Food stores getting close by competition
How it affects customers’ loyalty and how to manage the change
Master of Science Thesis in the Supply Chain Management Programme

ANNA KÄLLTÉN
MALIN NORLING
Food stores getting close by competition
How it affects customers’ loyalty
and how to manage the change

ANNA KÄLLTÉN
MALIN NORLING

Tutor, Chalmers: Jens Laage-Hellman
Tutor, company: Johannes Larson

Department of Technology Management and Economics
Division of Industrial Marketing
CHALMERS UNIVERSITY OF TECHNOLOGY
Göteborg, Sweden 2016
Food stores getting close by competition
How it affects customers' loyalty and how to manage the change

ANNA KÄLLTÉN
MALIN NORLING

© ANNA KÄLLTÉN, MALIN NORLING, 2016.

Master's Thesis E 2016:010

Department of Technology Management and Economics
Division of Industrial Marketing
Chalmers University of Technology
SE-412 96 Göteborg, Sweden
Telephone: + 46 (0)31-772 1000
Abstract

ICA Maxi in Kungälv is about to get new competition close by, something which the store has not gotten before. Their situation is not unique, it is something that has happened before in multiple places. How stores have handled the situation and what the outcome became has differed. From similar cases it is possible to learn and draw information in order to divine what will happen with ICA Maxi Kungälv’s situation. Stores located close to each other are likely to compete about the same customers as their geographical area is the same. Because of this the customers’ loyalty is of importance to the pre-existing store. Customers to food stores are very disloyal compared with other retailers’ customers and it is therefore necessary to know what a food store is going up against and how to keep its customers. For ICA Maxi in Kungälv this will be of a high interest since its new competitor will open only a few blocks away.

The report has a case study design where managers at different stores, which have gone through similar situations, have been interviewed. To get an understanding of the customers’ behaviour the customers at the stores of interest, as well as at their competitors, have been surveyed. The information obtained from the managers and customers was analysed to find common ground as well as differences in their characteristics, handling of the situation as well as the outcome. The conclusions were then applied on ICA Maxi Kungälv’s situation. The stores interviewed have different characteristics and are of different sizes since ICA Maxi Kungälv today functions as both a store for complementary and big shopping, which is needed to create a bigger scenery for the potential future.

Three topics will be investigated and used to analyse the competitive situations. Competition is used to understand the customers’ behaviour and how it effects the prerequisites that the companies have to run their businesses. The topic customer loyalty is mainly focused on the food store industry and is used to better understand the behaviour of the customers. Lastly change management applies to how the competition and customer loyalty should be handled seeing to the new situation the stores face.

It is important to acknowledge that the question is not if the customers will try the new store but rather how to make them return and keep shopping at the original store. Having this in mind ICA Maxi Kungälv should work with making their store better in the areas which the customers find important. By working with advertisement and the personal experience in the store the familiarity will increase and thereby enhance the probability of continued shopping. Another important action is to rebuild or update the store in order to be seen as fresh and inviting compared to the new competitor. Much can also be done with developing the food stores' loyalty programs to make the customers more loyal.

Key words: competition among food stores, close by competition, customer loyalty among food stores, change management.
Acknowledgements

It has been a pleasurable time writing this master thesis and we owe a great thanks to people who have encouraged us along the way. First of all we would like to thank our tutors, both at ICA Maxi Kungälv and at Chalmers. Johannes Larson put great trust in us and gave us free rein to do a report which we found interesting as well as helpful for their situation. Jens Laage-Hellman let us find our own way with words of encouragement and wise input from the beginning to end. We thank you both!

This report would not have been anything without the time given by the stores’ managers and customers. We would like to give a huge thank you to the managers who took their time to answer all our questions, their dedication for their work was truly inspiring and we hope that they will find the finished report interesting. Many customers were interviewed, a short moment for each and every one of them, but by being part of a group was very important to our study and we are them most grateful.

Our crew at café Bulten has made this semester oh so much more enjoyable, here's to all those coffees and teas. Last but not least, we give a call out to our friends and family who have supported us on the long travel towards a degree, not just with this master thesis but through thick and thin throughout the whole university experience, a good time it has been!

We wish you all the best,

Anna and Malin
**Contents**

1. Introduction .................................................................................................................. 3
   1.1 Background .............................................................................................................. 3
   1.2 Purpose .................................................................................................................. 3
   1.3 Research questions ............................................................................................... 4
   1.4 Limitations ............................................................................................................. 4
   1.5 Instructions for reading ......................................................................................... 4

2. Theoretical framework .................................................................................................. 6
   2.1 Competition ............................................................................................................ 6
      2.1.3 Competitive advantage .................................................................................. 7
      2.1.4 Acting alone on a market .............................................................................. 8
      2.1.5 Competition in the food industry ................................................................. 8
   2.2 Customers' loyalty ................................................................................................. 10
      2.2.1 Making customers loyal .............................................................................. 10
      2.2.2 Division of customers .................................................................................. 11
      2.2.3 Customer loyalty and food stores ................................................................. 13
   2.3 Change Management ............................................................................................ 14
      2.3.1 Change management in different kinds of organisations ............................. 14
      2.3.2 Different levels of change depending on what type of change .................... 14
      2.3.3 Models and approaches to change management ...................................... 15

3. Method .......................................................................................................................... 18
   3.1 Research Approach ............................................................................................... 18
   3.2 Research Strategy ................................................................................................. 18
   3.3 Research Design .................................................................................................... 19
   3.4 Data Collection ...................................................................................................... 20
      3.4.1 The structured interviews ............................................................................ 21
      3.4.2 The semi-structured interviews ................................................................... 21
   3.5 Data Analysis ........................................................................................................ 22
   3.6 Research Quality .................................................................................................. 23

4. Empirical studies ......................................................................................................... 24
   4.1 The studied stores ................................................................................................. 24
      4.1.1 About the stores and the local area ............................................................... 24
      4.1.2 The new competition .................................................................................... 26
      4.1.3 Meeting the competition ............................................................................. 28
      4.1.4 The effect on the existing store .................................................................... 33
      4.1.5 A summarization of the different stores ..................................................... 37
Appendix II

Appendix I

Reference list

6. Conclusions

6.1 Why do customers change their choice of store? ................................................................. 37
6.2 Why do customers choose to stay with the same food store? ............................................... 39
6.3 Is it possible to reduce the loss of customers to close by competitor and if so, how? ........ 40
6.4 How is the turnover affected by the opening of a new store? ........................................... 42

5. Analysis of the empirical material ...................................................................................... 43

5.1 Competition .......................................................................................................................... 43
5.1.1 Receiving new competition ............................................................................................. 43
5.1.2 The new competition ...................................................................................................... 44
5.1.3 The importance of the stores’ location .......................................................................... 45
5.1.4 The correlation between store size and customer base ................................................. 46
5.1.5 The necessity of the right assortment ............................................................................ 46
5.1.6 Summary .......................................................................................................................... 47
5.2 Customer loyalty .................................................................................................................. 47
5.2.1 Who is a loyal customer? ............................................................................................... 47
5.2.2 The behaviour of loyal customers .................................................................................. 49
5.2.3 How to affect the customer loyalty ............................................................................... 50
5.2.4 Summary .......................................................................................................................... 52
5.3 Change management ........................................................................................................... 53
5.3.1 Before the opening of the competitor ........................................................................... 53
5.3.2 During and after the opening of the competitor .............................................................. 54
5.3.4 Summary .......................................................................................................................... 55

6. Conclusions and their significance for ICA Maxi Kungälv .................................................. 56

6.1 Why do customers change their choice of store? ................................................................. 56
6.2 Why do customers choose to stay with the same food store? ............................................... 57
6.3 Is it possible to reduce the loss of customers to close by competitor and if so, how? ........ 58
6.4 How is the turnover affected by the opening of a new store? ........................................... 59

Reference list ............................................................................................................................ 61

Appendix I .................................................................................................................................. 64
Questionnaire for the customers at store A-F ........................................................................... 64
Questionnaire for the customers at the competitors to store A-F ............................................. 64
Interview guide for the managers at store A-G .......................................................................... 65

Appendix II .................................................................................................................................. 66
Appendix III .................................................................................................................................. 69
Appendix IV .................................................................................................................................. 73
1. Introduction

New competition brings new challenges to existing companies, especially when the competition chooses to locate itself close by and therefore this master thesis focuses on food stores which have gotten new close by competition and how this has affected the already existing stores. This is done to be able to apply the information on a food store that within short will get a new competing food store located a few blocks away. Combining theory regarding customer behaviour and loyalty with empirical data collected by interviews have been done in this study. In order to carry out this research a mixture of research designs, approaches and strategies have been used to answer the research questions which have been created in order to meet the goal of this study.

1.1 Background

A new food store will in 2018 open close to ICA Maxi’s store in Kungälv. This is done as a part of the construction of a new neighbourhood of residential and business establishments on the Kongahälla property, an area in front of ICA Maxi Kungälv that has been unused during the last ten years. The situation for ICA Maxi Kungälv has up until now been of a rather non-competitive nature with no larger food stores in the local area, only smaller ones which compete on other terms. This is now about to change and ICA Maxi Kungälv is expecting to get competition in their own segments, especially since the location of the new competition will be only a few blocks away. Since the existing store functions for the families’ big weekly shopping as well as complimentary and small purchases, the opening of a large store in the neighbourhood will most likely have an impact on customer behaviour and thereby the turnover of ICA Maxi.

ICA Maxi’s situation in Kungälv is not unique. The same thing has happened before in multiple different locations in Sweden. The competing stores that open nearby have the possibility to take a big chunk of the existing store’s turnover, something that leads to consequences of concern for the existing food store. The opening of a similar store in close range to an existing store that targets the same type of customers means that they, geographically, will compete for the same customers. The bundling of similar stores close to each other also opens up for comparison shopping or customers combining the best offers from both stores, something that can have drawbacks for both stores.

Customer loyalty is known to have a positive impact on the profitability of a company (Bowen and Chen, 2001). There are different levels of customer loyalty and the risk of changing store differs for them. As losing customers is of great concern to companies it is therefore interesting to know how the new business situation impacts the customer loyalty to the existing company and what the existing company is bound to expect. Having a better grip on this can make it easier to know how to react to new competition and what responses the existing company should be giving.

1.2 Purpose

The main purpose of this study is to investigate how, in the food retail industry, new direct competition in the neighbourhood affects customer behaviour and loyalty towards the already existing food store as well as its turnover. The results will then be used as a starting point for discussing how ICA Maxi Kungälv should handle the situation which awaits them. This is done to be able to see what they should expect and how they can prepare for their future challenge.
1.3 Research questions

To achieve the purpose four research questions were constructed. These research questions were used as a guide through the research and will be answered in the end of the report.

- Why do customers change their choice of store?
- Why do customers choose to stay with the same food store?
- Is it possible to reduce the loss of customers to a close by competitor and if so, how?
- How is the turnover affected by the opening of a new store?

1.4 Limitations

This master thesis’ focus is narrowed down to only include data collected from food retail stores in Sweden. Further it only considers stores that have gotten a new competitor located within a three kilometre radius, this so that they can be considered as close by, competing in the same geographical area. This distance was chosen, after consulting the tutor, since it should be possible to walk between the stores. The study does not limit itself to only one brand of stores or one type of store size, regarding the studied stores and their competitors, since this might limit the possibility of getting interesting answers. This since ICA Maxi Kungälv functions as both a small store for complementary shopping and for those who wish to do their big shopping.

1.5 Instructions for reading

In order to make a conclusion and answer the research questions this study will be based on other similar cases. These conclusions will be used to see how ICA Maxi Kungälv should act in order to decrease the potential loss of customers to the new competitor. The study therefore focuses on these other cases first and towards the end there will be a focus on ICA Maxi Kungälv.

First a theoretical framework will be presented as a framework for the study. The topics chosen to deal with the situation of ICA Maxi Kungälv is competition, customers’ loyalty and change management. Competition was chosen because ICA Maxi Kungälv is going to get a new competitor in a couple of years and investigating what competition could mean for them will therefore be needed. Customers’ loyalty deals with the potential behaviour of the customers ICA Maxi Kungälv has today and how they tend to act within the food retail market. Change management backs up the action of how to handle change, such as a new competitor and how the pre-existing store could manage a change to meet this new competition.

The chapter of method will afterwards give the reader a possibility to understand how the study has been carried out, this by presenting first the study’s approach, strategy and design. The study is mainly built on interviews and the chapter will give details regarding how the data was collected and analysed.

The next chapter will give the reader the information from the data which was gathered for the study. Both data collected by interviews with different managers will be presented as well as the data from all the customer interviews. The first section regards the managers of the different stores and is divided into the four bigger questions. Underneath each question the reasoning from each store will be presented before the next question will be dealt with. The last part of the chapter is the collection of customer data. The data presented in this section will be handled both in total, meaning a presentation of all the stores’ customers and how they reasoned regarding the different questions they were asked. Data for specific stores which is suitable for the study will also be
presented, depending on the different characteristics of the stores and their locations. This is done because of their different possibilities of handling the new competitors. Presenting the data in regard to the different stores also make it possible to compare each store against one another.

After the empirical studies the analysis chapter will be presented. The analysis is divided into three sections which follows the same order as the theoretical framework. Each section carries several specific subsections which will analyse different themes interesting for this study. After each section a summary of the conclusions regarding competition among food stores, customers’ loyalty to food stores and change management when meeting new competition will be presented.

Chapter six will end the study by using the analysis to state the conclusions to the research questions stated in the introduction. This chapter will also use ICA Maxi Kungälvs as a foundation to apply the study’s conclusions on. Information needed to make conclusions regarding if the other stores’ experiences could be applied on ICA Maxi Kungälv is added in this section, it will mostly be regarding ICA Maxi Kungälv's position today and what they know about the future of the city and the upcoming competitor.
2. Theoretical framework

Bryman and Bell (2011) recommend to start a study by searching for existing literature within the field. This is due to many reasons, one to get a grip on what has been done in the specific area and what kind of methods have been used. Combining both books and articles is usually a good way of finding theories and models which have been tested and analysed, with the absolute novelty that e.g. articles can give to an area (Patel and Davidson, 2003).

The literature review started with searching for relevant articles at Chalmers University of Technology’s library. Literature regarding competition, customer loyalty and change management within the food retailing market was not to be found in big amounts but some publications have been done within the food industry field in Sweden. Articles from abroad were often not found relevant since they do not apply on the Swedish market.

In order to find relevant literature regarding customers to food stores words like customer’s satisfaction, customer behaviour and customer loyalty were used. These words lead to several articles being found but not all of them regarded the food industry. These three topics could however be relevant for the study even though they might have been applied in another industry. The difference in the physical feelings of satisfaction, behaviour and loyalty between different markets should not differ that much between humans active in different markets.

This chapter consists of three different sections. First a section presenting theories about competition will be provided with definitions where and how competition exists, different competitive advantages for companies and how competition between different food stores work. The section is followed by customer loyalty and how this can be handled. Lastly different ways of handling change will be presented which is used to understand how the different stores went through the handling of their new competitors.

2.1 Competition

Competition can be defined as the rivalry that appears between the actors, meaning both between the different buyers and the different sellers (Nationalencyklopedin, 1993). In most of all markets, other than monopolies and markets controlled by patents, competition is present. The level of competition present on a market is created by the goals of the different actors as well as the amount of action the actors can take without it leading to legal conflicts between them and the other parties on the market (Nationalencyklopedin, 1993).

Porter (1998) expresses that there are five basic forces that the state of competition in an industry depends on. These are the threat of new entrants, the bargaining powers of the suppliers as well as the customers, the threat of substitute products or services and the jockeying for position among the existing competitors. Significant for this study is the first and last mentioned force, the threat of new entrants and the rivalry between existing competitors. New competitors do not only come with new capacity and a desire to take market shares, they also often bring a significant amount of resources, such as knowledge and money (Porter, 1998). Entry barriers can obstruct the likelihood of new competitors, for instance economies of scale make it necessary for the new entrant to either come in with large customer base or accept a cost disadvantage. Seeing to product differentiation new entrants have to find ways to overcome the existing customer loyalty, this can be solved through advertising, customer service and product differences. Capital requirements can also be an entry barrier since there is a need to invest when starting to compete.
Relevant to the jockeying for position, Porter (1998) states that the intensity of the rivalry can differ depending on multiple factors such as:

- There are many competitors or they are of roughly the same size and have the same power.
- The industry growth is very low leading to fights over market shares when businesses wish to grow.
- The product or service lacks differentiation or switching costs.
- The product is either perishable or the fixed costs are high, leading to strong temptation to cut prices.
- The capacity is normally increased in large amounts.
- The exit barriers are high leading to lower profits for the healthy competitors since the sick ones keep hanging on even though they have either low or negative profits.
- The competitors have different strategies, origins and “personalities”.

### 2.1.3 Competitive advantage

A company achieves competitive advantage by having an edge over its competitors when attracting buyers (Bains et al., 2008). There are many different ways to gain this advantage, a company can compete with a strong brand, quality, price or special attributes. It can also compete with the best support or service available. According to Porter (1985) a sustainable competitive advantage can be reached by two different routes, to either produce at the lowest cost on the market or to differentiate the product or service so that the customer receives subordinate value.

It is possible to reach the two routes by having one of the following three strategies (Bains et al., 2008). First there is cost leadership, meaning that a company’s cost structure needs to be low and so offer an acceptable level of quality while at the same time generating an above-average profit margin. It does therefore not mean that a company has to offer the lowest prices on the market, although it is possible (Bains et al., 2008).

The second strategy concerns differentiating a company and its products from the others on the market in order to satisfy the needs, and wants, of different customer groups. Customers are advocated to pay a higher price for products or services that give them more value (Bains et al., 2008). This is about adapting to customers’ personal needs, creating a product or service which is not standardized but rather customized. Differentiating a product or service is important, but it is also important to see this differentiation as an ongoing process. Doing something advantageous, which creates a loyal customer base, will soon have followers (Vincent, 2012). The process of differentiation in a company is therefore a dynamic process in order to prevent the possibility of competitors to catch up.

