

Can the Internet support the buying process?

A qualitative study at Volvo Cars

Abstract

This report aims to give a general overview on how the Internet could support the customer buying process and how Volvo Cars is using the Internet to support the people who is interested in purchasing a Volvo car. The report is mainly focused on how this can be done in Europe. Both primary and secondary information was gathered during the research. Secondary information regarding theories and the buying process and primary information from employees within Volvo Cars. The results show that the Internet can not support the entire buying process but that it is an excellent support for the customers when it comes to collecting information. The conclusion I can draw from this study is that Volvo Cars needs to reorganise its business and reallocate resources to effectively work with the Internet to support the customers buying behavior and expectations instead of pushing out the information Volvo Cars assume the customer wants.

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1. Introduction

In this first chapter it is presented why the areas of the Internet and the buying process is interesting for Volvo Cars and that it is a topic of interest. This leads us to the purpose of the thesis. Thereafter a problem definition follows where the Internet and the buying process is described in order to make the reader familiar with the area.

1.1. Background

To succeed in the competitive marketplace a company must be, according to Kotler, Armstrong, Saunders and Wong (2001), customer centred. A company can win the customers by offering them greater value than the competitors. To do so they must understand the behaviour of their customers. A company's success depends not only on how well each department performs its work, but also on how well the activities of various departments are co-ordinated. To be able to do so a company should place more emphasis on its core business processes. Mastering core business processes gives a company substantial competitive edge. Based on this new view, according to Kotler et al., marketing is not only responsible for formulating the marketing mix but also designing and managing a superior value delivery system to reach target customer segments. To be able to create customer satisfaction, a company must manage their own value chain and the entire value delivery system in a customer oriented way.

According to Meeker (1996) opportunities emerges when a new mass medium is created. She defines a mass-communications medium as communication from one source, through a medium, to a large audience or market. By looking at the evolution of other mass media she draws corollaries with the early stages of the development of the Internet. With each new medium, marketers are offered new opportunities. The Internet is the only medium where a customer can see an ad, instantly inquire about the product/service and make a purchase.

There is a pattern of which new media tend to emerge according to Meeker (1996). First, early adopters try the new stuff and if it gains acceptance, thousands of business people flock to join in. Thereafter business success and failures follows and over time a few powerful companies develop. A key to a broad acceptance of a new medium is a low customer cost. A large chunk of the operating cost for a mass media is paid by advertisement e.g. advertisement helps bring the cost down. The main difference between the Internet and traditional media is that the basic infrastructure is already in place. The adoption rates for new media have accelerated over time.

According to Meeker (1996) the Internet integrates many of the positive elements of other major media. Like television, the Internet allows visual impact but with a higher level of active viewer. The Internet also allows segmentation like radio or magazines together with a quick and accurate measurement. Brand building is possible on the Internet but it is not as effective as other media is e.g. television. The Internet allows the customer to seek out the products and services they are interested in and find more information if desired. It also supplies the marketers with the advantage of allowing the users to make purchasing decisions precisely at the point of advertisement exposure. For years marketers have been preaching one-to-one marketing. Now when there is a

medium that allows companies to market to customers more effectively than ever before, marketers tend to carry over their old constrained and ineffectual customer relationships to the Internet (Dalglish, 2000). According to DMA's fifth annual E-commerce survey (2000), companies still primarily use their Internet sites to publish product/service information. The second reason for companies to be online is to generate leads. Advertising comes on fifth place behind PR and E-commerce.

The technology boom has created exciting new ways to learn about and track customers, create products and services tailored to meet customers needs and to communicate with customers in large groups or one-to one (Kotler et al., 2001). For its entire potential the Internet does have some drawbacks. It is yet to be seen how many of the millions of Internet users that will become actual buyers. The Internet also poses security problems since, by linking their internal systems to the Internet, companies are becoming more exposed to possible attacks by vandals or hackers. But given the speed at which the Internet technology and applications are developing, it is unlikely that these disadvantages will prevent the millions of businesses and customers who are logging on to the Internet every day.

Phase one, in creating websites, was to publish product information e.g. electronic brochures. People liked it and they wanted to know more about the products. Earlier studies suggest that people were more interested in product information and support online rather than the possibility to order online. This based on the fact that people were content with the order-process. The information search and assistance from the company were not satisfying to the customers and that is the reason why people embraced the online solutions. This does not mean that companies should settle with only posting product information and customer support on their websites. The tide of customer expectations is rising faster than ever. Once the public gets into their heads that something is technically achievable, they assume it is a done deal. (Sterne, 1999)

In the tenth GVU study, conducted by the Graphics, Visualisation and Usability Centre of Georgia Technology Institute, it was presented that the primary reason for using the Internet was to gather information for personal needs (Dalglish, 2000). The survey also showed that the Internet is only a part of the customer's service experience. Customers do not necessarily want to do everything, like purchasing, online. The Internet is however an important part of a customer's decision-making process since people browse product information with an intent to buy.

According to the Cars Online 2002 study by Cap Gemini Ernest and Young, the Internet is not as important as either the dealer or the manufacturer thinks when the customer searches for information before a vehicle purchase decision. The role of the Internet is limited to pre-purchase research and is still lagging behind traditional sources of information for vehicle purchase, such as test-drive, dealer visit and friends advice. The Internet is, however, seen as more useful to those buying a used car. This could be the result of a growing awareness of the information available on the Internet and that the customers are becoming more willing to go online when conducting future purchase research.

1.2. Problem

1.2.1. Problem analysis

The Internet has introduced new industries, economies, products, services and customers and all this creates new opportunities for competitive advantages (Dalglish, 2000). There are a number of questions a company must ask itself to be able to consider how the Internet creates new opportunities for it. The questions range from customer-effective, superior web functionality to maintaining long-time relationships with customers.

The Internet is changing the way companies are doing business as well as altering people's behaviour. Both the companies and the customers have adopted the Internet technologies. Customers can now do most things online from managing their investment portfolio to ordering pizza. Customers now expect more than what is being delivered. They want Internet sites that are driven by their needs. To create customer effective Internet sites, the companies must provide both Internet sites that make it easy for the customers to find, evaluate and choose the product they desire and an order process that is easy and comfortable to use. To be able to provide a customer-effective order process the company needs to understand the way customers seek, evaluate and choose products. (Dalglish, 2000)

The questions companies are facing today is not only regarding how the Internet can be used to support their business but how the companies can use the Internet to support their customers. Volvo Cars is one of the companies which is interested in knowing how the Internet can support its customers throughout the customer buying process.

1.2.2. Problem definition

Based on my problem analysis above I have identified a hypothesis that Volvo Cars needs to investigate. This main hypothesis will serve as the foundation for the purpose of this thesis.

H₀ The Internet can support the entire buying decision process.

To make it easier to read the thesis and make clearer assumptions I have chosen to divide this main hypothesis into a three-part hypothesis.

H_{0:1} The Internet can support the pre-purchase phase.

H_{0:2} The Internet can support the purchase phase.

H_{0:3} The Internet can support the post-purchase phase.

1.2.3. Purpose

The purpose of this thesis is to get a general overview on how the Internet could support the buying process and to examine and evaluate if Volvo Car Corporation (Volvo Cars) can use and is using the Internet to support its selling process e.g. the entire customer buying process.

