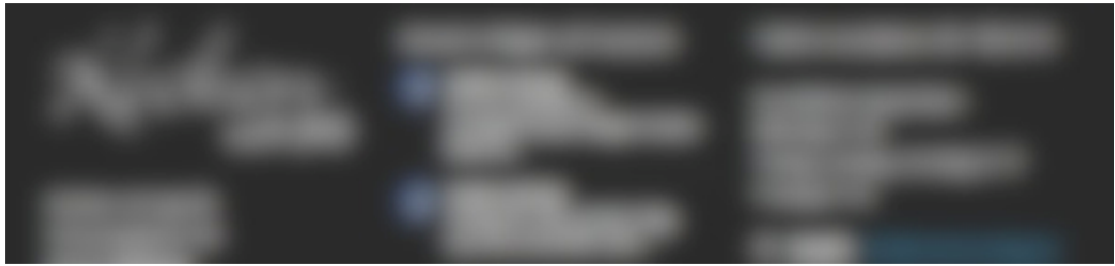


Kaprifolkött
Nötfärsbiffar med ruccolapotatis &
drillad enarrie



Vegetarisk
Vegetarisk Tikka masala med blomkål
& bulgur

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Appendix II - 27

Dina kunduppgifter | Recept och menyer

Aktuellt

Här hittar du info om vad som är på gång hos *Kocken och Jag*. Har du specifika frågor som du inte hittar svaret på i vår FAQ, når du oss på telefon eller mail.

Bildarkiv

- Vecka 20
- Vecka 19
- Vecka 18
- Vecka 17
- Vecka 16
- [Visa fler recept »](#)

Veckomenyer

- Vecka 20, 4 Personer
- Vecka 20, 2 Personer
- Vecka 19, 4 Personer
- Vecka 19, 2 Personer
- Vecka 18, 4 Personer

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Appendix III

Week	May12A	May12A	May12A	May12A	June12A	June12A	June12A	June12A	July12A
Customers	19	20	21	22	23	24	25	26	27
Marketing (\$)	150	152	153	154	156	157	159	158	159
New Customers	-400,00	-400,00	-400,00	-400,00	-400,00	-400,00	-400,00	-400,00	-400,00
CAC	2	1	2	2	1	2	1	1	1
Churn (actual)	-200,00	-400,00	-200,00	-200,00	-400,00	-200,00	-400,00	-400,00	0,00
Churn (%)	0	0	1	0	0	0	2	3	0,00
	0,0%	0,0%	0,7%	0,0%	0,0%	0,0%	1,3%	1,9%	0,0%
Total No of Customers	152	153	154	156	157	159	158	156	159
Total Revenue	106400,00	107100,00	107800,00	109200,00	109900,00	111300,00	110600,00	109200,00	109200,00
ARPU	700,00	700,00	700,00	700,00	700,00	700,00	700,00	700,00	700,00
CLV									
Profit per week	2406	2406	2406	2406	2406	2406	2406	2406	2406
Profit per customer	15,83	15,72	15,62	15,42	15,32	15,13	15,23	15,42	15,42
CLV									
Lifetime	20								
Discount rate	0,09%								
Sum of discounted profits	1202								
CAC	500								
Churn	5,0%								
CLV	702								
Yearly interest rate	5%								
Weekly interest rate	0,09%								

recurring revenue model Scenarie testing Income statement Balance sheet Cash flow statement

Appendix III - 1

Week	May13F	May13F	May13F	May13F	June13F	June13F	June13F	June13F	Jul
Customers	18	19	20	21	22	23	24	25	
Marketing (\$)	198	208	218	227	236	244	252	259	
New Customers	10000,00	10000,00	10000,00	10000,00	10000,00	10000,00	10000,00	10000,00	
CAC	20	20	20	20	20	20	20	20	
Churn (actual)	500,00	500,00	500,00	500,00	500,00	500,00	500,00	500,00	
Churn (%)	10	10	11	11	12	12	13	13	
	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	
Total No of Customers	208	218	227	236	244	252	259	266	
Total Revenue	145600,00	152600,00	158900,00	165200,00	170800,00	176400,00	181300,00	186200,00	
ARPU	700,00	700,00	700,00	700,00	700,00	700,00	700,00	700,00	
CLV									
Profit per week	9268	9268	9268	9268	13558	13558	13558	13558	
Profit per customer	44,56	42,51	40,83	39,27	55,56	53,80	52,35	50,97	
CLV									
Lifetime	20								
Discount rate	0,09%								
Sum of discounted profits	1202								
CAC	500								
Churn	5,0%								
CLV	702								
Yearly interest rate	5%								
Weekly interest rate	0,09%								

recurring revenue model Scenarie testing Income statement Balance sheet Cash flow statement

Appendix III - 2

Appendix IV – Interview guides

Interview guide used to interview Albin Johansson and Max Svärd

Skulle du kunna berätta lite om företaget och din roll där?

Varför tror du att era kunder kommer tillbaka till er hemsida?

Varför tycker du det är viktigt att arbeta med att öka lojaliteten hos era kunder?

Hur gör ni för att bygga lojalitet hos era kunder?

Har ni specifika strategier för att bygga lojalitet hos era kunder? Varför har ni det och vad är syftet med dessa?

Vilka aktiviteter gör ni för att följa dessa strategier?

Hur utvärderar ni dessa aktiviteter?

Hur gör ni för att mäta lojaliteten hos era kunder?

Interview guide used to interview Gustav Svensson

Skulle du kunna berätta lite om företaget och din roll där?

Vad har ni gjort för marknadsföringsinsatser hittills för generera nya kunder?

Hur kommunicerar ni med era kunder?

Hur arbetar ni med sociala medier?

Hur följer ni upp era marknadsföringsinsatser?

Hur gör ni för att mäta hur effektiva era marknadsföringsinsatser är?

Hur följer ni upp arbetet med att effektivisera era marknadsföringsinsatser?

Hur gör ni för att bygga lojalitet hos era kunder?

Interview guide used to interview Anders Katz

Skulle du kunna berätta lite om företaget och din roll där?

Hur skulle du rekommendera ett företag att sänka CAC?

Vad finns det för media kanaler att använda sig av när man som ett företag marknadsför sig?

Vilka av dessa skulle du säga är mest kostnadseffektiva och varför?

Vad är fördelarna respektive nackdelarna med dessa media kanaler?

Hur kan man som företag bli bättre på att följa upp och utvärdera sina marknadsföringsaktiviteter?

Hur skulle ni rekommendera ett företag att mäta effektiviteten i sina marknadsföringsinsatser?

Interview guide used to interview Teodor Abreu

Skulle du kunna berätta lite om företaget och din roll där?

Hur fungerar en Groupon kampanj?

Vilka typer av företag väljer att göra en Groupon kampanj?

Varför väljer företag att göra en Groupon kampanj?

Varför skulle du rekommendera Groupon som marknadsföringskanal?

Hur utvärderar man en Groupon kampanj?