The third strategy is focusing on the gaps existing in competitors’ products and services range and filling them. This entails that the company strives to focus all of the different value adding steps for these specific products and services and execute them as efficiently as possible. This strategy can either aim to be as cost-efficient as possible or to differentiate the product and services so that customers are willing to pay a higher price. This narrow strategy, compared to the two previous broad strategies, differs since it only focuses on attributes valued by specific segments while the broader strategies need to address attributes valued across many markets. (Bains et al., 2008)
2.1.4 Acting alone on a market

Some companies have a golden situation by operating on a market alone, without any direct competition. These companies can be seen as “the imperialist” and therefore attract a lot of attention (Vincent, 2012). Being on top is however not only a bed of roses since customers’ demands are greater and the customers also tend to have preconceived notions about the company on top. Customers see these companies as non-competitive and don’t think that these companies can work hard. Usually these companies are working really hard to both remain in this situation and live up to all the expectations that customers have on them (Vincent, 2012). These companies have to think through every new decision so it will not hurt themselves or their reputation.

2.1.5 Competition in the food industry

The change in customer demographics, the economic trends and the ongoing evolving food industry have laid a ground of competition between different food retailers. Families with multicultural backgrounds have higher demands on the assortment and food retailers expect to expand their product offerings in order to meet their demand. The change in family structure has also created new shopping behaviours and new demands when it comes to buying food. (Huddleston et al., 2004)

The study made by Huddleston et al. (2004) showed that many of the people being interviewed claimed to be loyal to a certain food store, which they found might not be completely true. The further the interviews went it was clear that the majority of the customers were willing to switch if something better came along. The satisfaction of a store could therefore not alone be equal with creating a loyal customer. Another example is that almost all of the interviewees had tried the new food store that had opened up close to the existing one in their area, and some of the customers had also shifted their loyalty to it. Having several grocery stores close to each other will thus lead to more comparisons made by the customers, and therefore there is a tendency of losing loyal customers (Popkowski Leszczyc et al., 2004).

![Sales Chart](Figure 2.1. The market shares in Sweden for food stores (Delfi et al., 2015).)
The situation for the food industry in Sweden is mainly made up out of a few companies that have a huge part of the market (Konkurrensverket, 2011). According to Dagligvarukartan (Delfi et al., 2014) the market is divided as shown in figure 2.1. This is also concluded by Dobson’s research from 2003, where they state that Sweden, and the Netherlands, are known for having one company dominating a certain geographical area. In a press release from 2011 Konkurrensverket, the Swedish Competition Authority, states that the localisation of food retailers is important in order to stimulate the competition between stores. In a report from 2004 Lundvall states that the competition has intensified a bit the last couple of years due to the establishment of new food store chains. On the other hand the sales of food retailers in Sweden rose by 2.3 % 2014 compared to the previous year (Delfi et al., 2015).

Many companies are increasing the number of products sold under their own brand (Lundvall, 2004). The more private label products that a company has, the harder it is to directly compare prices with another store (Jörgensen, 2011). A great number of private label products has an impact on the local food market since consumers to a lesser extent are bound to choose between stores with different chain affiliation (Jörgensen, 2011). Jörgensen (2011) gives the example that an ICA store competes less and less with a Coop store as the amount of private label products increases.

Vincent (2012) claims that a company can position itself in two different ways, by brand positioning and brand promise. When looking at brand positioning it is important for a company to differentiate the brand in such a way that it evolves with the market but finds its own unique position amongst other brands. While evolving with the market it is important to not go completely astray since this could cause damage to the brand’s promise. A brand’s promise regards the reason for why a company exists, and thus defines the benefits the brand gives. (Vincent, 2012) This is connected to food stores since they nowadays compete with private labels rather than big, famous brands.

Close competition between food stores
When several grocery stores are located close to each other it will be easier for customers to shop depending on price because they can more easily compare the stores (Popkowski Leszczyk et al., 2004). In the research made by Singh and Zhu (2009) they could see that all firms that got a new competitor close to its business, had strong negative impact on their sales but this negative impact does decrease with distance.

Studies have shown that in Sweden the distance between food stores has a big impact on the local competition (Jörgensen, 2011). Lundberg and Lundberg (2010) found that the distance has an effect on the likeliness of a customer choosing a specific store, that the likeliness is negative but decreasing the higher the distance. This means that small distances are of importance for the choice of stores located close to the customer but not so significant when the customer already needs to travel by car a longer distance to get to the store (Jörgensen, 2011).

Lundberg and Lundberg (2010) in their research found that 75 % of the people surveyed never, seldom or only occasionally shop for food on their way to or from work. This lead them to the opinion that most people have their home as the departure point when heading towards a food store. This means that the location of a food store is of high relevance.
2.2 Customers’ loyalty

Customer loyalty can be defined in many ways. Bowen and Chen (2001) described that there are three approaches to measure it, by behavioural, attitudinal or composite measurements. By measuring the repeated purchasing by a customer the behavioural part of loyalty can be defined. This does not in any way consider the psychological commitment towards a brand. Attitudinal measurements on the other hand only focus on the emotional and psychological attachments by a customer to a brand. By using the third approach, composite measurements, one combines the two previous approaches and regards a number of different aspects when dealing with customer loyalty, such as customers’ product preference, frequency of purchase, the inclination to switch brand and the total amount of purchases.

According to Bowen and Chen (2001) customer loyalty has a positive effect on the profitability of a company. Reichheld and Sasser (1990) reach the conclusion that customer defections have a greater impact on a company’s profitability than for example scale, market share, unit costs etc. Meanwhile, Huddleston et al. (2004) state that food stores must be able to get and maintain loyal customers in order to survive on the market. These authors agree with the earlier statement, customer loyalty is very important for a company’s profitability and thereby survival.

Having loyal customers is good for a company due to the fact that they are more profitable for the company than non-loyal customers (Bowen and Chen, 2001), but it is also good for the customers to be loyal to companies. A company that can give customers the assurance regarding their products helps the customers to buy things without having to analyse if it is good or not, since they already trust the company (Vincent, 2012). It has been showed by Reichheld and Sasser’s research (1990) that the longer a company can keep their customer, the more profit they generate.

2.2.1 Making customers loyal

Bloemer and de Ruyter (1998) describe the process of creating loyal customers by pointing out the importance of creating a store commitment. Having customers with a store commitment binds the customers to the store and thus makes it easier to work on creating a bond to the customers. It is also important to make the customer feel store satisfaction in order to create the loyalty, store satisfaction meaning that a customer feels that the store meets or exceeds the expectation of the customer (Bloemer and de Ruyter, 1998). The combination of store satisfaction and store commitment creates loyal customers.

In order to create loyal customer Sivadas and Prewitt (2000) mention that the quality of the service and the satisfaction of the store is a key to customer retention but also to customer creation. Loyal customers also need good service quality, because this influences the satisfaction of the store (Sivadas and Prewitt, 2000). The better the service quality is at a store the higher the chances are that the customer recommends the store to other people. Reichheld and Sasser (1990) state that this is one of the reasons to create long-lasting, loyal customer relationships, because customers then do free advertising by recommending the store. The loyal customers therefore spread a good reputation to their acquaintances and help building a wider customer base (Baloglu, 2002). Sivadas and Prewitt (2000) further state that customers recommending a store or a brand become more devoted to the store themselves, which means that the customer becomes an even more loyal customer. Making customers more loyal is much more time and cost efficient than catching new ones due to the fact that catching new customers costs five to six times more compared to keeping an existing customer (Huddleston et al., 2004).
Loyalty has many positive aspects, not only can a store increase their amount of sales, it also has the possibility to lower operating costs by streamlining their inventory management, improve their capacity forecasting as well as lower the amount of needed markdowns (Huddleston et al., 2004). They also make it easier to target specific promotions to each customer instead of needing store-wide promotions by the usage of loyalty programs. Loyalty programs make it easier for retailers to identify their customer and their needs. Using, as an example, a card that enables customers to collect bonuses to earn different rewards also helps the store to collect the shopping behaviour that the different customers have (Sivadas and Prewitt, 2000). With a loyalty program it is possible to analyse how different actions affect the customers' behaviour, how frequent a customer visits the retailer and what amount it usually shops for. Sivadas and Prewitt (2000) also mention that the key benefit of having a loyalty program is having the ability to measure the success of activities in different segments in real time.

Finne and Sivonen (2009) have done research on loyalty programs, focused mainly on the structure and the outcome of loyalty programs within the fashion industry. They stated that the usage of loyalty programs were more innovative and successful than those used among food retailers and that the food retailers have much to learn from the fashion industry. An example of what is making the loyalty programs within the fashion industry that successful is their use of surprise and varying assortments which change continually.

Although customer loyalty is highly important it is not possible to draw a clean connection between loyal customers and customers that repeatedly continue to purchase products at a specific store. It is important for a retailer to not mistakenly assume that just because a customer keeps on making purchases the customer is very loyal, this ignorance can lead to unexpected loss of customers if something more suitable for the customer turns up (Jarvis and Wilcox, 1977). As Huddleston et al. (2004) conclude, even customers who think that they are loyal customers to a food store can in fact actually be spuriously loyal, depending more on the actual circumstances than on genuine loyalty.

2.2.2 Division of customers

Different authors have chosen to divide customers in different ways depending on loyalty. One way of dividing them is to both their relative attitude as well as their social and situational factors (Dick and Basu, 1994). By cross-classifying the customers according to these two aspects Dick and Basu (1994) divide customers into four different categories stretching from "No loyalty" and "Spurious loyalty" to "Latent loyalty" and "Loyalty", see figure 2.1. The authors agree on the fact that it is important to know which type of loyalty a customer has in order to direct the action towards the different customer segments. The action directed towards different customer segments should agree with the amount of loyalty they have in order to become as efficient as possible in their promotions. (Dick and Basu, 1994)
Rowley (2005) continues on the path of Dick and Basu and states that loyalty can be divided according to the levels Captive, Convenience-seeker, Contented and Committed. These levels are intended to subdivide the levels specified as loyal according to the previous authors. Rowley (2005) describes different triggers to why a customer would choose to change its preferred selection, depending on the level of loyalty, this can be seen in figure 2.2.

<table>
<thead>
<tr>
<th>Loyalty category</th>
<th>Triggers to switching</th>
</tr>
</thead>
</table>
| Captive         | - Alternative offerings at times of major decisions  
                  - New entrants to the market  
                  - Changes in personal finance and other circumstances that cause them to be less captive |
| Convenience-seeker | - Susceptible to promotions from other brands, such as 2 for 1 offers  
                        - Changes in circumstances that redefine the "convenience" offering, such as the opening of a new store or a change in personal circumstances, such as a move  
                        - Crisis points need to be managed |
| Contented        | - Better value (deal) elsewhere  
                  - Service delivery or product failure  
                  - Product development lagging behind competitors |
| Committed        | - Repeated or significant service delivery or product failure  
                  - Inadequate service or product recovery arrangements  
                  - A completely new product from a competitors that offers clearly identifiable added value |

In a study made by Curasi and Kennedy (2002) they divide customers into four different categories: Detached loyalists, Purchase loyalists, Satisfied loyalists and Apostles. The customers defined as Detached loyalists shop repeatedly at the same place and estimate that the switching costs are higher than the possibility of advantages of another service provider. The relationships between the two parts, the service provider and the customer, is of functional type and thus no close relationships is involved. In order for a Detached loyalist to change service provider the one used today has to become inconvenient for the customer.
The customer cluster called Purchase loyalist only gives their loyalty to the cheapest company or the one which gives the best deals (Curasi and Kennedy, 2002). The customers defined as Satisfied loyalists get their needs fulfilled and are satisfied with the service they have been provided with, and it is this satisfaction which links the customers to the company. The Satisfied loyalists are however also interested in price, which means that sometimes they might shop elsewhere due to price difference (Curasi and Kennedy, 2002).

The best level of loyalty is the Apostles. These customers, most likely, have a personal relationship with the company and usually have a long history with the company. It is the Apostles that give a company the valuable PR of word-of-mouth and the possibility of forgiving potentially failures a company might do. (Curasi and Kennedy, 2002)

2.2.3 Customer loyalty and food stores

Food stores are highly dependent on loyal customers in order to be able to run their business and creating loyal customers is therefore high up on food retailers’ agenda (Huddleston et al., 2004). Research has shown that people tend to spend about 78% of their food budget in one particular store (Huddleston et al., 2004). Svensson and Haraldsson (2004) found that on an average 67% of the food that the customers, from the three smaller Swedish cities that they interviewed, bought was bought at their main store. The numbers differ but it is possible to see what Huddleston et al. (2004) say, that there is great advantage for companies to bind customers to their food store in order to ensure profit.

Customers loyal to a specific store spend about 32% more at their favourite store compared with customers without loyalty tendencies to the same store (Huddleston et al., 2004). This means that with the high competition in the food industry, the retailers cannot afford to lose their loyal clients. To become the preferred store for customers retailers have to recognise the loyal customers and influence them in their preferences and decision making.

The study by Curasi and Kennedy (2002) says that customers to food stores should be known as Detached loyalists, mentioned in the earlier subchapter. When asked, they said they all were loyal to their food store but when investigated why they were loyal the main reason was the convenience they felt the store gave them (Curasi and Kennedy, 2002). Based on the report the reason for a customer to change its loyalty to another food store is when the switching cost becomes lower than the potentially benefit the new food store can give, or when the convenience of the store used today becomes lower.

The study that Huddleston et al. (2004) carried out showed that promotions, weekly advertisements and loyalty cards with high visibility of discounts were things customer liked. At the same time the customers looked upon loyalty cards as an invasion of privacy when the retailers could see how they have shopped. The study also showed that low prices was not the most important reason for choosing a store but rather the location, the feeling of familiarity with the store layout and the ability to fast get in and out when in a hurry.

In the study by Huddleston et al. (2004) they found that many people surveyed disliked when their preferred food store changed its layout, they felt that this lead to a loss of both time and energy in order to create a new mental map of the store. This is also stated in the article by Knutson (1988) where he describes how to satisfy customers. The importance of shortening the distance a customer has to walk in a store to find what he or she is looking for, and in total
minimizing the effort a customer has to put in in order to purchase a product or service affects the satisfaction a customer feels towards the store. This goes hand in hand with the dilemma of changing the layout of the store because the change forces customers to search for their items and thus spend more time in the shop. Knutson (1988) further states that it is the small conveniences that can make a big difference for the customers in order to tie them to a store.

2.3 Change Management

Change is needed in order to meet a new future situation, and when change is needed someone needs to handle it. This section will therefore present different facts about change management. How change management should be handled in different organisations and what kinds of different changes exists will be presented first. The section will also present different theories of how to go through with change, which can be applied on the stores interviewed and how they have gone through with their changes.

2.3.1 Change management in different kinds of organisations

In order to do a proper change in an organisation the first thing Cameron and Green (2012) recommend is to analyse what type of organisation the change is going to be done in. They mention four, most commonly used, types of organisations:

1. Machine
2. Political system
3. Organism
4. Flux and transformation

By using these four ways of looking at an organisation there are different ways of handling the change. A machine organisation needs the senior managers to handle, be responsible for and actuate the change. An organisation characterised by a political system needs the people with power to negotiate, form new coalitions and through these new coalitions form the change. Organisms need an awareness of the need for a change and together form a way of handling it. Usually there are people which are in control over the change but everyone is involved, which means that those who need extra support or training to adapt to the new change should get it. The last type is the flux and transformation where change comes from conflict and tension, something that emerges. The change slowly grows within the company so that everyone to whom the change will affect will understand and support the change. The change needs to be controlled and handled by someone with authority but can be realized first when everyone feels the need for a change. (Cameron and Green, 2012)

2.3.2 Different levels of change depending on what type of change

According to Anderson and Ackerman Anderson (2001) there are three different types of change which can be known as organizational changes. The first one is called developmental change, the second transitional change and the last one transformational change.

Developmental change is used when there is a need of improving something, it could be a skill, method, a performance standard or a condition that does not match up to future standards. It is therefore known as an improvement of an already existing skill to an organization. This change is known as the simplest of the three because the new version is just a changed old version and due
to this there is not so much reluctance involved from the personnel. (Anderson and Ackerman Anderson, 2001)

Transitional change occurs when there is a need of fixing a problem which is more complex than a developmental change. This could be done when redesigning strategies, structures, systems, processes, technologies or work practices. Usually it begins when leaders recognize a problem or an opportunity and see that in order to meet future demands there is a need of a change. (Anderson and Ackerman Anderson, 2001)

Transformational change is the most complex of the three types of changes. It is carried out when there is an urge to change and it will require a shift in human awareness and thus in how the company looks at its customers and how the work is carried out. The reason for the change could be a question of survival or when there is a new opportunity to grasp. This change requires a shift in mind-set and compared with transitional change, the transformational change requires a complete change where the transitional change just requires a redesign. The transformational change is so significant, compared to the other two, that the process can be compared with the story of the Phoenix, rising from the ashes, basically meaning that something old has to disappear in order for something new, and better, to take place. (Anderson and Ackerman Anderson, 2001)

2.3.3 Models and approaches to change management
When the organisation and the type of change has been outlined there are different models of, and approaches to, organizational changes. Depending on which type of organisation the company can be known as there are different models to work with, and it is also necessary to know what kind of change will be handled.

Lewin’s three-step model
Lewin (1951) describes organizational change as something which derives from the driving forces outweighing the resisting forces (Cameron and Green, 2012). An example could be to illustrate for the affected people how much time the change could free up. If the change would directly affect customers it is important to spend more time with them in order to support them in the new process and to manage their expectations.

Lewin (1951) describes the process of making the change in three steps. The first step he calls the Unfreeze step where the established state should be dissolved by describing it, involving people in the change process and together picturing the future. The second step is called the Move and involves the increase of driving forces for change and working with decreasing the resistance. The last step is called Refreeze where the change should be implemented and the new state of affairs should be a daily routine.

Kotter’s eight steps
Kotter (1995) presents a framework with eight steps to manage a successful change. Not following or skipping different steps will not generate a long lasting change but will instead lead to an illusion of changing something very fast without generating a satisfying result of a long lasting character (Kotter, 1995).