1.2.4. Delimitations

Due to limited resources and differences in how cars are being sold over the world I had to restrict my thesis to mainly focus on how the sales process works in Europe. The customer buying decisions are more similar throughout the world but the choices are more limited when it comes to purchasing a car in the US, Africa or Asia. The secondary information on online purchases is also very limited when it comes to the Asian and African markets.

1.3. Disposition

This section reflects how I have organised my thesis. This will provide the reader with a guide to the different chapters. My thesis has been organised as follows:

Chapter two: Terminology

This part aims to present the reader with basic knowledge about the Internet and present the terminology used.

Chapter three: Theoretical framework

The theoretical framework presents the theories relevant for this thesis.

Chapter four: Methodology

The methodology describes how I have conducted my investigation. Here I explain my research design, choice of methods and samples as well as present the methodology for the interviews.

Chapter five: Results and analysis

This part presents the relevant results from the investigation conducted based on the problem definition.

Chapter six: Conclusion and Proposals

My conclusion is presented together with my proposals for further investigations for Volvo Cars.

2. Terminology

This chapter aims to present a basic understanding by describing some terminology within the Internet and Marketing area.

2.1. Terminology

The Internet (with a capital I) is a specific collection of interconnected networks reaching almost every country throughout the world (Stamper, 1999). The Internet is a public network in the sense that private individuals are able to gain access to it and use its resources. For more information on the background of the Internet and World Wide Web (WWW) see appendix 1.

Turban, King, Lee, Warkentin and Chung (2002) define **electronic commerce** as business transactions that take place over telecommunications networks. It is a process of buying and selling products or services over computer networks.

Uniform Resource Locator (URL) is a string representation of an Internet address (Stamper, 1999). A **URL** is the address used to access pages on the WWW.

CDSS is an abbreviation for Customer Decision Support Systems according to O'Keefe and McEachern. It is a web-based marketing model that establishes a link between a company and its customers and provides assistance to the decision making process.

Marketing is described by Kotler et al. (2001) as a social and a managerial process by which individuals and groups obtain what they need and want through creating and exchanging products (and value) with others. **Interactive Marketing** is marketing that allows the customer to interact with an online seller (requesting information, sending e-mail etc), according to Turban et al. (2002).

A **push** strategy involves pushing the product or message to the final customer. The opposite is the **pull** strategy, where the producer directs its marketing activities to build up customer demands. In recent years there has been a decrease within the pull area and one reason is that many firms have found advertising less effective in recent years. (Kotler et al., 2001)

Kotler et al. (2001) defines **media** to be non-personal communication channels. This includes print media (newspaper, magazines and direct mail), broadcast media (radio and television) and display media (billboards, signs and posters). All these media are often referred to as traditional media.

A **Prospect** is a possible or probable customer (The Oxford Compact English Dictionary, 1996). A **customer** is a person who buys goods or services from a shop or a business. A **consumer** is a person who purchases goods or services. I have chosen to use the term customer throughout this thesis.

3. The theoretic framework

The theoretic framework is divided into three parts. The first part presents the general buying behaviour and the different types of buying decisions a customer faces. The second part gives a brief overview of how customers make their buying decisions throughout the buying process and presents the Volvo Cars sales process. The third and last part of the theoretic framework presents how the Internet can be used to support the buying process for a customer with examples from the car industry. This theoretic framework is based on the theories that all the company's processes should be customer centred and that the Internet is the new technology that no company can afford to ignore.

3.1. Customer buying behaviour

Before the customer can respond to a product he or she must be aware of its existence (Murray and O'Driscoll, 1996). The task of informing the customers accurately and clearly about the company and its products is the job of the communication mix.

Kotler et al. (2001) describes the customer buying behaviour as the buying behaviour of the final customers who buy goods and services for personal consumption. A company can achieve great advantages by understanding how customers respond to marketing stimuli that include the four P's: product, price, place and promotion. Forces and events in the customer's environment such as economic, technological, political and cultural also affect all customers. All these stimuli enters the buyer's black box (see figure 3.1 below) where they, through the buyer decision process, is turned into a set of buyer responses.

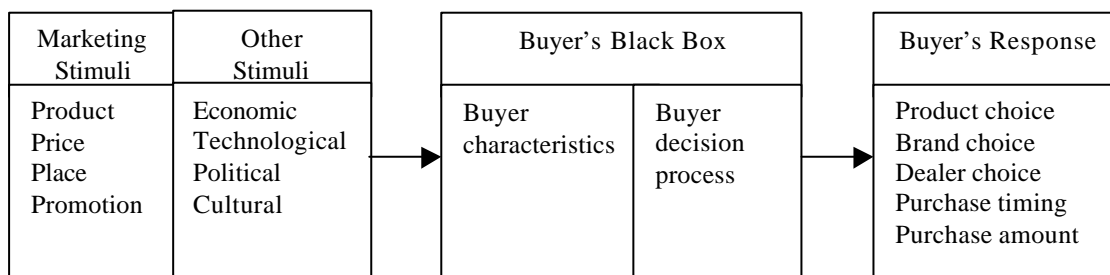


Figure 3.1 Model of buying behaviour

Source: Kotler et al., 2001, p. 191

Depending on the type of buying decision the customers decision making differs (Kotler et al., 2001). The four types of buying decision behaviour are: *complex buying behaviour*, *dissonance-reducing buying behaviour*, *habitual buying behaviour* and *variety-seeking buying behaviour*.

3.1.1. Complex buying behaviour

When the customers are highly involved in a purchase and perceive major differences among brands or when the product is expensive and purchased infrequently, the customers undertake a complex buying behaviour (Kotler et al., 2001). It is common that the customer must learn a lot about the product category and pass through a learning process. After developing beliefs and attitudes about the product, the customers make a thoughtful purchase choice. The marketers of this type of products need to help buyers learn about product-class attributes and to differentiate their brand features. Complex decisions may require more time, more information and more assistance than simple decisions according to Kotler et al.

3.1.2. Dissonance-reducing buying behaviour

This type of behaviour occurs when customers are highly involved with an expensive and infrequent purchase and they see little difference among brands. Buyers may, in this case, shop around to learn what is available and buy relatively quickly. They may respond primarily to an excellent price or to purchase convenience. After the purchase the customer may experience post-purchase discrepancy when they notice certain disadvantages of the purchased product brand. To counter such discrepancy, the marketer's after-sales communication should support the customer so that they feel good both before and after their brand choices. (Kotler et al., 2001)

3.1.3. Habitual buying behaviour

When customer involvement is low and there is little significant brand difference the habitual buying behaviour occurs. A typical product of this type is salt. The customers keep buying the same brand more out of habit than strong brand loyalty. Customers do not search for information about the brand, evaluate brand characteristics and make important decisions about what brand to buy. Instead, they passively receive information as they watch television or read newspapers. (Kotler et al., 2001)

3.1.4. Variety-seeking buying behaviour

This type of behaviour is characterised by low customer involvement and high perceived brand difference. A typical product of this type is biscuit. Brand switching occurs for the sake of variety rather than dissatisfaction. The goal of the marketer of this kind of products is to move their product into the habitual buying behaviour. (Kotler et al., 2001)

3.2. The buying process

According to Hanson (2000) one of the most active areas of marketing strategy in the past decade has been business process improvement. The business process point of view breaks down an area of a company into essential value creating steps.

According to Turban et al. (2002) the underlying purchase decision process is the same for all purchases. The process begins with the *pre-purchase steps* when the customer is becoming aware that he or she has an unfulfilled need. This step is followed by the *actual purchase* when the purchase takes place and later on the *post-purchase steps*. This model implies that the customer pass through all stages with every purchase

(Kotler et al., 2001). The truth is that in more routine purchases, customers often skip or reverse some of these stages.