The most important step to start with is to create a sense of urgency in order to generate motivation (Kotter, 1995). Change requires good leadership in order to inspire others and thus generate a bigger group heading for the same change. It also requires a clear vision without
complicated numbers, a vision of inspiration and a positive picture of the future. Kotter (1995) mentions that in order to get a majority of the people inspired there should be growth possibilities included, instead of the possibility of laying off people which is highly uninspiring for humans. Using all possible communication channels to communicate the vision and thus the change, and doing the communication in a new way, was also a successful tool when aiming for change. 

Doing a change successfully requires time, several years, in order to see long lasting results (Kotter, 1995). A way of handling the potential of lack of motivation due to the long project time is to have small goals on the way. Without feeling that the hard work is paying off during the change the personnel needs to see that their work generates positive things. By not having short-term goals there is a risk that people leave the change mission and become reluctant to change (Kotter, 1995). This being said, the small goals should not be mistaken by saying that the change was successful too early. Declaring the time of change as complete too early could be devastating for the change itself. A change needs to sink into the company’s core and be routine to the whole company before the change process can be finalised.

**Theory E and O**

Beer and Nohria (2000) mean that there are two different types of changes. First there is theory E that is change based on economic value and then there is theory O which is change based on organizational capability. They are hard to combine seeing as they have different direct goals but the authors have found that a company is most likely to success when applying both theories in a perfect symbiosis.

Theory E aims to maximize the value for the company’s stakeholders. The leaders who choose this theory manage the change from the top to bottom. Management teams, and especially lower level employees and unions, are not involved in the decision making. It manages to maximize the value by focusing on the structure and systems within the company. Streamlining this, what the authors call “hardware”, can lead to fast financial results, something of importance to the leaders who advocate this type of change. The leaders implement the change by making a very clear plan of action that is easy to understand and follow, both internally among the employees and externally by customers, suppliers and investors. In most cases the managers don’t survive after restructuring a company, being connected with the ruthlessness shown. (Beer and Nohria, 2000)

Theory O on the other hand wishes to develop the capabilities within the organization. It focuses on the so called “software” of the company - the culture, behaviour and attitudes of the employees. The leaders therefore encourage all employees from all levels to participate in the change. There is no clear plan when to change according to theory O, instead changes are made by experimenting and evolving. From the ground up employees are encouraged to bring forward and test new ideas spreading them to other workers. (Beer and Nohria, 2000)

When applying theory E it is common to use external consultants for a large part of the changing work to define the most pressing issues and find ways to address them. With theory O consultants are instead mostly of use in helping both managers and employees to do their own analyses and solutions. Theory E motivates managers and employees with financial incentives, for example stock options, while theory O uses commitment as motivation, for example a skilled-based pay system.
Since about 70% of all change initiatives fail there is reason to find a fitting method to change (Beer and Nohria, 2000). Beer and Nohria (2000) found that it is possible to succeed with both theories, either by sequencing them and beginning with theory E or combining them. Beginning with theory E is easier since it includes a bit of betrayal implementing restructuring of the organization. Implementing both theories at the same time is very difficult but if managed it could give a great advantage and is therefore of interest for companies to try if finding the right and competent person to lead the implementation. Companies however need to be careful with the combination because if there is not sufficient knowledge it could lead to none of the advantages and the disadvantages of both.
3. Method

This chapter aims to outline the methodology of this study. First a section regarding the strategy chosen for this study is presented along with the research process. Following is a section on how the data collection was carried out and how the analysis of the data was handled. The last section contains a critical discussion about the methodology’s reliability and validity.

3.1 Research Approach

The right approach to a research study could be decided by how much that has previously been done in the field. Patel and Davidson (2003) mention two different approaches: deductive and inductive. A deductive approach means that there has already been studies in the field and thus the research will be more of a describing character, choosing a part of the area to work more deeply with. An inductive approach can be seen as the opposite of a deductive approach, it is carried out when very few studies have been done in the area. The aim with this kind of study is to collect as much data as possible so that the area can be enlightened and that future studies will be able to focus on a specific topic within the area. (Patel and Davidson, 2003)

This study has an inductive approach due to few previous studies in the area regarding new competition between food retailers. The study also has a deductive touch since it is possible to draw relevant information from other types of studies and does therefore not have a complete inductive approach. The theory needs to be tested together with reality in order to make a conclusion suitable for the Kungälv case.

3.2 Research Strategy

Research strategy is described by Bryman and Bell (2011) to be an orientation of the execution of a business research. There are two different research strategies, the first is called quantitative research strategy and the second is called qualitative research strategy.

Quantitative research strategy is based on collecting and analysing quantitative data. By using numerous data it can be tested in reality and thus give an objective and external view on reality (Bryman and Bell, 2011). The quantitative research strategy is usually used when the research has a deductive approach and thus focuses on testing theories that already exist.

Qualitative research strategy focuses on words instead of collection and analysis of quantitative data. This research method therefore aims to understand for example underlying reasons, opinions and motivations. Bryman and Bell (2011) describe this strategy as mainly a way of generating theories but that it can also be used as a way of testing theories. Collecting data with a qualitative research strategy could be done through group discussion, interviews and through observations, and it is usually used when the research has an inductive approach.

In order to carry out the present study of competition in food retailing and how it affects customer behaviour and loyalty both quantitative and qualitative research strategies have been used. Collecting data from customers from different stores have followed a quantitative research strategy since a large number of customers have been interviewed and these interviews have been of a quantitative design. A qualitative research strategy have been used during the data collection when managers of food stores have been interviewed. The qualitative research strategy has been used in order to gain a deeper understanding of their work during the preparation of the new
competitive situation and how they have handled the situation after the opening of the new competitor.

3.3 Research Design

A research design can be explained as a route of how to get from a stage of questions to a conclusion regarding the study (Yin, 2014). Bryman and Bell (2011) have a similar way of describing the design of a research by stating that it is a framework for how the collecting and analysis of data should be carried out. There are several different designs to a research but the one used in this master thesis was the case study design.

The most basic reason for choosing to do a case study is when there are several research questions focusing on "how" or "why" (Yin, 2014). The case study design is commonly used in e.g. business, community planning and structuring of industries or the economy of a city, which align with this study. Yin (2014) further explains that the use of a case study is normally used when trying to understand a real-world case. Bryman and Bell (2011) describe the case study design as a method to deep-dive into a situation when aiming to describe the situation at a detailed level. A case study design comprises cross-sectional design by focusing on different methods to gather data, for example questionnaires and structured interviews (Bryman and Bell, 2011). The case study design is used when the research needs variation.

It is not necessary to only focus on one case when doing a case study, it is also possible to have a multiple-case study design (Bryman and Bell, 2011). Having multiple cases within a case study design has much in common with a cross-sectional design for instance that the findings from each case are compared. However, with multiple cases within a case study design each case is looked at with its own context instead of looking at the sample of cases that is done in a cross-sectional design.

Survey research means that data is collected from more than one case by using questionnaires or structured interviews (Bryman and Bell, 2011). This should be done at a single point in time in order to gather quantitative or qualitative data connected with two or more variables.

This study has a case study design during the sections regarding the more in-depth interviews with the different food stores whereas the part with the quantitative interviews with customers has a survey design. By having the survey design on the section regarding customer interviews it was possible to generate a big database which was easy to handle due to the survey’s simple character. A big database also made it possible to compare the different stores’ customers’ replies.

Looking at the study different stores, which had gone through similar situations in the past, were recommended by the two tutors connected to this study. The authors then analysed the different alternatives with regards to their characteristics and the distance between the stores and their new competitors, with this in mind seven stores were selected. The stores differ in size, turnover and location within the different cities. These differences were desirable in order to capture different situations and different ways of handling the competition, and how it in the end affected the different stores. The analysing of the other stores’ characters, their way of handling the change and the outcome made it possible to investigate how the future could look like for ICA Maxi Kungälv.
3.4 Data Collection

To do a proper data collection Yin (2014) discusses four principles worthy of taking into consideration. The first principle is about having multiple sources of evidence. By aiming for more than one source the likelihood of choosing a source with a subjective view will become smaller. During the data collection for this study seven stores were interviewed and in total 660 customers participated in the customer surveys creating a large data base.

The second principle concerns the organizing of the data collected that, depending on the type of data collected, is possible to save in different ways, primarily as either a database or directly as the reported form. Saving it as a database is highly relevant when working with survey questions and similarities, and saving it as a report is better when the research involves studies with field notes and documents. Since the interviews of a qualitative character were rich in data they were saved both in a recorded form and in written form to ensure no loss of information and to make the handling easier. Having it in written form makes it easy to fast use the information, and by keeping the interviews recorded makes it possible to listen through the whole interview once again if something was forgotten or became unclear when writing. The surveys have been collected through answering a questionnaire and these questionnaires are stored both in their original form on paper as well as noted in an excel document and saved on a computer.

The third principle increases the reliability by aiming on maintaining a chain of evidence (Yin, 2014). This is made by making sure to have used references in the right way and documenting where, when and how the data has been collected. In order to use the right references and ensure a good knowledge about the work of the store and the effect caused by the new competition the people interviewed for this study have been the managers of the stores. In one case two different managers were interviewed since they had been with the store during two different time periods. The customers, on the other hand, were picked at random but with a special focus of not selecting a typical type of customer to ensure a wide spectra of interviewed customers.

The last principle mentioned by Yin (2014) regards the need of acting cautious when using internet-based pages as sources. The information from an online questionnaire or facts on websites needs to be critically analysed in order to ensure that the source has credibility. The internet also provides a lot of information, meaning that there might be a need of making some restrictions regarding searching for facts.

Yin (2014) mentions that one of the most important sources of a case study is the data collected through interviews. Interviews can be used both when collecting data for quantitative and qualitative research. There are a lot of different types of interview techniques but the most commonly used ones are structured, semi-structured and unstructured interviews (Bryman and Bell, 2011).

Structured interviews are mostly used when conducting a quantitative research (Bryman and Bell, 2011). The interviews, held with different people, should ask the same questions in the same way. The questions usually have a fixed set of answers, meaning that they can more easily be compared and used as a statistically survey (Bryman and Bell, 2011). The opposite is to have unstructured interviews which means that there are no questions but instead topics to discuss. There is also the alternative of using semi-structured interviews where certain questions are prepared in advance but the interviews are allowed to be dynamic where new questions can arise and the order of
asking the questions depends on the interview, thereby making it less fixed than a structured interview (Bryman and Bell, 2011).

In order to get complete information from the different managers, as well as the customers, the stores were to be presented as anonymous food stores. By knowing that the reader would not be able to pinpoint the stores’ identities the managers where able to speak more freely and give fuller information.

### 3.4.1 The structured interviews

In order to investigate the loyalty of the customers they have been interviewed at each store during the fall 2015, with the exception of one store which had already closed down. The interviews with customers had a structured designed in order to handle a bigger amount of people being interviewed. Having a structured design makes it possible to more easily work with the data in different ways since the questions do not make it possible for the interviewees to get carried away by the questions. This meant that the questions mostly had yes or no answers but there were also two questions where the customers were able to speak more freely. These two questions regarded why the customer chose the store that day and what they thought was the most important feature of a food store, questions where it was not possible to only have a yes or no answer. Having these two more open questions was motivated by the ability to investigate what is important to customers and thus what attracts customers, but also to investigate if it differs from store to store and why customers choose to enter if the store is not of the primarily choice.

The data was collected from 60 persons at each store, but only at one occasion for each store. The time and day of collection can affect the answers received by the customers and the whole customer base might therefore not be included for the specific store. The answers that the customers gave might have been influenced by recent factors that lead them to giving inaccurate answers, something that the authors could not regulate. The surveys were limited to only include those customers who had experienced the opening of the competitor. Consideration was taken to get a broad customer base regarding age, sex and background. What was not taken into considerations was the customers’ different opinions regarding distance to food stores. People live in different places, both in cities and the countryside as well as somewhere in between.

Because of this the distances to people’s closest food store, see appendix I, differ and can influence the customer behaviour and therefore the customers’ answers in the surveys made.

The questionnaires used have been slightly different between the customers interviewed at the store and the competing store, see appendix I. This was done in order to investigate if the customers at the “original” store could be seen as loyal to the store depending on how many times they had visited the competing store. At the competing store the question regarding which store they used to shop at before the competing store existed was asked to see how they shopped before the opening of the new store and is therefore also a question asked regarding the loyalty of customers. This was also used to investigate how the change management at the pre-existing store worked out.

### 3.4.2 The semi-structured interviews

One manager, with two exceptions, was interviewed at each store. The exceptions were that two managers were interviewed at one store since they had changed manager since the new competitor opened and at another store a manager from the head office handling one type of store size within the concern was interviewed instead. The interviews with the store managers were of
a semi-structured character. By having these kinds of interviews it has been possible to withdraw a lot of information and thus get a better understanding of why they acted in a certain way, how they chose to respond to the upcoming competition and what the result of their actions was when the new competition begun. It was not possible to use these answers as statistical data, as the customer interviews, but instead they were used to understand the store’s voyage through change and how they felt that customers’ behaviour was affected by the changes they carried out. The time since the stores had got their competitors differed between the stores, which could affect the memory of the people being interviewed. This could mean that some information could have been left out during the interviews without intention, and some information might not have been totally accurate.

It has also been taken into consideration, when writing the empirical studies, that the information gathered from the managers could be biased. For example, details considering the performance of their competitors have not been included in the report since this knowledge cannot be verified.

The interviews followed an interview guide which only had slightly different questions for two stores, one that had to close down and one where no action was done before, during and after the opening of the competitor, see appendix I. Having slightly different questions made it possible to get more specific information regarding the effects of the stores’ actions, meaning that the outcome of a store’s actions could be presented with more information than if the ordinary interview guide would have been used. The positive effect of having interview guides with more or less the same questions was that information regarding the different stores and their handling of their new competitor which made it possible to compare the stores handling since they all had answered the same kinds of questions. Since the data generated from every interview was large the interviews were recorded and noted to minimize the risk of misinterpretation and risk of mixing information from different stores.

Only one manager was interviewed at each store, with the one exception mentioned above. This was thought to be enough to understand the situation since these people were in charge of the situations and were expected to have the correct information. All managers were interviewed in the fall of 2015 and follow up interviews by telephone were carried out in December 2015 with all managers. No one at the competitors were interviewed. This would have been interesting but was not the focus of the master thesis, thus it was not done.

At the start, in September 2015, an initial interviewed was held with the manager of ICA Maxi Kungälv, Johannes Larson, in order to get an overview of the situation and some background information to start working with. To be able to do a fair conclusion regarding if the results are applicable on ICA Maxi Kungälv, another qualitative interview with Johannes Larson was held. This was carried out in December after the other interviews were done in order to have a bigger understanding of competition within the food store market. The comparison was then used as a guidance to present to what level the results will be relevant for ICA Maxi Kungälv. This interview also differed from the others since the part regarding how the stores have operated during and after the competitor opened their store is not applicable to Kungälv yet.

3.5 Data Analysis

This research has used the grounded theory as a way of analysing the data gathered. The method primarily focuses on doing several things at the same time, such as data collection, data analysis and going through theory continuously along the research (Bryman and Bell, 2011). This research
started with gathering theory in order to create a better background regarding the market food stores are active in. A literature search regarding loyalty and change management was also carried out in the beginning to be better prepared when gathering empirical data. During the empirical studies the theoretical framework was complemented to better understand the situation the different stores had been in.

3.6 Research Quality

To do a fair evaluation of a research the three most important criteria are reliability, replication and validity (Bryman and Bell, 2011). The first criterion concerns the question whether the results are repeatable or not. This is mainly in focus when doing quantitative research where the data can be compared in numbers or through statistical presentations. Patel and Davidson (2003, 99) state that “full reliability is a prerequisite for the full validity” when going through the quality of a quantitative study. Reliability is thus the criterion for making sure that the process can be correctly validated.

The second criterion regards the phenomenon replicability and whether it is possible to replicate the research (Bryman and Bell, 2011). The data collection should be documented in order to make it possible for others to go through the report and redo the research. Creating a good documentation also improves the possibility of proving the third criterion: validity. Validity concerns whether the research has been carried out in a proper way. In a qualitative research the validity regards the whole process and not only the data collection, as in a quantitative research (Patel and Davidson, 2003).

The qualitative part of the research has therefore been well analysed in the perspective of reliability and validity. For the process of creating the questionnaires for the managers of the stores a lot of time and reflection was needed. Being properly educated in the geographic area of the store, the background of the store and the three focus areas was necessary in order to carry out the semi-structured interviews in the best possible way. Just before the interviews there was a focus on setting up the recorder and during the interviews the focus was on listening and catching interesting information in order to ask follow-up questions and at the same time taking notes as a backup to the recorder. After the interview the process of analysing the material has been of highest importance in order to create high validity for the process of a qualitative study.

The outlining of the questionnaire for customers was well thought through in order to ensure that customers were not guided or affected to answer in a certain way. A big sample also limits the possibility of unrepresentable answers. This consists with Patel and Davidson (2003) who claim that it is important to have full reliability of the result gathered during the research.
4. Empirical studies

All of the stores researched are located in Sweden and have with one exception gotten new competition in the four most recent years. Store G stands out since it received its competitor several years ago but is included in the study since it is an example of when a store is shut down due to new competition. Specific information that could be used to identify the different stores was made more unrecognizable in order to keep the stores anonymous.

4.1 The studied stores

The managers at store A to G were interviewed in order to gather information about their past and present situation. This section aims to describe the stores and their locations, their new competitors, if and how they chose to respond to the new competition as well as the results of getting a new competitor close by.

4.1.1 About the stores and the local area

The stores included in this study do not resemble each other in every aspect. To be able to correctly understand their different situations the stores, and the areas in which they are alternatively were located in, will be described in the following sections.

STORE A – The local store with a lot of personality

Store A is located in a small locality close to a freeway. This means that the store has a lot of customers from different municipalities located close to the locality as well as by-passers that drop by on occasion. Its catchment area is very spread out but not abnormally considering their store size. Store A is of a medium size with close to 100 employees, this to be able to carry the long opening hours that they have.

Their customers come with all types of transportation modes. The people in the neighbourhood come walking or by bicycle, they have a bus stop very close by and the freeway leads to a lot of customers being able to stop by on their way somewhere. Store A needs to function both for families regular shopping as well as the complimentary shopping. It has a large perishable department.

STORE B – The large store by the freeway

Store B is a large food store, with about 200 employees, located in the outskirts of a city centre with apartment buildings around its neighbourhoods. The area is under construction, and has been so for a while, but already has a couple of other companies operating close by. The vision for the area is to create a shopping area with multiple different stores of different characters. Close to the store there is also a freeway which traverses the city. The city itself keeps expanding constantly.

The store’s customers come from a large area, which includes many different neighbourhoods where many are located along the freeway. The store targets everyone, from families to seniors, but above all their customers are those over 30 years old. According to the store’s manager their customers mostly appreciate their assortment, quality and price as well the staff and their relationship with the customers. Since the store is not located in the centre the majority of the customers travel by car to the store, but some also come by bicycle due to the apartments close
by. Still, many of their customers come from areas further away in the municipality, since they are already driving it is easy to pass by and do some shopping.

**STORE C AND D - The small and large store competing in the same locality**

Store C and D are situated on different sides of the same smaller locality which has an upward growth. Store C is a smaller store with 30 employees that considers itself to be a district store, the store is located very close to the locality centre. The surrounding neighbourhoods within the locality in which most of their customers live, differ in standard. Demographically the nearest neighbourhood has a large portion elderly, many people with low income and people with an immigrant background. Further away a villa area is situated that can still be viewed as one of their markets. At the same time there are a couple of schools and day-cares as well as sporting activities in the area which draw people to the store on their way home. Earlier the close area has been rather neglected but the municipality has started to restore and densify the area with more living quarters. There is also a possibility that more community services will be built in the area.

Store C has focused on having a rather large perishable assortment as well as a delicacy, for instance they cut up their own meat. Their customers have many different needs and they try to comply with all of them. The main needs are that a shopping tour goes quickly and easily and that they have parking. According to the store manager most customers come to the store walking or by bicycle and some by car as well.

Store D is located in a shopping mall which offers many other services and has a freeway and soon-to-be new living areas close by. The store considers that it has two different areas which its customers come from. The primary one is the local area around the whole locality, within this area they reach more customers the closer located they are. The secondary area is much larger, both geographically and inhabitant wise, reaching surrounding municipalities. The store is leading within the fresh assortment focusing on for example fish and convenience food. The store is large and has over 200 employees, it focuses above all on families but also on the 50+ customer segment. These customers have different wants and needs, for instance the families look for big packs and ecological products and 50+ look for high quality and price worthy items, but the store attempts to fulfil them all. They do try to have a focus on both best price as well as to be known for their fresh products.

Many people in the area commute to work, this is considered as both a strength and a weakness for store D. Going by car it is easy to reach store D since it is right off the freeway, on the other hand customers going by car can easily choose to shop their food somewhere else. Customers going by car represent the largest part of the store’s customers but there are living areas in the neighbourhood so the store attracts customers going by foot as well. To accommodate the car drivers the shopping mall has a significant number of parking spaces.

**STORE E – The large store in a shopping mall**

Store E is located in a shopping mall in a municipality in Sweden, where the shopping mall is situated in the outskirts of the city centre. The city is of a growing character and has a lot of people commuting into it. It is a large store with approximately 100 employees. Because of its location and size they have a lot of big weekend shopping, ranging from Thursday to Saturday, and it is a store where people do their weekly rather than complimentary shopping. Since there are living areas located near the shopping mall store E attracts customers going by different transport modes, walking and biking as well as by car. To accommodate the customers coming by car there
is both a large parking lot as well as a parking garage close by. Their customer focus has been on families but they do not want to exclude anyone.

STORE F – The local store in need of improvements
Store F is a smaller store located in a smaller locality. Its customers could be classified as an average of the Swedish population but with the difference that there are not many with an immigrant background in the locality. It is a locality where more and more families are moving in and where new infrastructural changes have made the area more attractive. The community is growing and there is a plan for new development within the locality. Most customers come by car even though the store’s location is central, which is due to the fact that the majority works outside the locality. An average of 30% of these commuters therefore shop in food stores outside of the locality and only do their complimentary shopping in the locality.

STORE G – The store that got too much competition
Store G was situated in a suburb and could be defined as a convenience store. Before the competitor opened they had about 20 employees. They were skilful with perishables and had a manual meat counter. Their customers were people who lived in the neighbourhood, it was not a destination commerce that people would travel distances to. Most customers came walking, both because of the shorter distance to the store but also because there was a shortage of parking spaces. They shared their parking lot with another establishment but would have needed twice the amount that they were sharing. One of the few positive parts with the situation was that the visiting hours for the other establishment differed from the one of store G.

4.1.2 The new competition
The new competitors to the stores described above have had different focuses and the customers they wish to target as well as the closeness to the pre-existing stores have differed. In order to choose how to handle new competition the pre-existing stores had to know their competitor and with that knowledge decide how to meet the competition. This section will show what the managers of the stores knew and know about their competitor.

STORE A – The local store with a lot of personality
The new competitor opened extremely close to store A, which was earlier the only food store on this market. They differ both in focus and in size. Even though they also try to target families they mainly focus on their niche, all their advertisements are focused on this. The new competing store is smaller than the one of store A. According to the manager of store A the competitor has tried to fit in as much as what store A offers, making that store more cramped. It also has a large perishable compartment. One thing that differs between the stores is that the competitor is centrally controlled while store A’s manager has more control over store A, this affects how those responsible are able to run the stores.

STORE B – The large store by the freeway
A couple of years ago store B’s competitor opened its doors close to store B. It is situated in an area which is possible to turn into a shopping mall of a no-roof character. The store is slightly smaller than store B and has a similar assortment. The competitor has the same customers as store B’s “profile customers” which can be seen on the similarities of the stores and that they are located close to each other. The store belongs to a chain which has a special niche and this niche has been their strength. Since they are successful with their advertisement concerning their niche
they have been seen working on marketing their prices as low, even though they are not experienced as a cheap store in town according to store B’s manager.

At the same time that the new competitor opened, a neighbouring store to store B changed its location to a closer location to the competitor. This store had a big pull on customers at store B who did small purchases in connection with purchases at the neighbouring store, something that was appreciated by the manager of store B. Since the opening of the competitor’s store, store B has experienced further new openings from several more food stores in town. This means that almost all of store B’s customers need to pass another food store in order to reach store B.

STORE C AND D - The small and large store competing in the same locality

The competitor to store C opened close to the existing store in a newly built shopping area where other companies are about to or have already opened. The competitor is also a competitor to store D but store D is situated at the other side of town in comparison with the competitor and store C. The area where the competitor is located focuses on low price stores, whereas the competitor on the contrary does not have this as its main focus.

The manager of store D claimed that the area where the competitor opened lacked a food store which focuses on perishables and that this store now has a manual fish and meat counter and a big assortment of fruits and vegetables. The manager of store C on the other hand described it as the competitor focusing on their ways of adding value to the customer such as perishables and manual delicacy. The competitor’s store is smaller than store D but bigger than store C. The manager of store D also claimed that the competitor has focused on marketing their low prices, which in reality are higher than the prices of both store C’s and D’s products.

In the area around store C there is already an additional food store, which means that today with the new competitor there are three food stores located within a short distance to each other. The manager of store D mentioned that due to the fact that the competitor opened up at the other side of town the competitor did not affect the amount of customers to store D but instead competed with the customers already active among the two other food retailers in the area. The competitor decided to have a focus on the same things as store C, while the third store still exclusively has its own niche which it focuses on. The competitor has a focus on perishables, ecological food and its own niche. The competitor focuses on customers which are either families or two persons’ households over 50, which are characteristics for the town but not particularly for the area where it is located.

STORE E – The large store in a shopping mall

Store E has been operating with a competitor close by for several years so they were already acquainted with close by competition. The new competitor opened up roughly at the other side of the city, which could have meant a possibility for the new competitor to pick customers from the area close by. The store is located in a business area right next to a busy street, which causes struggles to exit the parking lot of the competitor at certain times of the day. The new competitor is from the same concern as the already existing competitor for store E. It had a focus on price and perishables, such as vegetables and fruits, something that the old competitor might have been lacking earlier. Seeing to the new competitor’s attributes the actual store is smaller than store E. The assortment is also smaller, the price is higher than store E’s and they do not have any products or services that store E does not have. They have the same customer focus as store E but have
started to turn to those customers who prefer other attributes like quality and being inspired to cook rather than price.

**STORE F – The local store in need of improvements**

The new competitor opened very close to store F, just by the entrance to the locality from the freeway, meaning that people driving into the locality pass the competitor's parking lot. It is a much larger store with a larger assortment. Store F's concern had been interested in taking over the exact same area but found that it would be difficult to run such a large store with the customer base that can be found in the area. Around the competitor there are many new stores and a gym as well as another competitor that got its store completely rebuilt with the new shopping area.

Since the locality is of a smaller character the whole area could be seen as a customer base for both the competitor and store F. This means that neither store F nor the competitor profile themselves in a particular way regarding advertisement to attract specific customers, instead they both have the same area as a target group to their stores.

**STORE G – The store that got too much competition**

Store G’s new competitor opened about one kilometre away from their store, just by the entrance to the local area, meaning that everyone living in the area of store G would have to pass the new competitor when coming from the city. The competitor’s store was twice the size of store G and it had a much larger parking lot. When the new store opened up they had a lot of customers that came by car, meaning that people traveling to and from work with car went there to shop. They also had a lot of commuters who were passing by and stopped for some shopping on their way home.

The company that owned the new competing store already had a store with a good reputation situated around 12 kilometres away, it competed with store G before the new competitor opened. Even though the store opened up close to store G, the competitor opened up at a location which belonged to another municipality. If the area would have belonged to the same municipality as store G the competitor would not have been allowed to open. The two municipalities had different politics and different thoughts about the area. The municipality of store G saw the area as an industrial area whereas the other municipality regarded it as an area for future retailing for private customers, which it has now become.

### 4.1.3 Meeting the competition

Every store had a unique situation when its competitor opened up in the area. Depending on the size of the already existing store and the competitor the handling and preparations were of various kinds. In this section the different ways of handling the new competitors will be presented, with both similarities and differences being shown.

**STORE A – The local store with a lot of personality**

The managers of store A got to know that they were getting new competition around 18 to 24 months before the competitor was set to open. They started the process of meeting the upcoming competition right away, this to be able to continue being trustworthy towards their customers. They started by internally making a plan for change, including what they wanted to focus on. One part was that they started to lower their prices and above all they worked with the parts that were not their soon to be competitor’s strengths. Personality was one of their main focuses, they
marketed their managers and staff, worked with Facebook and created many events for all their customers. Personality was also the focus in advertisements, starting with the manager but developing to today focus on the staff. Constantly showing personality and having fun has made the staff more secure in their job position and strengthened the fellowship at store A as well as create relationships with the customers and making the customers feel welcome. The store continued to work with sending out special offers to its different customer groups within their membership program divided depending on how much they spend at the store.

Store A also rebuilt and renovated the store one year before and finished just over half a year before the competitor opened. They focused on the goods that the competitor does not focus on, for example producing their own product. They also, in line with the concern, launched a program with events for kids, something that was possible to enter when being a part of their membership program. They started working with the local church to do some good in the society and show responsibility, for instance by donating food around Christmas and encouraging its customers to, at the same time, donate Christmas gifts. The entire process of meeting the competition has been done with the motto not to meet the competitor on its half of the field, instead to focus on what they themselves are good at. What they learned was that it is important to stay cool and keep following and trust, the decisions that they had made.

STORE B – The large store by the freeway
Before Store B’s competitor opened their doors store B had not experienced any kind of competition from this part of town, which meant that they worked hard before the opening of the competitor to become ready to handle the change. Store B learned about the opening of the new store about 18 months before it opened and then started to investigate the chain which the store belonged to, their weaknesses and their strengths. They mostly worked internally with coming up with ideas but did also hire an external service to help them within the organization. They decided to handle the competitor’s strength by improving their own similar solution, making this department bigger, to become almost as good as the competitor.

Store B was rebuilt and with the renovation they chose to especially focus on both their original strengths, which included their personnel and making their own products, as well as the section where the new competitor was especially strong. The renovation was finished half a year before the opening of the competitor’s store. They started to market themselves in a way that gave them the opportunity of getting a personal relationship with customers, this was mainly done through marketing their personnel. Marketing was one of their biggest investments and they worked with it just as much as a company does when they are establishing at a new location. They knew that the competitor was usually quite good with sponsoring, because of this they strategically started making deals with all the sports clubs in the close by area so that the competitor would have to turn to clubs on the other side of town.

Store B had a goal of not losing their loyal customers and worked with them in different ways through their membership program. They handed out different kinds of gifts and had events where the customers could buy special products for a discounted price, which was appreciated. They started to work on the initiative “the last impression shall be positive”. This could be by inviting their suppliers to come to the store to hand out products to the customers and saying “thank you for visiting the store” or that they themselves handed out products made in their own store.
The personnel of store B was worried before the opening of the competitor. In order to calm the personnel the head of the store had meetings with them in order to inform them about the future, what they could expect, who the competitor was and what they could do to become better than the competitor. The meetings were held in larger groups which also gave them the opportunity to discuss different events and come up with different ways of handling different situations. For instance they discussed and improved their handling of warranties.

STORE C - The small store competing in the same locality

The manager of store C started working at the store two years before the competitor opened, and by this time the store did not have a lot of savings to totally renovate the store. The manager knew when he started that the competitor was about to open and they started with creating a group of key people, handpicked from different departments and levels, to reform and create a business plan for the future. They started creating the business plan which was put into action half a year before the opening of the competitor, it was one of the most important things for the food store because it helped them reorganize their organisation and create a vision for the future. They started investigating how stores in other parts of Sweden were structured. The rebuilding of the store, which was finished a couple of months before the opening of the competitor, was designed with help from the business plan. The rebuilding also created space for a future service, which the store today does not have the right incitements to start up. The rebuilding of the store was necessary in order to keep up with the rest of town since nearly every food store in the whole town was about to rebuild. When the rebuilding was done they had a big inauguration including a speech, the red carpet along the entire store and different kinds of offers at different times during the evening, a gesture which was highly appreciated.

Alongside with the rebuilding the personnel was educated due to the lack in competence and they received the possibility to contribute with ideas and thoughts about the work and what was missing. Since the staff lacked updated education the manager started educating them in business economics and modernized their way of having meetings and what they brought up. The manager wanted to have a discussion with all employees and that they should know that they have the possibility to affect their work. The manager also worked with flattening the organisation, cutting out the middle managers and putting the right person in the right position, in order to get a more efficient working situation with distributed responsibility.

The manager also started to do different kinds of campaigns and working on their existing customers, this is something that they have kept on doing. The primary targets were the loyal customers and the big shopping customers since it is less expensive to work on their existing customers than getting new customers. The store knew how to target them through their membership program. The week before the opening of the competitor’s store they handed out special coupons to make sure that the area was drained out of food money. This way, if the customers went to the new competitor, they would only shop for a minor amount money. They then let the competitor have some peace and quiet during a couple of weeks and then did another coupon campaign. During the first period store C also had three customer evenings with special prices on different kinds of products. They also worked with giving the customers personal offers depending on what they usually bought.

The manager mentioned that both big and small things make a difference when it comes to attracting customers and keeping them satisfied. The location is the most important feature and the manager was quite satisfied with theirs. On the other hand there are easy ways of satisfying
customers at the store. For example the personnel have started saying hello to all customers to make them feel welcome at the store. They also moved and increased the lighting in order to make the store look fresher, something that the customers could not put their finger on but clearly noted.

**STORE D - The large store competing in the same locality**

Store D knew about the opening of the competitor a year before it opened and therefore had time to adjust and prepare to meet the new competition. They started looking at other stores of the same brand as their new competitor and talked within their own concern to see how other retailers had done when meeting competition from this specific concern. With the new information the managers of store D made up a plan for the coming future of their store. The plan was to be better than the competitor regarding everything. They rebuilt the whole store, which was already planned before the notion about the competitor, and worked actively to create a shopping centre where different companies could sell their products to customers. A couple of months ahead of the opening of the competitor the whole store was done and the customer had plenty of time to get used to the new store and products' new locations.

At the same time as they were renovating the store they started to introduce new services in order to tie the customers even more to the store. They started projects in order to handle the food waste that a food retailer generates by creating their own food line. Producing their own ready-to-eat meals meant that they got a product differentiation which the competitor could not replicate. Having their own personnel producing these meals have increased their knowledge and makes customers see them as more professional concerning food. They also went through their ecological assortment in order to evolve it further since they knew that their new competitor would have an eco-friendly reputation. They chose to move in an external function into their store in order to more easily be able to compete with the new competitor, this since it is easier to compete by special prices and campaigns and so spreading out potential loss over the whole store instead of letting one function handle it alone. Another change was that they changed their opening hours to make sure that this was not something that would make the competitor unique, if they would apply longer opening hours.

Store D started working with their marketing regarding price and what they did for the city they were located in, such as sponsoring. They also held different kinds of customer events with different focuses and themes depending the customer group. These customer groups were established through their membership program and depended on if they were addressing loyal customers, big shoppers or customers they would like to become bigger customers. They also made customized advertisement for the different customer segments in order to reach out to every different customer group. The week before the competitor opened store D sent out a lot of coupons to its customers to make sure that as many customers as possible would carry out their big weekly shopping before the new store opened. The opening of a new store is a rather big event in a small city so they knew that many would investigate the new store, and by making sure many did their weekly shopping the week before they would only need to do complimentary shopping when trying the new competitor. Noteworthy with this move is that even though they had a big turnover that week it was a costly move to hand out a lot of discounts.