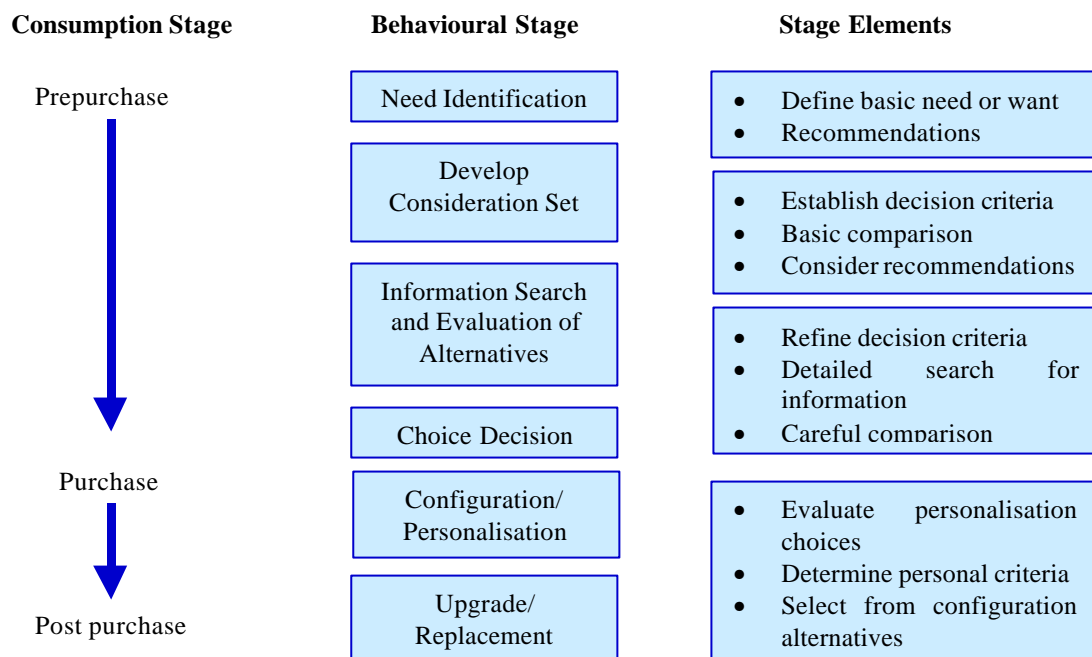


Figure 3.2 The Customer Purchase Decision Process

Source: Turban et al., 2002, p. 88

According to Kotler et al. (2001) and Murray and O’Driscoll (1996) the buyers pass through five behavioural stages (not six as Turban suggests) to reach a purchase decision. The five stages are *need identification, information search, evaluation of alternatives, purchase and delivery* and *after purchase evaluation*. This model is more common and well defined and that is why I have chosen to describe these steps further.

3.2.1. Pre-purchase behaviour

The first stage, need identification, occurs when a customer experiences a difference between his or her actual and desired state (Kotler et al., 2001). A need can be triggered by external stimuli such as watching a television commercial or admiring the neighbour’s new car. Understanding how customers recognise consumption needs and wants allow the marketers to build knowledge about how to segment and choose their target markets. According to Murray and O’Driscoll (1996), customer segmentation is the primary building block of successful marketing.

After identifying the need, the customer searches for information (Kotler et al., 2001). Information can be acquired from a number of sources: personal sources (friends and family), commercial sources (advertising, the Internet and displays), public sources (mass media) and experimental sources (using the product). Most of the information the customer receives is, however, generally from commercial sources. If a company’s product is not included in the list of alternatives, based on the customer’s results from the information search, and/or if information about the product is not available to the

searching customer, there is no opportunity to compete actively for the potential business (Murray and O'Driscoll, 1996).

From this set, the buyer will evaluate and compare the alternatives. Depending on the individual and the buying situation, each customer evaluates the alternatives differently. It is not impossible to change a customer's evaluation but it is very difficult. Therefore the key to good marketing, according to Murray and O'Driscoll (1996), is to understand the evaluation criteria used by the customer as well as the strengths and weaknesses of the competitors.

3.2.2. Purchase

Based on the decision, the customer will thereafter make the purchase decision and actually buy the product (Kotler et al., 2001). The customer's decision is based partly on the quality and price of the product and partly on the policies and procedures of the company (Turban et al., 2002). Typically the customer's place of purchase is seen as a retail outlet according to Murray and O'Driscoll (1996). The choice of retail outlet is vital to the success of customer products. The Internet is facilitating shopping online and as the trend in shopping behaviour evolves, some innovative companies will grasp the opportunity while others will stick to traditional and declining retail channels.

3.2.3. Post-purchase

Finally, there is a post-purchase stage where the customer evaluates the product and its usefulness based on their expectations of the product (Kotler et al., 2001). A customer's expectation is based on the messages they received and from the information they collected from friends and the seller. A satisfied customer talks favourably to others about the product and will purchase other products or the same product from that company. Promotion has an important role in reassuring the customers of the appropriateness of their decisions and in providing information on use and care of the product (Murray and O'Driscoll, 1996). Marketing never ends with the conclusion of a sale. The post-purchase period is studied to understand how to build customer loyalty and how to encourage favourable word-of-mouth communication between prospects.

The sequence, through which a customer passes, from recognition of a need through the consumption of a product to satisfy this need, is an insightful framework within which to comprehend customer behaviour. This kind of information will provide the company with the basic knowledge required to make marketing decisions that are both relevant to the customer and competitively superior. (Murray and O'Driscoll, 1996)

3.2.4. The Volvo Cars Sales Process

Successful companies not only develop successful processes but they maintain them as well. In turn, mastering core business processes gives these companies a substantial competitive edge (Kotler et al., 2001). Within Volvo Cars there are five main processes. Below are the three main processes that respond to the customer buying process briefly described (see appendix 2 for a graphical explanation of the Volvo Cars sales process)

Sales to Order

The aim of this process is to *target customers* (Marketing Sales and Service - Customer Values, 2002). The process contains communication, product information, treatment (of

the customer) and lead-time. The Volvo Cars sales to order process starts with prospecting e.g. finding the people who are interested in buying a new car (G. Karlsson, personal communication, November 8th, 2002). The next step is the initial contact with the prospect. If the person contacts a dealer he or she is registered as either a first contact or as a repeat contact. The next step is to identify the customer's needs. This is when a representative at the dealer demonstrates a car and offers the customer a test-drive. If the customer is interested, their old car is being appraised for a trade-in. When all this is done the customer receives a personalised offer from the dealer. The dealer also follows up on the offer and hopefully the offer results in a closed sale.

The sales to order process have proven to be a successful process within Volvo Cars. The results can be seen within the large number of customer ordered cars within Volvo Cars Europe. A car that is built to order is more profitable than a car kept in stock. With more exact orders the customer satisfaction increases. There is, however, an ongoing work to improve the results of this process. Implementation of customer databases, development of the sales people and new sales channels such as the Internet. (Framsteg inom huvudprocesserna, 1998)

Order to Delivery

When the customer has ordered a car he or she is considered to be a *waiting customer* (Marketing Sales and Service - Customer Values, 2002). This process includes, among other things, information of production progress, that the car is being delivered in time, that the product has the correct quality and specifications.