During the time of preparation the customers expressed negativity regarding the rebuilding of store D. Their shopping experience was temporarily deteriorated due to not knowing where products were located, but the rebuilding was finished more than half a year before the opening
of the new competitor. Ahead of the opening of the competitor the top management also worked with their personnel on how to treat customers and to inform them about the competitor and what it could mean if the competitor becomes successful. Store D felt that it was important for the personnel to know what the worst case scenario could be since the competitor also had a focus on fresh products and was to focus on the same customer base. Meetings made it possible for the top management to make sure that the personnel was prepared and informed as well as feeling that they could come with own thoughts and ideas about how the store could improve. Knowing about the competitor made the personnel closer and they started to cooperate better and push each other to perform and create the best food store they possibly could. They did a reorganization within the staff to make sure that the right people were placed in each position. The management also chose to keep the number of employees tight so that if the turnover would drop the de-escalation of staff would not be so noticeable.

STORE E – The large store in a shopping mall
The store manager got to know about the opening around one to one and a half years ahead of the real opening. To begin with, the store manager did not expect to get too much competition, the new store was not competing on the same terms as store E, but the store manager continued with that every potential threat or competition should be taken seriously. One aspect was that the competitor was going to have longer opening hours than store E, but since the competitor was to be located in an area without apartments and houses, store E did not see this as a special threat. The store was also newly renovated when they got to know about the coming opening of the new competition and thus they did not go through with an additional renovation.

When the new competitor to store E was about to open, store E intensified their advertisement. They thought that it is important to expose oneself whenever there is a possibility of competition. Store E did different kinds of advertisements in order to highlight what they were good at using multiple advertising channels to reach as many customers as possible, for example radio and bus commercials. The store manager pointed out that by doing a lot of advertisements and focusing on a special niche a company can gain customers by making them believe that they are at the cutting edge of this specific niche, despite that there might be other companies doing it better.

Store E managed the new competition mostly internally with the personnel that already worked there. Since the store already had a great number of employees with important competence there was not a large need to bring in someone else. On a regularly basis the managers of the store communicate with other store managers within the same company chain which they belong to. They appreciate to learn how the stores at the forefront handle their issues in order to try to implement their way of handling in their own stores, naturally adjusting to local conditions.

STORE F – The local store in need of improvements
The managers of store F got to know that a new competitor was about to open two to three years before the competitor actually opened. However, they relied on that the store was good enough as it was and therefore did nothing specific in order to meet the new competition. The concern connected to store F saw, even before the competitor was about to open, that the store needed to make improvements to raise the quality of the store, for instance improve its cleanliness and the staff’s hygiene. Store F was recommended by the concern that they should make changes but they chose not to. The one thing that they continued to do as normal was to address their different
customer groups, sending them different offers depending on what customer group they belonged to.

In the locality there were two other food stores before the opening of the new competitor. One year before the opening of the competitor both these other food stores closed, which lead to an increase in store F’s turnover. These financial good results made it possible to see that store F was running a good business and could have been the reason why the managers chose not to act. Later one of these two original competitors opened their store, totally rebuilt, in the same location as before.

STORE G – The store that got too much competition
The manager of store G knew about the opening one year in beforehand and started working with their store in order to be able to handle the new competition. The manager knew that there would be a decrease in sales since the competitor would have a lot of competitive advantages that they were not able to meet. As an example they lacked parking lots, which the new retailer would not, and this would be a reason for a lot of people to choose the competitor instead of store G. The competitor would be of a bigger character than store G and thus the manager created an additional 50 m² by reducing the space of inventory and started to use new solutions to expose their products in the store. The changes in the store were completed half a year before the competitor opened. They also started to lay off personnel and in the end they had laid off the same percentage as their turnover decreased.

Before and after the opening of the new competitor they did not do any additional advertising nor specific campaigns in order to create a stronger bond to the customers. They kept sending out letters to their customers with specific offerings. By looking at other parts of Sweden, and talking to other managers, they knew that it would be hard to maintain the same turnover as before the new competitor since they were aware of their own as well as the competitor’s weaknesses and strengths. Other than speaking to other managers they worked internally and got help from a consult in economics. They started doing financial statements every week instead of twice a year to faster be able to react to change and decreases in sales.

4.1.4 The effect on the existing store
The opening of a competitor close to a store usually leads to some kind of effect on the existing store. How the stores were affected, and how much, differed among the studied stores. This is presented below.

STORE A – The local store with a lot of personality
The first couple of days after the competing store opened, store A was very quiet but then the customers started to come back. During the first year after the new competitor opened they lost 7 % in turnover but now they are once again growing. The number of membership customers did not get affected at all, which might have been due to an extra service offered to membership customers. The store manager believes that they did get new customers even though these are probably random customers that need to complement their grocery shopping from the competing store. They did also have very loyal customers that refused to even try the new store, the manager actually asked them to take a look at the competitor in order to know that they are loyal for the right reasons.
STORE B – The large store by the freeway

The first quarter after the opening of the new competitor store B noticed a slight decrease in turnover reaching about 4%. After this a recovery started. After a whole year it was possible to see that the decrease in turnover was about 0.5%, thereby not that significant. Getting a competitor so close to their store, and in their “territory”, resulted in that the customers started to appreciate store B even more in the category of price. By getting the competition the customers could compare the store and their prices in a new way, which became handy for store B.

Store B succeeded in keeping their loyal customers, which was positive since that is where they get their largest part of their turnover. Since both store B as well as their competitor both campaigned intensely they drew more customers to the area which was positive for store B. They did not notice any significant difference in the department which their competitor had their niche in.

Since the opening of store B’s first competitor they have gotten several other competitors. Before every opening store B has done preventive work in order to actively meet the new competition but they have never done such thoroughly work as they did when the first competitor arrived. The manager claimed that they went in and worked very hard with meeting the competition in such a way that they might have overdone it, which they can benefit from today when handling new competition.

STORE C - The small store competing in the same locality

Store C lost almost 20% in turnover the first year but worked hard to decrease the effect of the new store. The manager had experience from a similar situation in another town and said that the second year of the opening of a new store there is a grand possibility of further effects on the existing store. Store C is working on what they are good at in order to catch the customers wanting those things, which is creating a comfortable shop where the customers can easily orientate themselves and make quick shops.

When the new competitor opened store C could see that the monthly amount each customer group spent at the store decreased. At the same time, a study they performed showed that more customers had store D as their second store instead of the new competitor. The situation that they are in has made them aware of that they constantly need to work with the organization and motivating the staff in order to not further lose customers, and to be able to potentially increase their turnover. The manager focuses a lot on the personnel and their development due to the low educated staff. The education of the staff for example focuses on how the cashier personnel can function more as salespersons and the manager has therefore started with different incentives in order to increase the willingness to sell more. They have also chosen to have mental training with the store’s leaders in order for them to feel as good as possible, this will further on lead to them being able to perform their very best at their work.

Having a new store was good for store C since the upgrading of the store resulted in new technology focusing on environmentally friendly solutions, this has decreased the cost of energy by half. If the competitor had not opened they would have waited longer to make the store modern and updating it, and thought through the details further. If they would have continued with the same growing turnover that they had before the new competitor opened they would probably stuck their neck out more than they dare to do today. For example they have not followed through with a service they prepared for in the rebuilding since it might lead to a waste of food.
STORE D - The large store competing in the same locality

When the competitor finally opened there was a small declination of the amount of sold products the first following days, but it soon went back to normal. Store D kept looking out for the competitor’s campaigns, products and events the first months after the opening, this in order to prepare and create better comebacks to make the customers stay with them. With a new competitor, which also has a big assortment of fresh products, customer started to think of store D as more price worthy than before, which could be due to the possibility of comparing products to another store that wasn’t focusing on low prices. The preparation and the feeling of being attacked by a new competitor made store D realise that they were better than they thought and that they today have more loyal customers than before since so many customers have chosen to stay with them. Before the competition with the new retailer in town, store D felt competition from other towns but by getting the new competitor in the same town and preparing for meeting that competition they experience that they are better at handling the other competitors than before.

STORE E – The large store in a shopping mall

The store manager of store E said that when a smaller food store opens it should not affect a bigger food store where the overall services are already better than the new competitor. This being said, the store manager described that store E did not lose any sales volume, instead it kept on increasing its number of customers throughout the first year. They may have lost some of their growth volume after the opening of the new competing store but overall store E had a steady growth. According to the manager of store E the food store that was hit the hardest of the new competitor’s opening was their close by competitor, seeing as they are from the same company and because the old competitor was not as good with pricing and fresh products as the new competitor. Another food store situated close to the new competitor was also affected and later decided to move to another location. The new competitor did also carry out some extra marketing the weeks after the opening, and has since then been better at marketing than the other competitor from the same concern.

After the opening of the new competitor store E kept on improving their store. They rebuilt some product sections to improve the overall customer experience within the store, but this was not due to the fact that the competitor opened, instead it was in line with their ongoing improvements of the store. The store manager further said that even though changes and improvements might not have been carried out due to the new competitor, the new competitor affected the pace of the new projects and the willingness of making the end results even better than planned. The store manager continued saying that having competition is good for a company because it makes a company work harder to please its customers. It decreases the risk of falling into a comfort zone where the possibility of improving things and evolving the experience for customers is low.

Store E has also been working on their strategy and educating their staff in order to become better with customer service. The mission is to become the best store within the customer service section. They have also increased the work on food inspiration and want the customers to feel joy for food and cooking when doing their groceries shopping, which means that they have cooking and food demonstrations up to five days a week. The manager also wants to change the perspective from looking at the expenses to focusing on where they can get income.
STORE F – The local store in need of improvements

The first year after the competitor opened store F lost almost 40 % of their turnover and the second year an additional 10-15 %. The store lost both customers and purchasing loyalty but the number of customers did not change dramatically. The customers started cherry picking more intensely in the area, something that is easy to notice since the different stores’ advertisements are delivered different days, leading to very uneven sales. What the managers chose to do was not to lay off staff but decrease their hours in order to defensively save money without decreasing the opening hours.

The manager of store F realized after two years that there were two options left, either give up the store or declare bankruptcy. This ended with the store being given up to the concern. The concern appointed a new store manager who went through with organizational changes. The staff went from having the opportunity to do what they wanted to getting education and having realistic demands put on them by the new manager. The new manager also started to improve the store with small economical investments. They improved the planning inside in order to create bigger aisles, the products were moved and a habit of keeping the store nice and clean was implemented. Educating the staff in personal hygiene was something the new manager needed to work with in order to gain back respect from its customers as an overall clean and tidy food store. The manager also went through the assortment to make sure it was up to date and had the right alternatives for the customers in the area. The renovation and adjustments will make it possible for store F to in time be a stronger competitor leading to stabilization and taking back customers.

STORE G – The store that got too much competition

Store G felt the opening of the competitor from day one. They had planned for a loss of 40 % but since they had a tougher financial control they could reduce the loss of turnover to about 30 %. They lost a lot of customers but could see that they lost less customers from the most loyal ones than from the ones who had carried out less shopping at the store earlier. About a year after the opening of the competing store the manager of store G took over another store further north where the circumstances were better for future competition and the manager handled the two stores simultaneously. Having two stores did not provide any advantages except that they could borrow personnel from one store to the other when needed.

The concern owning the location of the store had no interest in helping the store since its situation was irremediable and their possibilities of overcoming the problems with loss in turnover would not change. The manager knew from the beginning that store G was eventually going to close. The only advantages the manager could see from the new competition was that they learned how to be cost aware and how competition works between stores with different conditions.

The municipality where store G was situated had been interested in the property of store G for a long time since they needed to expand one of their community services. After discussion between the concern owning the store G’s property, the manager of the store and the municipality, the concern was allowed to buy a location at another area to build a much bigger store and the municipality was allowed to buy the property of store G to expand its community service. The manager were satisfied with the decision since they knew that store G would not be strong enough to compete with the new competitor and already had their new store to work with.
4.1.5 A summarization of the different stores

The number of interviews held is large, thus a summary of the different stores is necessary. The information presented in figure 4.1 has been chosen in order to more easily separate them from each other when continuing to read the report.

<table>
<thead>
<tr>
<th>Store</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>Medium</td>
<td>Large</td>
<td>Small</td>
<td>Large</td>
<td>Large</td>
<td>Small</td>
<td>Very small</td>
</tr>
<tr>
<td><strong>Size of new competitor</strong></td>
<td>Small</td>
<td>Medium-Large</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Small-Medium</td>
</tr>
<tr>
<td><strong>Location of the store</strong></td>
<td>In a locality centre near a freeway</td>
<td>In the outskirts of a city near a freeway</td>
<td>Near a locality centre</td>
<td>In a shopping mall in the outskirts of a locality centre, near a freeway</td>
<td>In a shopping mall in the outskirts of a city centre</td>
<td>In a locality centre</td>
<td>In a suburb</td>
</tr>
<tr>
<td><strong>Distance to new competitor</strong></td>
<td>&lt; 500 m</td>
<td>1000 m - 500 m</td>
<td>&lt; 500 m</td>
<td>3000 m - 2500 m</td>
<td>3000 m - 2000 m</td>
<td>1000 m - 500 m</td>
<td>1000 m - 500 m</td>
</tr>
<tr>
<td><strong>Change in turnover the first year</strong></td>
<td>-7 %</td>
<td>-0.5 %</td>
<td>-20 %</td>
<td>+</td>
<td>+</td>
<td>-40 %</td>
<td>-30 %</td>
</tr>
</tbody>
</table>

Figure 4.1. Summarizing chart of store A-G.

4.2 Customer surveys

A sample of customers visiting the store in question were interviewed at each location, the exception being store G, as earlier mentioned, since the store does not exist anymore. Consideration to gender and age was taken in order to receive a relatively level foundation to base the analysis on.

4.2.1 Customer loyalty and closeness

The customers were surveyed to register if the store was one of their closest food stores and if it was the food store where they did the majority of their shopping. What could be seen is that on an average 59 % of all the customers said that the store they were visiting today was one of their closest food stores while 41 % replied that it was not, see figure 4.2. 55 % stated that this was the food store where they did the majority of their shopping, while 45 % stated that it was not. The distance to the store affects the behaviour of the customers since 26 % have stated that the store visited is not the nearest and is not their first choice of shopping and 40 % have chosen their closest store as their most visited.
Some stores stand out as can be seen in appendix II, for instance the competitor to store B as well as the competitor to store E both have a large percentage that do not have the store in question as one of their closest and do not carry out a majority of their shopping there, 54 respectively 48 %. The competitor to store A, the competitor to store C and D as well as store F all have a lot of customers that live close to the stores but do not do the majority of their shopping there. On the contrary a big percentage of the customers of store B, store D and especially store E have other food stores located closer to them but still do most of their shopping at these stores. The interviews at the stores show quite high numbers of having the store as their main food store. Store D has the highest percentage with a 75 % of all the interviewees answering that they do most of the shopping at this store, including people living both close and far away from the store. The store with the lowest percentage of people having the store as their main shopping retailer is store F with only 47 % of the interviewees claiming to do the majority of their shopping there.

Not having the closest store as the most visited store
If the customers answered that no, this is not one of their closest food stores, they were asked if the store where they shopped the most was located closer than the one in question. The answers are presented in figure 4.3. It is possible to see that the ratio ranges from 25/75 % to 73/27 %. The location is a factor which is very hard to change after a business has been established. On average 49 % of the people who do not shop the most at the store in question shop at a store closer to them.
<table>
<thead>
<tr>
<th>Store</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store A</td>
<td>52 %</td>
<td>48 %</td>
</tr>
<tr>
<td>Competitor to store A</td>
<td>33 %</td>
<td>67 %</td>
</tr>
<tr>
<td>Store B</td>
<td>53 %</td>
<td>47 %</td>
</tr>
<tr>
<td>Competitor to store B</td>
<td>68 %</td>
<td>32 %</td>
</tr>
<tr>
<td>Store C</td>
<td>25 %</td>
<td>75 %</td>
</tr>
<tr>
<td>Store D</td>
<td>69 %</td>
<td>31 %</td>
</tr>
<tr>
<td>Competitor to store C and D</td>
<td>32 %</td>
<td>68 %</td>
</tr>
<tr>
<td>Store E</td>
<td>73 %</td>
<td>27 %</td>
</tr>
<tr>
<td>Competitor to store E</td>
<td>67 %</td>
<td>33 %</td>
</tr>
<tr>
<td>Store F</td>
<td>31 %</td>
<td>69 %</td>
</tr>
<tr>
<td>Competitor to store F</td>
<td>44 %</td>
<td>56 %</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>49 %</strong></td>
<td><strong>51 %</strong></td>
</tr>
</tbody>
</table>

Figure 4.3. Answers to the question “Is the food store where you shop the most located closer than this store?”.

4.2.2 Today’s choice of store

All surveyed customers were asked “Why did you choose this store today?”. The customers were able to answer freely in order to not get their answers influenced. After all surveys were done the answers were grouped according to the most frequent answers, the groups can be seen in figure, 4.4. Looking at the average answers it is possible to see that the most common answers are that the customer chose the store because he or she was in the vicinity or out of habit, these stand for 30 and 17 % respectively. Customers who were counted as in the vicinity have replied with answers such as “drove by”, “had an errand in the neighbourhood”, “exercises nearby” or “is meeting a friend close by”. Answers such as “lives close by”, “closest to work” and “on the way home” are even more common for the category. The ones that were categorized as habit have responded with answers such as “always shops there”, “their store”, “usually shops there” and “habit”. Both store C as well as the competitor to store E have a very large percentage of customers that chose the store because they were in the vicinity, 45 respectively 47 %, see appendix III. The competitor to store C and D stands out for having few customers that were there out of habit, only 4 %, while store E had as many as 30 % of their customers that stated that habit was why they were there.
Figure 4.4. Answers to the question “Why did you choose this store today?” for the average store.

The category special product is rather evenly divided between the different stores, see appendix III. Many people did not specify which special product they were looking for but out of those who did examples are “fresh fish”, “grilled chicken”, “candy” and “nice bread”. A couple of customers also shared that they were at the store in question in order to complete unfinished shopping from an earlier shopping tour at another store since the earlier store did not have everything that they were looking for. The replies of this character were also categorized as special product.

One out of ten customers at store B, D and E answered that they chose the store because of a store close by, see appendix III, which makes them stand out from the other shops. Examples of stores close by were the pharmacy, electronics store, clothing stores, the alcohol store Systembolaget and the general shopping area. Store D, store E and store F have a large number of customers that replied that they chose the store because of an additional service that the store offers, see appendix III. Services could for example be “go for a coffee”, “withdrawing cash”, and that “they have a toilet”. Most answers in this category were however “postal service”, “betting games” or “lottery tickets”.

The competitor to store A as well as the competitor to store B have figures that stand out regarding how many customers that chose that store because of their niche, 9 respectively 19 %, see appendix III. These two competitors work hard on promoting their niches. What was categorized as niche depended on the store in question since every store attempts to have their special niche. Examples of different answers that were considered as niche features were “meat”, “fresh baked bread” and “cheap”.

The category efficient shopping withholds answers such as that they were “in a hurry”, “easy to park”, “not so much people” as well as “easy to find the products”. Most stores had a small share of customers that replied this while store A and the competitor to store B did not have any customer who replied this, see appendix III. In contrary, the competitor to store C and D had 13 % customers who did their shopping with them due to the effective way of shopping.

4.2.3 Where the customers used to shop and shopping at the new competitor
All customers at the competitors were asked at which store they shopped before the store in question was opened. Figure 4.5 shows how many of them replied that they used to shop at the
stores that are in focus in this study. This table shows that a lot of customers that used to shop at the pre-existing store now do their shopping at the competitor. The table does not show how much money the customers at the competitor spend nor how often the customers visit the competitor.

<table>
<thead>
<tr>
<th>Competitor to store</th>
<th>Share that used to shop at the examined store before the opening of the competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store A</td>
<td>63 %</td>
</tr>
<tr>
<td>Store B</td>
<td>48 %</td>
</tr>
<tr>
<td>Store C</td>
<td>43 %</td>
</tr>
<tr>
<td>Store D</td>
<td>45 %</td>
</tr>
<tr>
<td>Store E</td>
<td>33 %</td>
</tr>
<tr>
<td>Store F</td>
<td>62 %</td>
</tr>
</tbody>
</table>

*Figure 4.5. Percentage of customers at the competitors that used to shop at the pre-existing studied stores.*

As can be noticed all competitors have customers from the pre-existing stores. How many that replied that the pre-existing studied store was where they shopped earlier differed, ranging from 33 to 63 %, but all stores have lost customers to the newcomer.

The customers interviewed at store A to F were asked if they had shopped at the new competitor since it opened and if so, how many times with the options *a couple of times, sometimes* and *regularly*. The data collected can be examined in figure 4.6.

*Figure 4.6. Answers to the question “How often do you shop at the competing store?”.*

Most customers replied that they had shopped maximum *a couple of times* at the new competing store, while *sometimes* was the second most common answer. 19 % shop at the new competitor regularly while about half of that, 12 % have never tried the new competitor. Store F is the store that stands out the most seeing that its figures differ for three categories. 43 % of its customers
shop regularly at the competing store, 25 % replied that they have shopped there only a couple of times and 2 % said that they had never visited the new competitor.

Clearly none of the other stores stand out as much as store F but there are other numbers that are worth mentioning. Store D had the most customers that have never tried the new competitor's store and fewer that go there regularly and sometimes. Store A had many customers that had never tried the new competing store, reaching every one out of five, but also had the second highest number of customers that shop regularly at the competitor, reaching almost the same amount as the ones who had never tried the competitor's store.

4.2.4 The most important thing with a food store

All customers surveyed were asked “What is the most important feature of a food store according to you?”. The customers were once again allowed to answer freely in order to not get their answers influenced and they were allowed to give multiple answers if they wished to. The answers were then categorized to make the data easier to read. The categories are not the same as for the previous figures showing why the customers chose the store today, this is simply because they were grouped according to what was said and the answers were different. For this question the categories are as can be seen in figure 4.7.

![Figure 4.7](image)

*Figure 4.7. The most important feature with a food store for the average store.*

The most common answer, for all stores interviewed, was that the *assortment* was the most important feature of a food store, nearly half of all the customers stated that the *assortment* was the, or one of the most, important things. Almost a third found the *quality* as most important while one out of five chose the *price* and 13 % stated features related to the *facility*.

The answers differed depending on what store's customers were surveyed, however the differences are minor as can be seen in appendix IV. The stores which have the most visible difference from the average are the competitor to store F, store E as well as the competitor to store C and D. The customers to the competitor to store F had nearly double the percentage of replies regarding *cleanliness*, the customers to store E put more value into the *facility* than the average customer did and the competitor to store C and D had customers who valued *ecological products* more than customers to other stores. As can also be seen in appendix IV, 30 % of the customers at store D replied the *price* as the most important feature and 60 % of store A's customers replied the *assortment*. 

42
5. Analysis of the empirical material

In this chapter the analysis of the empirical data will be presented. The chapter is divided into three different sections in order to discuss the concepts of competition, customer loyalty and change management among, and within, food stores. A summary is presented in the end of each section. This analysis will thereafter be used in order to answer the research questions and make conclusions regarding how ICA Maxi Kungälv could act when meeting their new competition.

5.1 Competition

The competition between the different food stores is taking place in a market economy, however the municipalities have the power to set boundaries to the market, for example the possibility to rent municipality owned land. This circumstance is important to notice when identifying how to enter the market. As mentioned by Konkurrensverket (2011) Sweden is known for having one food store dominating a whole geographical area, which will mean that when a new competitor gets permits to open up in the same geographical area this will have great influence on the pre-existing food store. Mostly the competition is good since it enhances the entrepreneurship and the extra will of giving the customers the best possible store, but if the municipality has given the new competitor unfair playing rules then the competition could be devastating. The products being sold within the food store industry are mostly the same, independent of which food store a customer visits since the customers usually ask for the same kinds of foods. Food stores therefore need to find innovative ways to differentiate themselves in order to become competitive in a diversified way.

5.1.1 Receiving new competition

The stores in this study have all been exposed to getting a new competitor but have chosen to act in different ways. Every store, except store F, chose to act well in advance to the new threat. Store A had a special situation since they had not experienced earlier competition close to the store and had therefore been alone on the market. As noted by Vincent (2012) being alone could create a negative picture of the store and thus getting a competitor could decrease the critical eye on the company and instead the company could get more focus on the features they are better at than the competitor.

The competitors have also acted when they entered the new market in order to take market shares. In order to break the existing loyalty to the existing store some competitors used different kinds of marketing strategies as a way of entering the new market. A drawback for the new stores is that the already existing stores have been prepared and have therefore often been a step ahead. For example store B knew that the new competitor tended to advertise their support to local sport groups and therefore chose to support all the strategical located sport groups in the nearby area. They also started handing out free products from their own product line and inviting their suppliers to do the same to make the customers happy with their shopping experience. Store A and B did more personalized commercials through different medias which was an advantage for them in order to create personal relationships with their customers. Store A also got positive PR by working to help people in need during Christmas by cooperating with the locality’s church.

Store B’s competitor came with a product differentiation, which meant that they had to act to meet this specific advantage. They put more focus on the area where the competitor was strong but chose not to put as much focus as the competitor. Focusing on areas which the competitor is weak
in makes it possible to meet the competition in an advantageous way, which is a strategy mentioned by Bains et al. (2008). Store D on the other hand chose to go all in and focus on being better than their competitor in all aspects. They adopted a low price strategy but did not stop focusing on being a store with a high quality. Store B increased their customer service, which store A and C also did.

5.1.2 The new competition
The competitor to store B has a large percentage of customers who do not carry out most of their shopping at this store, nor live close to it, yet it is the store which has the highest percentage of customers shopping there due to their niche. Having a niche could therefore be seen as a something extra in order to attract customers, but by looking at the surveys this is not enough to create a loyal customer base. The percentage of the customers that answered that they had the store as their primary store was 26 %. Store B chose to meet this niche by improving their own section, investing and making the department bigger, however they did not choose to lay as much focus on this as the competitor. They did, on the other hand, notice a positive advantage by having a competitor close by. Customers did now get the opportunity to compare the two stores against each other and noticed that store B had low prices, even though the competitor’s marketing wanted to enhance the knowledge of their low prices. This complies with Vincent (2012), that it can be beneficial to not be alone on a market. The competitor to store A attracts customers due to the niche as well, and in order to remain competitive store A started to improve their work in the same area as the competitor was strong in. Since the niche is very important for the competitor, store A started to work with the niche right away when they heard that the competitor was about to open.

Store C and D both have a larger percentage of customers who live close by and do most of their shopping there compared to their competitor. The competitor has more close by customers than store D but less than C, and by looking at the surveys they also have the lowest percentage loyal customers. This could be because they are quite new on the market compared with store C, which has been operating during a long time and has many customers who shop there due to habit. Store D is much bigger than both the competitor and store C, and the shopping mall which it is located in can offer the customers other services than just buying food. This being said, the competitor is not that competitive yet but has potential to be. They lack services such as postal services and other attractive stores in the surroundings which store D has, but these services are possible to be offered in the future.

The location is an advantage of store C which the competitor cannot replicate. The competitor to store C and D will later have good neighbours which makes it possible to attract more customers to the location but until this is finished, store C will have an advantage. The competitor does not have a lot of customers and this has led to customers seeing them as an efficient store to shop in. Store C has explicitly stated that they also want to be seen as an efficient store to carry out shopping in but since they have more customers than the competitor the competitor has an advantage in this case. The competitor’s store is never really crowded, meaning that the queues in the checkout area are shorter than more popular stores and there is space in the aisles. This is a reason for some customers to do their shopping at this store, but it is not sustainable for a food store to have this as one of their advantages. The competitor is not that cheap to shop in, meaning that purchase loyalists will probably not shop there. The purchase loyalists might not be the most loyal customers but they account for a big part of potential customers to a food store.
5.1.3 The importance of the stores’ location

A competitive and important advantage is the location of the store, mentioned in the study by Huddleston et al. (2004). Looking at the surveys the most common reason for choosing a store to shop in was because the customer was in the vicinity. Store C and the competitor to store E both had nearly 50% of their customers choosing these stores because of this reason. Store C is located close to many living areas as well as schools, day-care centres and sporting activities. The competitor to store E is located close to a bigger road and near offices brings customers to the store for minor shopping. The surveys also show that people tend to shop at the competitor to store E due to other errands, such as postal services. The problem with the unease of driving out from the parking lot at certain times a day may also be a reason for customers to not use the store at times when a lot of other people are driving along the road.

The surveys show that the biggest share of the customers surveyed have their closest store as their most visited store and that the second biggest part of the customers do not have the store visited as their closest store and do not carry out most of their shopping there. This also confirms that the location is a competitive advantage for stores, as was noted by Huddlestone et al. (2004) and Lundberg and Lundberg (2010). Since 41% of the customers carried out their food shopping in stores located further away than their closest stores it is possible to see that it is easy for customers to choose a store depending on which one they have easy access to.

Using the location as a competitive advantage is wise but by looking at the surveys it is obvious that it requires more to make the customers loyal than a good location. Store A, C and F have around 75% of their customers living close by, but this does not equal that all their customers are satisfied loyalists. As example store F is known as a store with a high percentage of disloyal customers even though it has a good location, whereas store A, with its good location, has a high percentage of loyal customers. In contrast store E has a lot of customers which pass other stores in order to shop there, confirming that there must be more to a store than its location when it comes to loyalty.

Both store B and D differ from the other stores since they are both located within larger shopping areas outside of city centres. Both these areas are expanding with either new retailers or new living areas, meaning that both areas in different ways are attracting new customers. These two stores did not notice a great change in their turnover even though every second customer at the competitors stated that they used to do their shopping at the other store before the competitor existed, the same as the average customer surveyed. In comparison with the other stores, which all noticed a negative change in turnover, store B and D had the positive effect of being located in growing areas. Store B had the disadvantage of having an attractive store leaving their area, which could have affected them a lot. Closing this store was more annoying for the manager than the actual opening of the new competitor.

Mentioned by Lundberg and Lundberg (2010) is that having a short distance to a competitor harms the business more than if the competitor is located further away. Looking at the studied stores this statement could be correct since store A and C were more affected by the opening of their very close-by competitor whereas store D and E, which were located further away from their competitors, were not affected by the opening. Store B stands out since it is also located close to its competitor but did in comparison to store A and C not notice almost any effect on its turnover. This could be due to the reasons mentioned earlier, that together with the new competitor they were able to draw more people to the area. Another explanation could be the high level of loyal
customers who seem to travel by car to this store, and as stated by Jörgensen (2011), customers that need to travel to stores a longer distance by car are not as affected by distances.

5.1.4 The correlation between store size and customer base

None of the interviewed stores have gotten a competitor of the same size, the competitors have either been of a bigger or smaller character in terms of facilities. This means that the rivalry between the stores has varied. The larger stores have not felt the competition in the same way as the smaller retailers have independent of the distance to the competitor. The smaller stores have been affected in different ways due to the new rivalry. Store G lost almost 30% of its customers and later on had to close because of the more strategic location of its competitor. Not to be forgotten is the importance of the municipality which had been interested in the store’s location and could therefore have influenced the outcome. Store F is still struggling with stabilizing the effect of the new competitor, changing the management of the store is predicted to achieve this, and store C is working proactively with its business to come out of the close competition stronger than the competitor. Still interesting to mention is that store G did not lose as much as store F, meaning that the store F was in a very bad state with its customers before the opening of the competitor and thus has a long road to walk in order to regain the trust and loyalty of the customers.

There are a couple of stores where the majority of the customers replied that they do not shop the most in the store, and where the store they shop the most in is not located closer. Store C and F as well as the competitor to store A as well as C and D have this in common. The three first mentioned stores are all of a smaller character, it is possible that customers do the larger part of their shopping in larger food stores since all the stores have larger stores in the nearby area. The competitor to store C and D is however of a medium size character. The store does have a larger food store in the area, store D, but other factors are probably also responsible. Store C for example has a better location than the competitor to store C and D and the store is still fairly new and has not built itself a regular customer group. Store D on the other hand has a larger selection, and more various neighbouring stores and additional services than the competitor to store C and D. Earlier it was possible that store C and the pre-existing competitor, which has a different niche than store C, were completing each other on their market. Now store C and its new competitor have the same focuses. Getting this extra competition with the same focus of business could also be a reason for store C’s loss in turnover and for the competitor’s low amount of customers.

5.1.5 The necessity of the right assortment

Earlier studies have shown that companies selling more or less the same products have a customer base which more likely can switch its preference to another store, this can be applicable to food stores. According to Bains et al. (2008), having a diversified product range will get a company a competitive advantage by offering products which the customers can only find at a certain company. Therefore it is important that a store diversifies in order to reduce the risk of its customers changing store. The studied stores have done this in different ways. Store A, B, D and E have worked with producing own products which can be considered as diversifying themselves. Store C campaigned the company’s own brand, which in a way can be seen as a special product since the competitor does not sell this kind of product. The studied competitors have also tried to market themselves with their own products, the competitors to store B, C and D produce their own products in order to differentiate their product line. By selling a company’s private labels or producing something special in a food store will make it harder for the customers to switch
between different food stores. Both Porter (1985) and the managers interviewed stated the importance of diversifying oneself in this way by having their own products.

Most stores addressed the fact that they worked with dividing customers into segments. By doing this they are able to adjust their stores, assortment and marketing to get the best possible fit. A focus on families could for example lead to the stores having not only wider aisles to fit shopping carts but also having an assortment with different kinds of big packs. Seniors on the other hand are more likely to be interested in high quality and price worthy items. Many of the stores try to target everyone, since they cannot afford to leave a customer group out, but know that the majority of their customers belong to certain segments. This helps making judgements on what assortments to offer and focus on. In this study store B knew that the majority of its customers are those over 30 for instance, store D focused on both families and the 50+ segment and store E has chosen to have a main focus on families. Store A, which is smaller than both store E and B did also start to focus a little extra on families by expanding their loyalty program to include healthy tips for children.

5.1.6 Summary
In conclusion food stores which want to compete have to differentiate themselves since the products they sell do not differ a lot from other food stores. The differentiation can be done by producing own lines of food, but also by focusing on a customer group and utilizing the loyalty programs to see what the customers usually shop. The store already located in an area has an advantage because the store can prepare itself for new competition by investigating the upcoming company, and how they tend to act in a new market, in order to in the best way meet the upcoming competition. Having extra services and other stores close by has been seen as an advantage when meeting new competition, as well as having a larger store than the new competitor. Having a well thought through location of the store is also an advantage due to customers’ habit of entering stores when being in the vicinity.

Getting competition is rather good for a food store, if the competition is handled well. The competition makes companies keep on improving their concept and could be beneficial since customers get the possibility of comparing stores and thus giving acknowledgement to the best store.

5.2 Customer loyalty
A repeated purchasing behaviour can be used to identify if a customer is loyal, however this is not enough to fully identify loyal customers because the mind-set of the customer will not be reflected by the amount of visits a customer has to the store. Consistent with Bowen and Chen (2001), measuring both psychological attachment and the repeated purchasing behaviour could generate knowledge about the level of customer loyalty. Creating loyal customers is very important for companies since it directly affects the company’s profitability (Bowen and Chen, 2001).

5.2.1 Who is a loyal customer?
Stores that have been interviewed in this study have chosen to divide their customers according to how much they spend at the store monthly, personal memberships make it possible to identify just how much each customer spends at the store in question. However, the mind-set also has an influence on customer loyalty, and people do tend to spend different amounts on food due to personal behaviour and situations, which can make this way of measuring customer loyalty
askew. Making a direct assumption that large purchasing equals high customer loyalty can therefore be misleading due to the fact that some customers do not have several different food stores to choose between and are therefore forced to shop at the one existing food store. It is however understandable that the stores work with the parameter of how much the customers spend on food since it is easy to measure and it directly affects the store’s turnover. Other qualities connected with high customer loyalty, such as giving one’s personal recommendation and forgiving a store for its mistakes, can therefore not be connected with just measuring the amount customers spend, so by working with both statements a loyal customer base can be created.