The dealer sends out the information the customer receives during this process. When the car arrives at the dealership it is controlled by the dealers and thereafter prepared for delivery to the customer. Thereafter it is delivered to the customer e.g. the customer visits the dealer and receives the car and more information regarding that specific model. (G. Karlsson, personal communication, November 8th, 2002)

Delivery to Repurchase

When the car is handed over by the dealer to the customer he or she is considered to be a *driving customer* and enters the delivery to repurchase process, which aims to drive the customer to make another purchase from Volvo Cars (Marketing Sales and Service - Customer Values, 2002). This process includes treatment of the customer and repairs. There is also a follow up after delivery done by the dealer (G. Karlsson, personal communication, November 8th, 2002).

The ideal CRM process

New ways of enhancing the prospect and customer relationship with Volvo Cars have to be sought since competition is increasing and customer management technologies are becoming more sophisticated. Customer Relationship Management (CRM) is the process of identifying, capturing, attractive and retaining customers. The objective is to understand and predict customer behaviour, develop channels of communication that are cost and response effective and generate profitable growth. (Volvo Customer Relationship Management - Status and Strategy Report, 1999)

3.3. Internet Marketing

The third force driving the Internet Marketing is the individual. Digital cost-effectiveness and a widespread network let marketers reach out to the eventual target of all marketing, the individual customer. With the Internet, individuals and marketers can interact. (Hanson: 2000, p. 94)

Internet advertising is similar to many traditional form of advertising – it is all about reaching potential customers (Meeker, 1996). Peterson (1997) predicts that increased competition and greater access to information tools e.g. computers, will put greater power in the hands of savvy customers. Customers will not be the targets of marketing activities, instead they will be knowledgeable and demanding drivers of it. Online marketing requires an understanding of how customer behaviour changes in an online world (Hanson, 2000). Even though many proclaim the Internet to be completely new and different, most of the fundamentals of marketing carry over to the online world. One of the major differences with technologies like e-mail (for more information see appendix 1) is the lack of social cues and a sparseness of communication.

In an interview made by Amster in Svenska Dagbladet (2002), Anna Smidt says that many companies do not handle their brand identities well in digital media. She thinks that Volvo is making the classical mistake of spending a lot of money on advertising campaigns, only to portrait a new model on the Internet exactly the same way. A customer can change the colour and look at different upholstery types but they are not enlightened about how it feels to drive the car. In this sense it becomes more of a regular advertising brochure but on the Internet.

3.3.1. Why the Internet works

The Internet is designed to be reliable and efficient (Hanson, 2000) and it has the ability to survive malfunctions and blackouts due to its distributed network and packet switching. A key to growth lies within the scalability of the Internet. It is built on open standards e.g. software protocols and operations are readily available and not controlled by any one organisation. Internet standards are crucial for allowing the Internet to grow rapidly and to be scalable. The Internet is by no means perfect despite redundancy and rapid growth in capacity.

The WWW offers so many ways to serve the customers what they want. The Internet is the only medium that is available 24 hours a day, seven days a week. One of the most powerful tools the Internet supplies both companies and customers with is e-mail. (Sterne, 1999)

3.3.2. The Purchase decision process and support systems

A unique feature of Internet marketing is its ability to support all the stages in the buying process. O’Keefe and McEachern (1998) have used a basic purchasing model to build a framework (see table 3.1 below) and according to this framework, each of the stages in the purchasing model can be supported by generic Internet and Web facilities.

Table 3.1 – Model of the customer decision process with the facilities that can be provided by CDSS and generic Internet facilities

Decision Process Steps	CDSS Support Facilities	Generic Internet and Web Supported Facilities
Need recognition	Agents and event notification	Banner advertising on Order Web sites URL on physical material
Information search	Virtual catalogues Structured interaction and question/answer sessions Links to (and guidance on) external sources	Discussion in newsgroups Web directories and classifiers Internal search on Websites External search engines Focused directories and information brokers
Evaluation, negotiation, selection	FAQ's and other summaries Samples and trials Provisions of evaluative model Pointers to (and information) about existing customers	Discussions in newsgroups Cross-site comparisons Generic models
Purchase, payment & delivery	Product or service ordering Arrangement of delivery	Electronic cash and virtual banking Logistics providers and package tracking
After-purchase service & evaluation	Customer support via e-mail and newsgroups E-mail communication	Discussions in news groups

Source: O'Keefe and McEachern, 1998, p. 72

Pre-purchase

Kiang, Raghu and Shang (1999) define how a company can support the buying decision process through the Internet. During the Pre-purchase stage the Internet could work as a communication channel where information is exchanged between sellers and buyers. Online information can be very hard to find according to Hanson (2000). The problem of making information accessible and retrievable is a problem area that is in focus for researchers. Peterson (1997), however, expects the Internet to become an important source for seeking and evaluating products and offers. One reason for this is that the marginal cost for search and evaluation is expected to be lower on the Internet. Another reason is that it is more likely to find a better fit between products and personal preferences. The last, but not least, reason for the growth of the Web is that web users express a clear preference for gathering purchase-related information through websites rather than through traditional media.

In the Cars Online 2002 study customers list the second most important requirement for selecting a dealer online, to be the ability to research purchases without sales pressure. The study claims that 53 percent of those buying new cars, spend at least three months researching. In the used car market the customers are under pressure to make a quicker decision due to the limited time a specific car is available. Due to the amount of long-term planners the study emphasises the need for manufacturers and dealers to develop and maintain customer relationship management (CRM).

In Cars Online 2002 it is indicated that prospects more often search the Internet for information but are a bit disappointed when it comes to the automotive sites due to the lack of information. The customers state that it is the test-drive and the visit to a dealer that are the most important steps in the decision making process. According to the study, the Internet is a part in the buying decision process but it is not a sales channel on its own. The dealers, however, believed that the Internet has resulted in more informed customers and increased their ability to influence customers.

Purchase

Peterson (1997) thinks that from a customer perspective the cost and benefits of buying online will depend on the price/quality trade-off, the relative speed and costs of shipping and other transaction-related risks. Internet users are not yet inclined to make purchases online, as they are to seek information. The reasons for this are security and privacy concerns.

According to Kiang et al. (1999), the Internet can act as a transaction channel during the purchase stage. By doing so the company can reach a larger customer base, improve its revenues and streamline its transactions process as well as customise promotion. Peterson (1997) suggests that the Internet has already established itself as a source of information. For various reasons it has, however, not yet been readily accepted as a venue for actually concluding transactions. As electronic commerce is growing, there is an incline away from just offering advice toward completing the sale online (Hanson, 2000). The sale is the fastest growing category on the Internet.

Post-purchase

During the post-purchase stage the Internet can function as a distribution channel by exchanging products and services (Kiang et al., 1999). When there is a balance between challenge and skills, users experience satisfaction and entertainment according to Hanson (2000).

3.3.3. Online Car Selling

According to Hanson (2000) online selling can redraw traditional connections between sellers and buyers. The bundling of new services and unbundling of old activities will be the battleground for much of the electronic commerce. Hanson identifies four stages of online car buying: *research and select vehicle, find dealer and price, choose financing, insurance and warranty and close the deal*. What are driving the evolution of researching and selecting vehicle online are: the easiness to go online and the increase in households that are connected to the Internet. Why customers are trying to find dealer and prices online are driven by the facts that the dealers publish websites and set up e-mail functions, together with the fact that there is no haggling over prices online. People are becoming more secure in using online transactions and more and more banks offer online services, which in turn drives the choose financing, insurance and warranty online. Fixed prices, guaranties and higher quality vehicles are the major driving factors behind the increase in closed deals online.