The amount a customer spends on food from a particularly store has not been dealt with in the customer surveys that were conducted. Instead the question “Is this the food store where you shop the most?” was included. The surveys showed that 55% of the customers proclaimed that they shop the most at the food store they were visiting that day. This result can be connected with the repeated purchasing behaviour part of customer loyalty, as described in the research by Bowen and Chen (2001). Some specific answers to the question “Why did you choose this food store today?” can be used to see the psychological attachment to the store, answers being such as “the best store” or “their store”. 45% of the customers replied that they were shopping at a store where they do not do the majority of their shopping which is an indication of a rather low customer loyalty.

In this study the question “Have you, and if so how many times have you, visited the new competitor?” can also help understand how loyal the customers are. The managers of store C and D knew that the customers were most likely going to try the new store but they both wanted the customers to return thereafter and continue shopping at their store. The manager of store A said that it was preferable that the customers tried the new store and then chose to shop at their store, because then they would be shopping there for the right reasons. Customers who either have chosen to never try the new competing store, or who have tried it a couple of times and then come back, can be defined as more loyal than the people who shop regularly at the new competitor.

In order to enhance the loyalty of the customers the stores work with addressing their different customer groups, this is possible by working with their membership programs. This is a way of directing offerings and theme evenings and thus both direct their offerings to the right customer, in alliance with Sivadas and Prewitt (2000), as well as creating a reward of shopping at a certain spending level. By looking at the customer surveys it is possible to see that some customers were visiting the stores because they had received gifts, personal offers or that the store had some special campaigns. Working with these programs might not result in more “real” loyal customers but can rather be a way of making customers shop at their store.

When the customers are signed up to the different loyalty programs the stores can gain other benefits than loyal customers. They can see how and what the customers like to shop and what gifts and special prices the customers like. In time the data generated by keeping track of the customers can improve their potential in making customers loyal by offering personalized offers and sending out information about food of the customer’s preference. Store D is one of the stores which actively works with adding extra flavour to their membership program, such as different kinds of events for different customer groups and using new ideas to gain the loyalty of the customers. As a food store this is a step in the right direction due to studies mentioned by Finne and Sivonen (2009) which have shown that the loyalty programs of food stores are highly uninspiring. The recommendation of looking at other markets and how they work with their loyal
customers is therefore mentioned as a potential competitive advantage. During the interviews it was clear that the different stores, except store D which had tried to spice it up a bit, did not differentiate their loyalty programs in any ways, instead they resembled each other. Having an innovative loyalty program can increase the willingness of being part of it and thus increases the potential of attracting more customers.

5.2.2 The behaviour of loyal customers

The customer surveys showed that customers to food stores are not loyal in the sense that they refuse to try a new food store, something that correlates with many categories of loyalty described by for instance Rowley (2005) and Curasi and Kennedy (2002). Customers that said that “this is the best food store” were few in the surveys but are the type of customers a business wants to have since they can be seen as apostles or satisfied loyalists. Having a lot of loyal customers is vital for a food store and is therefore something that food stores want to create. Store A and D had 20% or more customers who had never tried the new competitor which can also signal these customer categories. However it is possible that they have not tried the new competitors for other reasons than loyalty, this will be discussed later on. Store E has 32% of its customers which did not have the store as one of their closest but still chose to have the store as their number one preference, these can indicate that the customers are satisfied with the store and thus are satisfied loyalists or apostles.

In comparison to apostles there are purchase loyalists who turn their preference of food store to the store which is cheapest or the most price worthy alternative. 20% of the customers interviewed said that price is one of the most important things about a food store which means that there are a lot of customers looking for low prices. This indicates highly disloyal customers since it is very easy for customers to switch between different food stores if they are only looking for low or price worthy prices, this since food stores tend to sell more or less the same kinds of products.

Store F has in this study been the store with the highest percentage of disloyal customers. 43% of the customers to store F shop regularly at the competing store, which is more than double the amount at any of the other stores where customers were interviewed. Knowing that the customers would leave the store when a new store opened could have helped the managers to realise that the customer they had were of a convenient seeker profile. Having that information rather than assuming that the customers shopped there because they were satisfied loyalists could have helped the managers to motivate a plan of action to meet the new competition. The competitor has an advantage of lying so close to the freeway, which is a competitive advantage because of the high amount of people commuting in the locality.

Store F has the lowest amount of customers who have never tried the new store. This suggests that customers were looking for a possible replacement and were therefore not content with the store. This store is the only store which did not prepare for the new competitor, nor worked with trying to increase the loyalty of the customers. The city where store F and its competitor are located had the highest amount of customers stating that the cleanliness of the store is one of the most important factors for a food store, which relates to the previous state of store F. Not listening to its customers, not trying to impress them nor trying to match the upcoming competitor which opened a completely new store proved to be devastating for store F. Just like the competitor to store C and D, store F had a large percentage customers living close to it which preferred another store.
The surveys showed that a lot of the customers interviewed have tried the new competitor at least once. 88% of the customers responded that they did their shopping at the competitor regularly, occasionally or had been there a couple of times. Clearly the majority has tried the new store. This coheres with the fact that customers within the food retail sector have a low loyalty character and therefore find it easy to try new stores. Seeing to the different loyalty categories defined by Rowley (2005) a large part of the customers can be classified into the category of captive loyalty where switching triggers can be alternative offerings at times of major decisions or as in these cases, new entrants to the market. The customers in this sector can also be of a convenience-seeker category since people have answered that they chose the store because of convenience and being in the vicinity. Customers who change stores due to new convenience, for instance that the store is located closer to home or work, can be categorised into this category. These two categories can be seen as purchase and detached loyalists since they tend to try other food retailers but in some way remain “loyal” to the most convenient store.

Having two stores close to each other could mean that customers with a purchase loyalist character will start to cherry pick their groceries, which is in line with Curasi and Kennedy (2002) who proposed that the majority of customers will try a new food store if it opens up close to the pre-existing store. By looking at the customer surveys it is possible to see that a lot of customers have this behaviour since they, at the competitors, stated that they did not have the store as their primary choice of store but rather were there for other reasons. This together with the fact that store A, which is located very close to its new competitor, had quite a high percentage of customers who regularly shop at the competitor confirms that there are a lot of customers who cherry pick.

5.2.3 How to affect the customer loyalty

Store A has existed as the only food store in the area for a long time and has therefore gotten a customer base of a habitual character. This is one of two stores in this study where almost a third of its customers chose to come to the store because of habit. It is also the only store where one out of five customers have not tried the new store even once. That a customer answers habit as the reason for choosing a store does not have to mean that a customer will continue shopping there when a new store opens. In this case it is nevertheless possible to say that store A’s customers were in fact loyal since many customers stayed with them even though it is very easy to choose the new competitor. The manager of store A mentioned that they had a lot of customers driving by. In the customer surveys few customers stated that the store was not one of their closest ones. This does not exclude that they might live far away since it is possible that people living in the countryside have a long distance to the nearest food store.

Having a competitor close by, like store A, does not only mean that customers can more easily shop for food in two stores at the same time. It could also mean that if the first store is more than good enough for the customers then there might not be sufficient reason to shop in the other store more than on special occasions. When a competitor is located elsewhere, as in the situation of store E and its competitor, it might mean that a customer can, as an example, shop for lunch at the competitor due to a closer location to the customer’s work and then do the majority of its food shopping in the store located closer to home. Lundberg and Lundberg (2010) stated that people do not tend to do their food shopping to or from work, which can justify that people can shop for lunch at the competitor to store E but will not do any big shopping there. Having food stores at several locations could therefore increase the possibility of shopping in more stores than the one of primarily interest for a customers because the customer might be in the vicinity of another store.
when there is a need of shopping for food. This could be confirmed by the surveys where the option of being in the vicinity was the most common reason why a customer is carrying out their shopping experience at a food store. In contrary with Lundberg and Lundberg (2010) the manager of store D and the manager of store G did, when talking about the competitor, say that a lot of customers are doing their shopping when heading home from work, and claiming that these customers stand for a bigger part of the customers who shop at their store.

Having something special to offer to the customers, for instance a product or a brand, is a way of making customers loyal (Bains et al., 2008). 10 % of the customers surveyed replied that they picked the store in question because they were looking for a special product, and a majority of all the customers replied that the most important feature for a store is their assortment. Popular products to offer are own baked bread, cookies and cakes, fresh fish and the option of different delicacies. Having special brands and an own brand are also strategies to differentiate one’s assortment from the competitor’s. Some customers have replied that they appreciated to have a lot of different brands to choose among whereas some customers did not feel a need of having several different types of a product. This two statements are in contradiction with each other and therefore it might not be possible to please both types of customers.

A store can also differentiate itself by offering a special service to the customers. From the customer surveys it could be seen that 9 % of the customers were visiting a store due to this reason. A service such as receiving packages and letters forces the customers to visit the specific store, and many may take the opportunity to do some shopping at the same time. Other services that lead to people traveling to the store are betting games, toilet and withdrawing cash. Offering an additional service can most likely generate a reason for customers to shop at a store, however the concentration of other places nearby that offer the same service will have an effect on how many customers are drawn to the store for that additional service.

Store satisfaction is another way of creating loyal customers. All stores, except store F, raised this by renovating their stores and relocating products. A new, modern and fresh store attracts customers and creates a good experience for the customer when visiting the store. The manager of store D specifically expressed that the customers did not appreciate the renovation, which is in line with the study of Knutson (1988). The surveys have shown that the most important section to keep clean and fresh was the fruit and vegetable section, which relates to the perishability of these kinds of products. The alternative of not doing anything about the facility means that the store will be seen as an old store when the new store opens, this does not rhyme with modern solutions and cleanliness, something food stores want to be known for. This does not mean that the store has to modify the whole store, small changes can make the customer see the store in a new way, for instance by introducing new lighting solutions or a new layout of the aisles. Many customers commented that both the cleanliness of a store as well as the layout and planning were some of the most important things when it came to a food store and therefore it is something that the managers should consider when maintaining and improving their stores.

High customer service quality adds up to create loyal customers. Many stores worked with their personnel to create a higher level of customer service. For instance store A started to work with showing personality and having fun and store B improved their handling of warranties through discussion with the personnel. 8 % of the surveyed customers stated qualities related to customer service as the most important features of a food store, which might be considered to be a bit low. Customer service in that sense of getting a friendly welcome and help when needed might be seen
as a basic circumstance when visiting a store and therefore be a basic requirement. By having good customer service and then going the extra mile for the customers the stores can create relationships with their customers, something that a couple of stores declared that they strived for. Having good relationships with customers is also a way of marketing themselves since the customers will most likely refer to their store when talking to friends. Talking about one's stores also makes the customer more loyal to the store, according to Sivadas and Prewitt (2000), meaning that it is a double win for the company having customers recommending the store.

Most of the store's managers stated that they are working with special offers and campaigns in order to attract customers. In the surveys price was the third most important feature of a food stores for the customers. Having good prices is therefore of importance in order to please the customers, but even though some customers were visiting a store because they had got personalized offers or gifts this does not equal creating loyal customers, as described above. Competing mainly with general low prices to create loyal customers can be hard since the store has to find creative ways of saving money or making profit from other sections, in order to continue having sustainable low prices. Using low prices through personalized offers and campaigns can be a better way of attracting customers and then, when a customer is in the store, have other features which can make the customer appreciate the store in more ways than by price.

5.2.4 Summary
Customer loyalty is a broad term including both repeated purchasing as well as psychological commitment which the surveys in some mean can support. The customers interviewed have in most cases tried the competitor to the original store in the town the interviews were being held, which proves the disloyalty of customers to food stores or the potential of curiosity to new stores. If the new store is situated close to customers there is a high chance that customers are going to start shopping in this store more frequent because of convenience.

There are differences between features that attract customers and features which make customers become loyal to a store. Having a modern and clean store increases the store satisfaction which increases the potential of customer loyalty. This also helps a store compete with a new store since they will have the benefit of opening a new store. Using loyalty programs has the potential of attracting customers to the store, and if the programs come with additional services it can become interesting to join and so create more loyal customers. The loyalty programs have an important role in order to create the best possible assortment for the customers shopping in the store and to be able to give the customers different offers and gifts. This is important to use in the right way since a majority of all customers interviewed stated the assortment to be the most important feature of a food store.

The different kinds of customers have different behaviour depending on what interest they have in food stores. Customers preferring low prices are of a disloyal character and might not be a focus group for stores whereas the apostles who never try another store have a high level of loyalty and thus are invaluable for companies. Disloyal customers can also be those shopping in a store due to being in the vicinity, for instance customers having a food store close to their work might shop often there for lunch but not carrying out their regular food shopping for their home and family.
5.3 Change management

It is possible to classify the stores in this study as organisms by looking at the clarification made by Cameron and Green (2012). The stores all have one or a couple of people who are in charge of the change, leading the work to become the new compatible store. Store A chose to internally make up a plan so that they could focus on the right areas. Store C chose to create a group of key people who together outlined the change that they wanted to implement as well as restructure its organisation in order to have the right person in the right spot. Store D also made sure that the right person was in the right place and therefore the personnel went through with a change regarding their work positions. Seeing the company as an organism is important since it is the staff that faces the customers on a daily basis, and they are therefore responsible for a part of the customer experience. The personnel also create the extra customer value when it comes to customer service. In order to carry out a change within an organisation functioning as an organism it is important that the changes are well anchored among the personnel so that their work becomes genuine.

5.3.1 Before the opening of the competitor

All stores got to know about their new competitor long before the competitor opened, thereby giving them a long time to prepare. There is an advantage of having a fresh and clean store, which all managers stated, and the new competitors get this advantage automatically since they are opening new stores. Renovating the existing store will therefore be necessary in order to compete with the competitor’s new store on this term. Companies should want to carry out as much as possible before the opening of a new competitor in order for the already existing customers to get familiar with the new changes, which was done in all stores except store F who did not carry out any changes. By updating the store the change could be seen as a developmental change since it results in an improvement of their already existing store and is therefore a physical change and not a change which directly affects the mind-set of the people.

The stores investigated the new competitors more or less deeply and then tackled the competitors in different ways. Some of the stores did not want to invest in the areas where the competitor was already strong, but rather looked at what the competitor’s weaknesses were and tried to improve these areas at their own stores as well as the attributes which already were their strengths. The stores which were able to invest and try to become better than their competitors were stores of a bigger size, and it could therefore be known as a question of financial resources how much a store can invest in different sections to meet the upcoming competition.

It was common that the stores shifted their profile into having more focus on customer service. This change, in contrast with the developmental change, is more radical since it has to be implemented in the mind-set of the personnel to be fully implemented and thus affects the way the personnel carry out their work. This change can be known as a transitional change due to its complex character and the amount of necessary work with the personnel and the company’s strategy to fully adapt to the new mind-set (Anderson and Ackerman Anderson, 2001).

Store B and D had an approach to the changes which was similar to Kotter’s eight steps (Kotter, 1995). The personnel felt a sense of urgency due to the ignorance of how the new competitor would affect their opportunity of work, this urge was planted with the personnel either by the management of their store or by picking up rumours. The stores then started to work within teams to create a plan and a goal of meeting the competition, and how the change should be carried out.
Having this approach unites the personnel since an opponent is established and some people get more motivated to come up with new tactics and ideas in how to improve the overall store by having a common enemy. Going out with an approach of threatening the personnel with a new opponent could be a bit dangerous. As Kotter (1995) implies, threatening people and not making them see the positive effect of the work with the change could result in the staff becoming reluctant to the change and thus it will become hard to go through with the change.

Stores A and E worked with handling the new competitor in a way that is comparable to Lewin’s (1951) three-step model. Instead of creating a sense of urgency and talking about the possibility of cutting working hours and laying off people they focused on involving people and picturing the best possible future scenario. Both stores worked with changing the mind-set of their personnel and implementing the habit of working with changes. Both stores have frequent meetings with their personnel which lead to a better communication, the possibility of exchanging ideas and thoughts about the process. When the competitor then opened both stores’ personnel were calm and confident regarding the situation.

Store C knew that they would have a hard time when the new competitor opened since the new store had the same focus as them, was situated close and had a slightly bigger store. The manager of store C also wanted to change the whole store’s business culture since it was a bit outdated. This kind of change can be known as a transitional change since the manager had to go through with changing the mind-set of the personnel. The approach they used in order to carry out this change could be similar to theory O described by Beer and Nohria (2000). Consistent with theory O the manager chose to work with its personnel, both their knowledge and their behaviour. They started by picking out key people from the store and together forming a new business plan. Picking out key people, people which have shown special qualities from different departments, was a good way of getting interested and driven people to work together and form the new business plan for the store’s future. Since the personnel was not educated in any kind of business theory the manager started to educate the staff and all employees were able to contribute with how to improve the business.

5.3.2 During and after the opening of the competitor

Most food stores started, or increased, their amount of customer events with different themes or campaigns. A commonly used tactic was to hand out gifts and discounts of various types depending on the customer group. Some stores handed out discounts just before the opening of the competitor in order to drain the customer base on money. This meant that even though the customers went and tried the new store they would not spend that much money there. The food retailing industry tends to have disloyal customers so this can be a smart move, even though it is costly to hand out large discounts. Store C and D did this, then kept it cool during the opening of the new competitor only to send out large discounts once again a couple of weeks later.

Neither store E, F nor G did any substantial changes when they got to know about the upcoming new competition, however they chose to act like this for different reasons. The manager of store F chose to not do any kind of change since they thought that they were good enough as they were, and therefore the change management part is not applicable to this store. Store G did some minor developmental changes but since they knew that the competitor was outstanding in ways they could not compete with, for example the store’s parking lot was bigger, they did not focus on costly and complex changes in order to meet the new competition. Store E had already carried out a renovation of the store and instead kept on improving the different sections of the store after the
opening of the competitor. Even though the manager stated that the plans for the renovations and updates for the different sections were already existing the new competitor increased the pace of the different upgradings of the store, meaning that store E did take the competition seriously.

The manager of store C have since the opening of their competitor increased the work with its personnel in order to improve their psychological health. This work is carried out with the different leaders at the store by working in groups, discussing different topics and getting tasks to carry out both at work and at home to make the staff more aware of their psychological states. The new manager of store F is also working with its personnel since they were not educated nor driven to improve the overall business at the store when the competitor came to town.