Companies serving the first two steps of Hanson (2000) online buying process have the most potential as a bas service, with extensive services and later components. Companies can form alliances at different buying stages. The emphasis of auto-buying

sites in 2000 was extensive electronic commerce influences and some online ordering. Ordering online was in 2000, already a profitable and measurable amount of new car sales. (Hanson, 2000)

3.3.4. Internet usage

According to a study made by Veronis, Suhler and Stevenson in 2002 [4] customers spent more time using media in 2001 by using, on average, various media for 9.8 hours a day. Time spent with advertising supported media accounted for 59 percent. Even though Internet usage is growing the traditional media still dominates, encompassing over 80 percent of customer usage. The study indicates that print usage will continue to decline. At the same time Internet usage is forecasted to grow even further.

The American customers spend more and more time online instead of watching television but marketers are not spending more than an average of two percent of their advertising budget on Internet advertisement according to a study by MSN in 2002 [5]. The study indicates that a company can gain better results from their media mix by allocating more of their budget for online marketing. By increasing the share of online marketing in the overall media mix, a company can increase the effectiveness of the entire campaign. Today online delivers comparable branding results for less money than print or television advertising.

4. Method

A description of the chosen methods is essential in a serious research or an investigation. In the following chapter the chosen methods will be presented. Methods I believe to be relevant to this thesis. The choice of methods is based on the problem area and the purpose of this thesis. Each of the following section starts with a brief presentation of different methods and ends with a description to motivate and clarify the methodological approach adopted by me.

4.1. Research Design

It is important to use several sources of data in the research design. In the research design it is specified what kind of information that needs to be collided e.g. defining what kind of information sources that should be used and what kind of methods for capturing data that is adequate to use in the study. Kinnear and Taylor (1996) divide the different types of research design into three different areas: *exploratory*, *conclusive* and *controllable*.

4.1.1. Exploratory Research

The exploratory research is characterised by flexibility and offers possibilities to discover insights not previously recognised. This research aims to collect as much information as possible that results in a preliminary investigation based on minimal use of both time and resources. Exploratory research is appropriate in the stages of problem recognition and definition. The need for information can be covered through secondary data, observations, interviews with experts or groups and case studies. (Kinnear and Taylor 1996)

4.1.2. Conclusive Research

The conclusive research is mainly used to collect information or when different alternatives are evaluated. According to Kinnear and Taylor (1996) this approach can be divided into two areas: descriptive and causal research. Through descriptive research individuals, situations and events are described. This approach is particularly relevant in investigations that study how different variables are related to one another. The causal research aims mainly to explain effects of different types of actions. This approach can e.g. supply the management with information and knowledge to support their decision-making. The procedure is formal and often contains goals and information need. The most common methods used in the causal research are interviews, surveys and observations.

4.1.3. Performance-Monitoring Research

The performance-monitoring research can be looked upon as a sort of control. The purpose of this approach is to communicate and control changes. It is mainly used to measure effects of e.g. a new marketing campaign. The information is collected through interviews, observations and opinion polls. (Kinnear and Taylor, 1996)

4.1.4. Choice of research design

In the initial steps of the problem analysis the explorative research was used to help me structure and specify the problem that I wanted to deal with. I have used secondary data and conducted interviews to best cover my need for information. At a later stage when the information and knowledge, within the problem area, was gathered the approach shifted to a descriptive approach. At this stage I had a clear image of the problem area that is the foundation for this method.

4.2. Choice of method

A method is a tool or a way of solving problems and builds up new knowledge. A method should not be too complex since it aims to organise information so that the researcher knows what to search for and how to interpret the results. From the method chosen the researcher should be able to explain and understand actual events (Holme and Solvang, 1997). The choice of method is a weighing between theory and empiricism. Within the theory of science and research there are two ways of achieving this goal according to Thurén (1999): *induction* or *deduction*. There is also a combination of the two that is called *hypothetical- deduction*.

4.2.1. Inductive

Induction is described as method for discoveries (Holme and Solvang, 1997). When using induction, the researcher often uses empiric as a starting point and there after forms a theory. In an inductive approach, the investigation is the primary from which the theory thereafter is formed. Interpretation can out of this focus be seen as the tool to form the empiric in to a theory (Johansson-Lindfors, 1993). This approached have often been criticised for its disability to present a 100 percent certain conclusion, according to Thurén (1999). The reason for this is that empiric never produces a complete enumeration. By using induction one can reach a larger or lesser probability, but you can never receive 100 percent truth.

4.2.2. Deduction

Deduction is the opposite of induction and is according to Holme and Solvang (1997) the way of conclusions. From a theory a hypotheses is formed and through logic conclusions the result is achieved (Eriksson and Wiedershiem, 2001). The problem with deduction is, according to Thurén (1999), that even though the conclusion is correct the premise that the conclusion is based upon could be incorrect or not in line with reality.

4.2.3. Hypothetical- deduction

In the hypothetical- deduction the researcher starts with hypotheses as premises. Thereafter a deductive conclusion is drawn and finally the premises are compared to the reality through empiric. By doing so the researcher uses both empiric and logic. (Thurén, 1999, Eriksson and Wiedershiem, 2001)

4.2.4. Choice of method approach

When I created the interview guide I based it on the theories presented in chapter three. The reason for this approach is to have a comparable foundation for the analysis. This approach also helps to create and uphold consistency throughout the entire thesis since the different parts of the thesis all cover the same research areas. Since the theory is the

foundation for my empirical investigation I consider, in accordance with the reasoning above, that I have practised a deductive methodological approach.

4.3. Sample

In a method the purpose is to enlighten something essential. The selection is chosen by the researchers own judgement but it should not be done at random (Holme and Solvang, 1997). There are many benefits with the Internet as a media and the technology according to research (see chapter one) but are the companies embracing all of the Internets advantages or are they doing business as usual? To be able to test the hypotheses, stated earlier in chapter 1.2.2., I have together with my supervisor at Volvo Cars chosen six people who work with communication and marketing throughout parts of or the entire customer buying process. To be able to take part in their knowledge and experience, I have chosen to interview them since they face the problems and opportunities offered by the Internet in their everyday-working environment.

Backman (2000) explains that the final selection in the primary data collection should be based upon the chosen problem area instead of a statistical selection. Therefore most of the chosen respondents, work within Global Marketing at Volvo Cars. Two persons work more or less throughout the entire buying process and with Internet based technology to support the customer. The other three work with different stages of the buying process and are more limited in their usage of the Internet to communicate with prospects and/or customers. The last person is working with e-strategies. This person has a different approach to the usage of Internet and has no ownership of any Internet related applications to defend. My purpose was to study differences throughout the buying process and also difference in opinions based on the tacit knowledge held by the different respondents.

4.4. Data Collection

According to Kinnear and Taylor (1996) there are two different types of information sources. The first kind is primary sources and this type of information is collected for a specific study. This kind of information is often collected through different types of interviews and surveys. The second kind of information sources is material that is not specially adapted for a specific study but instead contains information from earlier studies and statistical data. This type of information is called secondary information.