5.3.4 Summary

When meeting the competition of a new store it is important to carry out a change to meet this new competition. This change needs to be handled and thus there is a need of change management. Since food stores are dependent on their personnel it is important to engage the personnel engage in the change and be a part of the work. There are two different changes that a store needs to handle before the opening of a competitor, the change of the facility and the mindset of the personnel. The easiest part is to work with the facilities and improve the layout well in advance of the opening of the competitor to ensure the customers know the new layout. Changing the store makes it possible to decide how to tackle the niche of the upcoming competitor and this is usually decided by how strong the competitor is with its niche and how big the pre-existing store is.

The harder part is to work with the mind-set of the personnel in order to improve the overall service. Uniting the personnel can be done by creating a common enemy in the upcoming competitor and inspiring the personnel to present their ideas in how to differentiate the store and thereby make it better than the competitor. The work with the personnel has often been carried out through regular meetings where different topics have been discussed. Improving the mental health of the leaders, which is being done in store C, could also strengthen the leaders and make them stronger in their work with change.
6. Conclusions and their significance for ICA Maxi Kungälv

This chapter aims to answer the research questions that were stated at the beginning of this report. The conclusions of the study will then be applied on ICA Maxi’s situation in Kungälv, the situation being described simultaneously. In order to make suggestions and show a plausible future scenario for the store an interview with the manager of Kungälv was done.

The future of the area where the new store will be located is not confirmed. During the autumn of 2015 the municipality of Kungälv made changes to the plan and the area closest to ICA Maxi is not yet confirmed. This will affect the infrastructure, the amount of other stores located there and the number of inhabitants in the area. Since the exact future scenario is not decided yet the conclusions of ICA Maxi’s future have been drawn from what could be expected in the end of the 2015. The future situation of this location has been uncertain since the demolition of the high school located there in the beginning of the 2000’s. The past behaviour of the municipality strengthens today’s uncertainty and makes it hard to ensure the outcome of the location’s future.

6.1 Why do customers change their choice of store?

Looking at the theoretical framework previous studies have shown that customers to food stores are more disloyal than they think. Both the theoretical framework and the results of the study carried out by the authors point towards a curiousness among the customers to try a new store if this was to open within a certain range.

A new store that has a higher degree of convenience, which for instance could be a closer location to a customer’s home, has a competitive advantage since customers are most likely to choose a store due to being in the vicinity. Price is also of importance to the customers and offers can influence them to choose one store over another.

Getting to know the customers is very important in order to understand the behaviour and choices a customer carries out. For example an increase in turnover might not equal a solid base of loyal customers, the customers might do their shopping at a store because they have no other options if the store is alone on the market. A new opening of a store could therefore mean that customers will leave the previous store and try the new one because they are not content with the first store. If the new store turns out to be better, in the customer’s perspective, then the customer will shop in the new store frequently and might even stop shopping at the previous store completely. However, if they are pleased with the pre-existing store, know the layout and can find what they are looking for they might only try the new competitor out of curiosity.

The customers to the store of Kungälv have not been interviewed but are expected to behave more or less in the same way as customers to other food stores. With this in mind the majority of customers will visit the new store when it opens and ICA Maxi Kungälv thus needs to work with their customers in order to make them visit the new store out of curiosity rather than them being discontent with their store. Improving the relationships with the customers in order to understand whether they are content or unhappy with the store and its services is the first step towards decreasing that risk. The other most likely reason for the customers preferring the upcoming competitor rather than ICA Maxi Kungälv should be because of convenience. Some of ICA Maxi’s customers are known to already pass another store in order to get to them, the other
store is known as a cheap store. With the opening of the new competitor the customers will have to pass yet another store to get to ICA Maxi, and this store will probably have a focus on perishable products. This means that customers who do not see price as the most important factor and are therefore passing the first competitor will then have to pass a store with another focus. If these customers feel that this new competitor fills a need they are missing at the first store, and thus the reason for them to shop at ICA Maxi’s, than they might not keep on going to ICA Maxi.

6.2 Why do customers choose to stay with the same food store?

The reason why a customer chooses to stay with the same food store has a lot to do with why they choose a food store in the first place. What could be seen in the customer surveys is that what a customer found the most important with a food store almost never correlates with the reason why the customer actually chose the food store that day. Many customers highlighted more than one feature when answering what is the most important with a food store, it is therefore possible to say that many factors matter when a customer chooses a food store. Convenience and being in the vicinity are related to the store’s location, this is very important for the customer to both consider as well as choose a certain store. The assortment is clearly an important feature, however, different customers have different opinions of what the assortment should look like and stores with different facility resources have different possibilities to oblige these different wishes. Utilising the possibility of scanning the customers’ behaviours could be the best way of knowing what kind of assortment the customers are interested in.

Having an assortment that the customers are content with, and a store which pleases the customers in an overall manner, increases the reason of visiting a store out of habit. By maintaining a store of good quality the thoughts of wanting to change store decreases and thus the customers can be seen as visiting the store out of unquestioned habit when carrying out their shopping. This is a state which the stores want their customers to be in. Having the customers in this state makes it possible to work with the customers in order to increase their loyalty. Both apostles and customers of a convenient-seeker character can visit a store out of habit, identifying the convenient-seeker customers makes it possible to work with them and in different ways tie them closer to the store. It is easier and cheaper to work with already existing customers and increasing their loyalty than catching completely new customers and trying to make them loyal.

ICA Maxi in Kungälv opened in 1998 but had existed as a smaller store since 1981. Rebuilding and redesigning a store into a bigger one meant that the owners and managers could see potential in customer growth. Creating a store that could satisfy the needs of a larger customer base attracted many customers and today ICA Maxi Kungälv is more or less a store with no concrete competition in the close by area. The store uses a loyalty program which is connected to other stores within the same chain. Utilising this in the best possible way means that the store can be personalized in order to make it more suitable for the majority of customers.

The location is of high importance since a lot of customers carry out their shopping at a specific store because they are in the vicinity. ICA Maxi Kungälv has a good strategic location since they are located in the middle of the city and close to the freeway, meaning that a lot of customers can easily pass the store either traveling by car or by walking. Since the new competitor will open up just a couple of blocks away, 600 meters in a straight line (Borin and Larsson, 2009), they will have the same advantage when it comes to location, meaning that the competitive advantage of the good location that ICA Maxi Kungälv has today will not be a competitive advantage after the
competitor opens. The advantage they will have in the beginning is that the customers will know the layout of their store but not of the competitor. Not knowing the layout will make the shopping inefficient, this is okay when customers are there due to curiosity but later on they will want to know the layout in order to be efficient. It is therefore wise to lure back customers before they get too acquainted with the competitor’s layout, this could be done by using coupons.

6.3 Is it possible to reduce the loss of customers to close by competitor and if so, how?

The studied stores indicate that it is possible since all the stores which took action when new competition came could minimize the effect of the new competitor. Depending on the pre-existing store’s characteristics and actions, as well as the ones of the new competitor, the outcome differs but there will always be some kind of effect on the pre-existing store. It is therefore necessary to start the work in time so that the customers get the benefits of the new changes before the competitor opens.

To know how to work with both the store and the customers it is necessary to know which store is opening since they all have different niches and ways of exposing their business. New competitors all require different ways of handling. Important factors to consider is making the personnel ready for the upcoming competitor. Implementing a change management method suited for the way of meeting the new competitor will be necessary in order to align the personnel with the goals of improving the store through changes. Adapting Kotter’s method might be an aggressive way of tackling the change whereas going with Lewin’s three step model might be a more humble process. Both methods are manageable for ICA Maxi Kungälv in order for them to work with their change and the process of reducing the potential loss of sales. Some of the interviewed stores have chosen to meet the competitor at what these are good at and some have chosen to let them have their strengths and instead focus on what the own store originally is good at. The two different strategies require different amounts of investments, it is usually easier to enhance the already good attributes a store has than to change and try to be better than the competitor at what they are good at. Depending on which kind of store was meeting the new competition these two different strategies have been chosen. The bigger stores interviewed have often tried to be as good or better than the competitor at their strengths and the smaller stores have instead focused on marketing their own strengths and letting the competitor have its strengths.

ICA Maxi in Kungälv learned about a threat of a new competing store opening close to it in 2008-2009 and the expected date of opening has continued to be postponed, they have therefore had a long time to prepare for the new competition. After winning a litigation against the municipality in the autumn 2014 about their right to their parking lots they were prepared to start investing more financial resources in the store’s facilities and layout. This is one of the easier changes a store can do in order to meet the upcoming competition since it is a developmental change. A fresh store is something that most interviewed managers have stressed and since it is important that the customers have already learned a store’s layout by the time that a new competitor opens it is an advantage that ICA Maxi Kungälv started and finished rebuilding the inside of the store in the autumn 2015. To be noted is the possibility of losing the feeling of a new and modern store before the opening of the competitor since it is being postponed. As the situation looks today the opening of the competitor is postponed until 2018 (Kungälvs kommun, 2015b), which will make ICA Maxi’s changes three years old when the competitor opens. None of the stores interviewed have carried
out their rebuilding, restructuring or modifications of the store that long in advance and so ICA Maxi should need to present something new close to the opening of the competitor in 2018.

ICA Maxi Kungälv is a large store, which means that they have the same possibilities as other large stores to meet the upcoming competitor in its part of the playing field. They now focus on perishables and joy for cooking, which is something ICA Maxi now should further address. Having different food shows several times a week where the customers are able to taste and watch different meals being prepared is an easy way of inspiring the customers in wanting to try something new. Another way of increasing the incentives to cook is to help customers with advice of how to cook and use different products. Having a restaurant or making ready-to-go food in the store enables the personnel to increase their knowledge in food and can easier give customers advice in how to use new products or, for example, how to fillet a special fish. Letting customers see the personnel work with producing meals and different products also increases the acceptance of the competence of the personnel from the customers, which increase the overall respect and acknowledgement from the customers.

Having a restaurant and a café nearby has been a reason to visit a store for some of the customers interviewed during this study, and the same goes with having other stores of totally different characters close by. It is probably not possible to, as a manager of a food store, force other companies to move into locations close to their food store but it is beneficial to strive for. Both the manager of ICA Maxi and several interviewed during this study have all agreed on that trade begets trade.

The competitor will be of a smaller size than ICA Maxi and it is therefore important to increase the feeling of being a store for the minor-shopping customers as well. The advantage they already have is that the customers are acquainted with the layout of ICA Maxi so even though the store is bigger than the competitor the customers’ shopping will be more efficient at ICA Maxi. It is also important to keep the possibility to pass the department with special goods that they have today in order to offer efficient shopping to their customers. The location of ICA Maxi might still be more advantageous than the one of the competitor since they will be closest to both the high school of Kungälv and the newly built living area behind the high school. Combining this location with the lower prices they can have due to their bigger store size creates a strong advantage for them since the competitor might have higher prices due to the smaller character of store and thus the potential of a lower turnover.

6.4 How is the turnover affected by the opening of a new store?

The studied stores have all been differently affected by the new competitors, from having a positive outcome to having a 40 % decrease in turnover the first year. For how long after the opening of the competitor they felt the effect has also differed. The effect variation was dependent on their original characteristics and the ones of the new competitors as well as how much the stores did in advance and after the opening of the competitor. There can be a large impact right after the new competitor opens but there is a possibility that it can plan out seeing to the whole first year.

Investments are likely to reduce the impact of a new competitor. Bigger stores seem to have been impacted less since the financial resources and time they were able to invest helped to reduce the effect on the sales and turnover when the new competitor opened. Looking at the smaller stores interviewed there are various results. Overall they were affected more by the opening than the
larger stores but depending on the work carried out in advance they managed to get through the opening of the competitor in different ways. Since ICA Maxi Kungälv has already invested in rebuilding their facilities, is of a larger size and more than that carries a large assortment which is appreciated by the customers it is likely that they can manage the new competition in a good way.

According to the local plan of the city centre of Kungälv around 900 apartments will be built as well as a new shopping centre where the competitor of ICA Maxi Kungälv will be situated (Kungälvs kommun, 2015a). This means that the amount of customers living close to ICA Maxi will increase. The shopping centre will be a large centre measuring 35 000 m² (Kungälvs kommun, 2015b) and can lead to different consequences. There is a possibility that the centre as well as the new food store takes a part of ICA Maxi’s customer base since it is a new fresh area and they may have characteristics that customers appreciate. A more positive scenario for ICA Maxi is that the new shopping centre draws more customers to Kungälv, increasing the number of customers in the area, something that they cannot do on their own today. This could make up for the customer base that ICA Maxi Kungälv could lose to the new competitor or even increase it.

Getting a new competitor closer rather than further away has been seen to affect a store more. There is also a possibility that this, together with other retailing stores, draws more customers to the area as mentioned above. As can be seen in the studied cases marketing plays a large role in the future outcome of the stores’ situation as well as the relationship the stores’ have had with its customers, things that ICA Maxi Kungälv will have to work with as well. This can increase the likelihood of not losing turnover when the new competitor opens.

In conclusion ICA Maxi Kungälv can reduce the potential loss in turnover by working with different aspects. Its marketing and impression of being a store of innovation within the food segment, its openness and friendly and knowledgeable staff, and all while delivering a fresh and modern store to the customers. The extra effort of working with marketing could be costly and in the end generate a bigger cost than the potential cost of losing a few percent in turnover the closest week during the opening of the competitor. This should be weighed against the fact that in the end it is easier to maintain the loyal customers already shopping in a store than trying to attract and create new loyal customers.
Reference list


Appendix I

Questionnaire for the customers at store A-F

Kunder Butik (Stad X)
Kön: Man []  Kvinna []
Ålder: -20 []  21-30 []  31-45 []  46-64 []  65- []

- Är det här en av dina närmsta butiker? Har du bott på samma plats längre än __ år?
- Om nej, ligger den du handlar mest i närmare ditt hem?
- Varför valde du denna butik idag?

- Har du handlat i [Konkurrentbutiken]?
  - Några ganger [ ]
  - Ibland [ ]
  - Regelbundet [ ]
- Vad är viktigast för dig med en matbutik?

Questionnaire for the customers at the competitors to store A-F

Kunder Konkurrent (Stad X)
Kön: Man []  Kvinna []
Ålder: -20 []  21-30 []  31-45 []  46-64 []  65- []

- Är det här en av dina närmsta butiker? Har du bott på samma plats längre än __ år?
- Är detta den butik du handlar mest i?
  - Om nej, ligger den du handlar mest i närmare ditt hem?
- Varför valde du denna butik idag?

- I vilken butik handlade du innan denna öppnade?

- Vad är viktigast för dig med en matbutik?
Interview guide for the managers at store A-G

Butik X

- Berätta om er butik.
  - Hur länge har ni funnits?
  - Hur många anställda?
  - Vilka är era kunder?
- Vad kännetecknar ert område?
  - Storlek
  - Transportsätt
  - Vad är specifikt för ert område?
- När fick ni er konkurrent?
  - Beskriv er konkurrent.
  - Hur långt bort ligger de?
  - Vilka är deras kunder?
- Gjorde ni något för att möta den nya konkurrensen?
  - Ansåg ni att ni behövde förändra något för att bättre förbereda er på konkurrenten?
    - Var det en stor förändring, vad innebar förändringen?
  - Arbetade ni med att få kunder mer lojala till er butik på något specifikt sätt?
  - Anordnades specifika kundeventemang?
  - Mer PR?
  - Någon ny tjänst ni erbjöd kunderna?
  - Tog ni in extern hjälp?
  - Hur långt innan fick ni reda på att konkurrenten skulle öppna?
- Vad hade den nya konkurrensen för effekt på er butik?
  - Förändrades försäljningen?
  - Ändrades antal medlemskunder?
  - Fick ni nya kunder?
  - Fortsatte ni med riktade åtgärder för att uppmuntra kunder att stanna kvar?
  - Anser ni att det finns något bra med konkurrens?
Appendix II

Figure II.1 Division of closest food store and food store where one shops the most for store A.

Figure II.2 Division of closest food store and food store where one shops the most for the competitor to store A.

Figure II.3 Division of closest food store and food store where one shops the most for store B.

Figure II.4 Division of closest food store and food store where one shops the most for the competitor to store B.
Figure II.5 Division of closest food store and food store where one shops the most for store C.

Figure II.6 Division of closest food store and food store where one shops the most for store D.

Figure II.7 Division of closest food store and food store where one shops the most for the competitor to store C and D.
Figure II.8 Division of closest food store and food store where one shops the most for store E.

Figure II.9 Division of closest food store and food store where one shops the most for the competitor to store E.

Figure II.10 Division of closest food store and food store where one shops the most for store F.

Figure II.11 Division of closest food store and food store where one shops the most for the competitor to store F.
Appendix III

Figure III.1. Answers to the question “Why did you choose this store today?” for store A.

Figure III.2. Answers to the question “Why did you choose this store today?” for the competitor to store A.

Figure III.3. Answers to the question “Why did you choose this store today?” for store B.
Figure III.4. Answers to the question “Why did you choose this store today?” for the competitor to store B.

Figure III.5. Answers to the question “Why did you choose this store today?” for store C.

Figure III.6. Answers to the question “Why did you choose this store today?” for store D.
Figure III.7. Answers to the question “Why did you choose this store today?” for the competitor to store C and D.

Figure III.8. Answers to the question “Why did you choose this store today?” for store E.

Figure III.9. Answers to the question “Why did you choose this store today?” for the competitor to store E.
Figure III.10. Answers to the question “Why did you choose this store today?” for store F.

Figure III.11. Answers to the question “Why did you choose this store today?” for the competitor to store F.
Appendix IV

**Figure IX.1.** The most important feature with a food store for store A.

**Figure IX.2.** The most important feature with a food store for the competitor to store A.

**Figure IX.3.** The most important feature with a food store for store B.
Figure IX.4. The most important feature with a food store for the competitor to store B.

Figure IX.5. The most important feature with a food store for store C.

Figure IX.6. The most important feature with a food store for store D.
Figure IX.7. The most important feature with a food store for the competitor to store C and D.

Figure IX.8. The most important feature with a food store for store E.

Figure IX.9. The most important feature with a food store for the competitor to store E.
Figure IX.10. The most important feature with a food store for store F.

Figure IX.11. The most important feature with a food store for the competitor to store F.