When performing a study, it is important to take part of documentation that has already been produced within the chosen area. This kind of study can for example help the researcher to see how the chosen area is perceived in the literature, what kind of work practice that has been applied and to notice how expressions within the area have been defined and used. (Backman, 2000)

I started with the theoretical study by searching for secondary information about the Internet and the buying process in literature, research databases and thereafter in magazines and on the Internet. The information collected has worked as my theoretical frame of reference. Some additional secondary information was gathered through e-mail communication and personal conversations during my visits at Volvo Cars. The primary information, collected by me, was compiled in the six interviews. During the interviews more secondary information was collected. The reason for this was that based on the

input from the interviews more theory was needed to support or dismiss the information presented.

4.5. Data Collection method

According to Holme and Solvang (1997) there are two different methodological approaches based on what kind of information the researcher is investigating. The methods referred to are *qualitative method* (soft data gathering) and *quantitative method* (hard data gathering). Since both methods are tools in a study there are no absolute differences between the two methods. Both aim primarily to give a better understanding of the society we live in and how individuals, groups and institutions act and interact.

4.5.1. Qualitative methods

Qualitative methods mean a lower level of formalisation (Holme and Solvang, 1997). The purpose of the method is to reach an understanding. The method offers possibilities for an openness and closeness with the respondent. It is not requested that the researcher limits the information collection from earlier research in advance (Starrin and Svensson, 2001). The information is collected through unstructured observations e.g. interviews without a set questionnaire.

The researcher's apprehension or interpretation is the foundation of the research e.g. motives, social processes etc. All these facts neither can nor should be transformed to numbers. The negative side of this method is that the researcher's own experiences could have too large impact on the results. It is also easy for the researcher to misinterpret the signals and motives the respondent expresses. The strength in this method is its possibility to show the general picture, which facilitates increased understandings for the context. (Holme and Solvang, 1997)

4.5.2. Quantitative method

The quantitative method is more formalised and structured. The method defines the conditions of particular interest based on the hypotheses chosen. It also determines possible answers. Quantitative methods transform information to numbers, which indicates that statistical method is an important part of this method. To be able to conduct a qualitative method it is essential that the researcher possess a good understanding of the area he or she is studying. (Holme and Solvang, 1997)

It is common that the researcher carries socially based prejudices when approaching the study. These assumptions create the foundation for the investigation. To explain if these assumptions are correct an investigation is conducted with standardised questionnaires. The questions are carefully selected to fit with the study and the results are often presented in statistics e.g. numbers and charts. The disadvantage of this method is that the result is based on the predefined questions and answers created by the researcher. Therefore the result can be a way of presenting facts that strengthens the researcher's own prejudices. It is also easy to misinterpret the numbers and statistics that the quantitative method results in. (Holme and Solvang, 1997)

4.5.3. Choice of method

The choice of method should be based upon the knowledge of the weaknesses and strengths of the two different methods as well as the problem area (Holme and Solvang, 1997). Based on the problem area and hypotheses chosen I thought it relevant to do qualitative interviews. The reason for choosing qualitative interviews over quantitative questionnaires was the possibility to reach a deeper insight and understanding of the problem. In an interview, facial expression and body language can make clear what the respondent expresses. The qualitative interview is often called semi-structured interview (Jacobsen, 1996). Instead of using a standardised questionnaire the interviewer uses an interview guide as a framework for the interview. This allows the researcher to make sure that all the respondents are faced with the same theme but also the possibility of, whenever needed, asking broader questions. The method have many benefits – it is less time-consuming than the informal interview, it can include far more interviewees and the structure of the interview makes it possible to compare the results from the different interviews.

The interviews were prepared according to Jacobsen's (1996) steps of preparation. All the respondents received an e-mail with a presentation of the purpose of the interview, together with a question if they could agree to take part in an interview. After they had agreed to this, they were introduced to the themes that would be brought up during the interview. The respondent mostly set the timing of the interviews, and the actual interviews were held in conference rooms at their office at Volvo Cars. The reason for this set-up was to make sure that the respondent did not feel pressured or uncertain but instead at home and at ease with the situation. The interviews were recorded on tape and since I was alone with the respondent I decided not to take any notes (only point of support for further questions) so that I could focus my attention to what was said during the interview and how it was said. The interviews always started with me giving a short background to my investigation and its purpose. All the respondents were later given the opportunity to read the results from the interview. This to make sure that all respondents were cited correctly and to give the respondents an extra chance to present additional information to the investigation.

The interview guide (see appendix 3) was formulated into a set of broad questions where the respondent was introduced to the specific area. Associated to these broader questions were some deeper questions, which were brought up if the respondent, did not bring this up. This led to that the questions were not answered in the same order during every interview and the response to each question varies.

The result chapter does not reflect the entire interviews since I chose to only present the interesting and problem-related parts of the interview. The different themes, used in the interview (pre-purchase, purchase and post-purchase), were all based upon the problem area and the chosen hypotheses. By doing so, different questions have been collided beneath different themes to clarify and simplify the reading of the results.

4.6. Measuring Instrument

During the collection of data measuring incorrectness often occur. This is due to the fact that the investigated and the real values do not correspond.

4.6.1. Criticism of the methods

The choice of method should depend on the purpose of the research and the problem area that is studied. According to Starrin and Svensson (2001) there is no method that is profoundly better than the rest. The authors suggest that if a researcher plans to study an unlighted social reality it can be useful to start with methods that include semi-structured interviews. They also claim that with the help of qualitative methods new knowledge can be found. A result based on a study is never 100 percent truth since the world is constantly changing around us, according to Holme and Solvang (1997). What was a commonly accepted truth 50 years ago is now proven to be incorrect. Also Thurén (1999) writes that a researcher can never with a 100 percent certainty verify or falsify a hypothesis.

Possible misinterpretation e.g. of situations and events during the interviews is something I would like to make a reservation against, for myself. As Holme and Solvang (1997) writes, the researchers personal experiences and the signal he or she sends out during an interview do affect the results of the interview. I have tried to refer the outcome of the interviews as accurate as possible. I must, however, reserve myself towards the fact that some signals or interpretations could have been misinterpreted. To avoid this, the interviews have been listened to several times and additional questions have been posted to the respondents after the interview when any material was confusing to me.

4.6.2. Criticism of the sources

For the researcher, criticism of the sources is a selected method: he or she judges the material they have gathered sorts out the bad material and keep the acceptable material (Eriksson and Wiedershiem, 2001). In the collection of secondary information I chose to use current sources e.g. information that was not out of date. While the Internet evolves in the enormous speed that it does, it is however sometimes hard to determine if the related information is up to date or not. I maintain that the sources used in this thesis are relevant and have during my work with this thesis also taken into consideration new information regarding this area.

It can be mentioned that the most positive opinion regarding Internet development and usage comes from companies or organisations highly involved in Internet related business and that the information regarding US usage does not fully apply to Sweden or the rest of the world. The information about US usage can however be seen as a prognosis of the future for the rest of the world, so therefore I have decided to present this information as well.

According to the results of my investigation the responses given by the respondents varies. This, I believe, is because the respondents did not have the knowledge to answer the questions correctly and instead guessed or shared their own personal assumptions. Since some of the respondents are an application or a business owner (e.g. owner of a

certain business process), I believe that they were not objective in their view of how Volvo Cars supports the customer buying process. I do not see these issues as something that reduces the value of this investigation since it was the opinion as such, that were the purpose of this investigation.

4.7. Evaluation

When doing a qualitative investigation the researcher must consider the *reliability* and *validity*. Reliability means that the measuring is carried out correctly. Validity means that the researcher has studied what he or she intended to and nothing else. (Thurén, 1999)

4.7.1. Reliability

An investigation can receive a high reliability if several researchers using the same method all get the same result (Thurén, 1999, Eriksson and Wiedershiem, 2001). When it comes to qualitative methods reliability is not such a big concern, as when it comes to quantitative methods, since the purpose of the study is to get a deeper understanding of certain factors and this does not emphasis statistical material (Holme and Solvang, 1997).

In my investigation this could mean that the respondents become to strongly involved in the subject field and therefore respond as they think I expect them to. It could also mean that they could be to involved since they, themselves have been in the same situation as me and knows how conducting an investigation works. These two issues could affect the answers of the respondents during the interview and thereby causing measuring problems and an unrepresentative result. In my investigation I do not find this to be a problem since the respondents are all competent within their areas of expertise and some of them are also used to being interviewed.

4.7.2. Validity

The level of validity in a study depends on that the quality measured in the study is corresponding to what the problem area intended to measure. To be able to reach a high validity the collected data need to be relevant to the problem, so that a well-founded conclusion can be drawn. (Johansson-Lindfors, 1993)

According to Eriksson and Wiedershiem (2001) the measure of validity is the most important evaluation. If the “tool” is measuring correct or not is unimportant if the object that is being measured is incorrect. The problem with valid information is less in qualitative methods than quantitative methods, since there is closeness between the researcher and the respondents (Holme and Solvang, 1997). This is, however, not a simple task for the researcher since the experience from a situation can be wrong. The closeness between the respondent and the researcher can be a problem in itself. It can create certain expectations e.g. the respondent acts as he or she believes the researcher expects them to do.

The interview guide is created based upon the problem area and hypotheses that I intended to study. By doing so the primary data collected can confirm or falsify the hypotheses presented.

5. Result and analysis

In this chapter the results of the investigation is presented and thereafter follows the analysis. The report is based on the hypotheses presented in the beginning of the thesis (see chapter one). The result is presented according to the three different stages that the customer goes through in the buying process. An analysis follows each different stage, where parallels and comparisons are made to the theoretical framework in chapter three. The chapter starts with a brief introduction of the respondents. Thereafter follows a brief presentation of the online presence of Volvo Cars today.

5.1. Respondents

In this section the respondents is presented and a brief background is given regarding their position within Volvo Cars, their area of expertise and how their work is aligned with the buying process, in this case the Volvo Cars sales process.

Frode Hebnes, E-retail Manager

Frode Hebnes works as e-retail manager at Volvo Cars since September 2001. His main responsibility is to maintain and develop the existing online applications Buying Service, Used Car Locator and Dealer Net. All the work Frode does is meant to support the buying process and help the customer in his or her decision process. The applications Frode works with is dependent on that the user knows the Volvo brand from off-line material. Before Frode Hebnes took up his position at Volvo Cars he worked as a Web Information Manager in Volvo Cars Norway, where he was responsible for the Volvo Cars Norway's homepage.

David Holecek, Project leader Interactive Marketing (IM)

David has been working at Volvo Cars since February 2001, first as a consultant and thereafter as an employee. During this time David has been working with processes within IM and later on with the XC90 launch online and lately as project leader for the GIP-project (Global Interactive Presence). The work David Holecek does should support the entire buying process but it does not to a 100 percent. David thinks that Volvo Cars mainly supports the pre-purchase phase and to a lesser extent the actual purchase and the post-purchase.

Suzanne Janssen, Manager International Campaign Development

Suzanne Janssen has just started her work as manager but has worked within Global Marketing for about two and a half-year with international campaigns. Suzanne and her team work with above and below the line campaigns for Volvo Cars on a global scale. Above the line includes TV, radio, print commercials etc and below the line is more direct marketing. Internet falls, according to Susanne, right in the middle. This means that Susanne mainly works with the pre-purchase phase and to some extent the post-purchase stage.

Anders Johansson, e-Business Strategy Manager

Anders Johansson has for the last 17 years worked at Volvo Cars and during the last two years with e-business. The main purpose of the department Anders Johansson works at is to find synergies between different departments and groups etc within Volvo

Cars. That means that they work cross-functional within Volvo Cars. Everything they do, within their department, is meant to support the buying process. Anders has previously worked with the Tourist and Diplomat Sales (TDS) website.

Erling Pedersen, Customer Relationship Management (CRM) Manager

Erling Pedersen and his team work with definition, development and implementing of business processes within the CRM area at Volvo Cars. Their focus is to improve how Volvo Cars can become better at identifying customers, new and current. CRM as such supports all the stages in the purchase process but the Volvo organisation is not organised according to the overall process. Erling's team is responsible for the pre-purchase phase, e.g. to identify the customer. When the customer is ready to purchase, the information is handed over to a dealer who takes care of the actual sale. It is requested that the dealer supplies Volvo Cars with some information regarding the customer purchase, such as information regarding test-driving etc. The last phase, post-purchase, when the customer has become an owner is mostly handled at a regional level e.g. at the local sales company. Erling has worked at Volvo Cars since 1985.

Fiona Stoffer, Direct Marketing Manager

Fiona's Stoffer has been working with Relationship Marketing for about four years. During the last year she has been a member of the CRM department in Gothenburg. Just recently she has transferred to a new department, but her main tasks remains the same. The main task is Customer Contact Program (CCP), Prospect Contact Program (PCP) and below the line advertising e.g. direct marketing. The work she does covers all the stages in the buying process from approaching the suspects e.g. a person that Volvo Cars suspects could be interested in a new car that is being launched to confirm the choice of a Volvo Car Owner.

5.2. Volvo Cars Online presence

Volvo Cars has been present online since 1995, when Volvo Cars of North America published their first official website. As of 1996 Volvo Cars has had an international site, showing all the available car models together with information about the company. The Volvo Cars online evolution has moved the company's Internet presence from enhancing the traditional business in the late 1990's, to identifying new business opportunities in the early 21st century. Now Volvo Cars online presence includes about 47 National Sales Company (NSC) websites e.g. country specific sites where the information is locally adapted to that specific market needs and wants, and also published in their local language. On the NSC websites a visitor can look at the car models that is offered to that market, he or she can learn about the core values of the company (safety, environment and quality) and other business information and entertainment. (VCC Global on-line evolution, 1998)

Volvo Cars Internet goals are aligned with the overall goals for Volvo Cars. From the IM department the Internet is seen as a strategic sales channel that can be used for relationship marketing and to build the Volvo Cars brand. The application Buying Service is planned to work as the strategic sales channel. A project named Owner Pages were thought to be the channel for building relationship with the Volvo customer. Brand building should take place through online car launches, campaigns and events. (VCC Global on-line evolution, 1998)

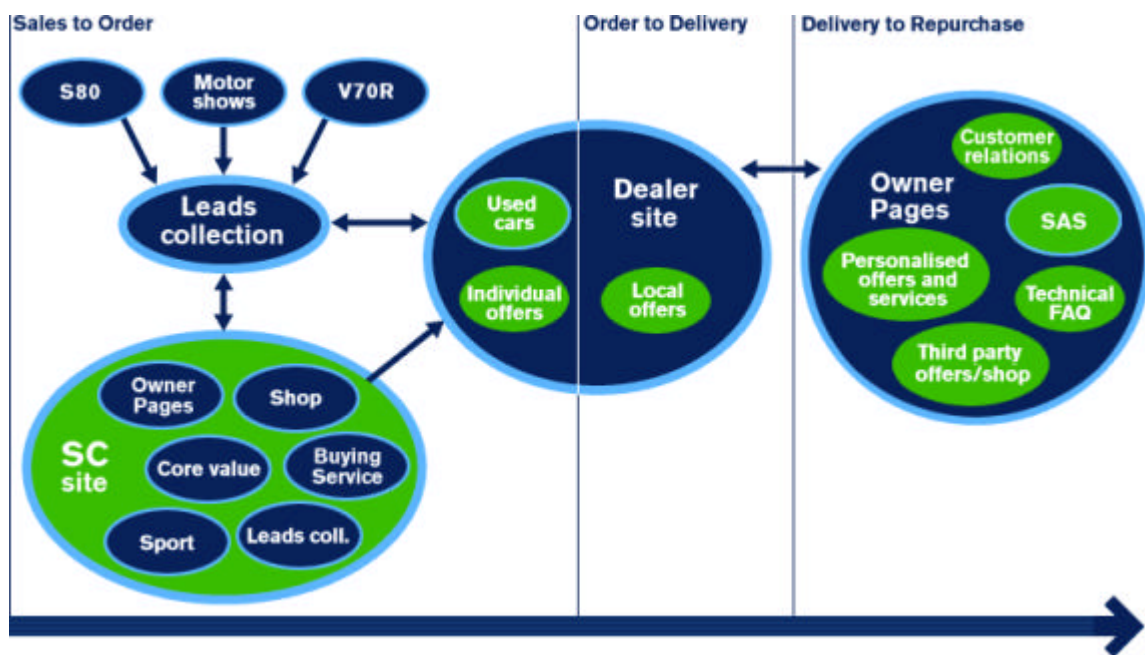


Figure 5.1 Business Process Perspective

Source: Volvo Cars Online Evolution, 1999, p. 9

5.2.1. Volvo Buying Service

The Volvo Buying Service (VBS) is a commercialised tool that stimulates and supports potential customers through the whole buying process of a new car online, except for the transaction. The VBS helps initiate the customers buying process and funnel customers to the dealers. All the information is available on a market level e.g. language adapted for each country. The car configurator is a quick and easy way to explore the specifications and options availability of any car in the Volvo Cars range. It is impossible to configure a car with e.g. two sets of stereos or options that can not be delivered in the final car. The Network Development department at Volvo Cars considers VBS as Volvo Cars first step towards e-commerce. (e-Retailing Europe – evaluation of the services, 2002)

The first version of the VBS was developed in 1999. It was a standalone version that was manually fed and contained some bugs (e-Retailing Europe – evaluation of the services, 2002). The application was innovative for the time but very slow from a user perspective. At the end of 2000 the VBS went through an industrialisation when the Global Car Configurator (a part of the VBS) was integrated with the CIS (Car Order System, administrated by NSC). Though the new application only created orderable cars it lacked user friendliness, logic and exit points. By the end of 2001 the VBS went through a commercialisation, based on change requests from the NSC. During 2002 the service was improved with a number of different exit points, from the service. The number of exit points has increased from one (send an offer request) to a total of seven, including among other things save the car on the Internet, send the configuration to a friend or order a test-drive.

Currently the VBS is used in 18 different NSC websites in Europe and at the Tourist and Diplomat Sales website. The reason for this is that it is only in Europe that cars are built according to a specific order (Hebnes, 2002), in America and Asia cars can be bought of the shelf.

When the Network Development department conducted their study among the web information managers at the NSC (e-Retailing in Europe – evaluation of the services, 2002), the outcome showed that the VBS came out on top. The Volvo Cars service was compared to the services offered by BMW, Mercedes and Audi, and the analysed criteria's was functionality and user friendliness. By looking at the last three years statistics of site and configuration users, Volvo Cars find that there is a strong continuous increase in both site visitors and usage of the VBS. The largest increase is the number of finished configuration e.g. a fully configured car can be view by the user. The VBS Car Configurator includes 10 selections steps: *model, set variant, option packs, wheels, trims, single options and accessories, exterior colour, interior, vehicle summary and finance calculation.*

The study also shows that 41 percent of the customers use the Internet before buying a new car. About 19 percent of the visitors to the NSC website use the VBS and about half of them go through all the eighth configuration steps. The result from a phone survey conducted in Sweden, based on the people who sent in an offer request during the first quarter of 2002, 90,5 percent answered that Internet is a very important support in the buying process of a new car. A total of 70 percent of those who send in an offer request actually bought a car. (e-Retailing Europe – evaluation of the services, 2002)

5.2.2. Dealer Net

DealerNet is a tool that enables Volvo Cars dealers all over the world to develop their own local dealer website in line with the Volvo Cars Brand Guidelines. The first version of the Volvo Cars dealer pages was developed in 1998 (VCC Global on-line evolution, 1998). The focus back then was on a common design for all Volvo Cars dealers online and even though the tool was user friendly for the dealer it did not allow much flexibility for the content. In 1999 a new tool was launched with more content flexibility for the dealer but it became less user-friendly, from a dealer perspective. An update of the tool was made during the beginning of 2002 that was both user friendly and allowed flexibility. In November 2002 about 1.115 Volvo Cars dealers used this tool towards the customer (e-Retailing Europe – evaluation of the services, 2002).

The Dealer Net contains a Used Car Locator (an application that allows the dealer to present the used cars in stock online), information about the dealer and the staff together with interactive maps with driving instructions. The Dealer Net tool also includes templates that allow the dealers to promote different offers and activities online. It is up to the dealer if they choose to have one page or a 100 on their website. When the NSC were asked to evaluate the Dealer Net compared to competitors from a premiumness and overall view of the system, Volvo Dealer Net came out on top on both. (e-Retailing Europe – evaluation of the services, 2002)

5.2.3. Owner Pages

Owner pages aim at building and develop the relationship with the customer during car ownership through the Internet (VCC Global on-line evolution, 1998).

The customer, that was offered to give their input to the project, was pleased with the concept of Owner Pages (Owners Lounge, 2002). They felt that they would be in control and up to date with Volvo Cars. The dealers experience that this project would offer them improved possibility to present personalised offer and more contact opportunities with the customers to a reduced cost. They also look at Owner pages as a way to increase loyalty and their customer base. From a more central perspective Owner Pages could offer fast and flexible communication, better customer insight and enhance brand image as well as increase loyalty. The latest Owner Pages project within Volvo Cars has been put on hold due to budget restrictions (Stoffer, 2002).

5.3. Pre-purchase

The first question to the respondents was about the pre-purchase phase of the buying process. The purpose of this question was to clarify if the Internet can support the Volvo Cars customer's pre-purchase behaviour, e.g. make available the information that the customers require during the pre-purchase phase. It was also intended to bring up the positive and negative aspects of usage of the Internet during this phase from both a customer perspective and a company perspective.

5.3.1. Result Pre-purchase

The respondents all agreed that the Internet could support the pre-purchase phase. David Holecek says that the Internet started out, more or less, as an information channel and the first thing the companies presented online was e-brochures. So with this background, David Holecek thinks that the Internet is a possible channel to publish information. Anders Johansson thinks that the Internet is an important medium for the customer during the pre-purchase phase.

“The Internet allows the customer to search for the information he or she is interested in, when they need it.” Anders Johansson

Erling Pedersen agrees with the others and adds that the Internet is a very important source of information that can help a customer to select a car before the purchase. The reason for why customers prefer to use the Internet during the pre-purchase stage is that it saves them time, according to Erling. Today it is easy to go online and search for information, but it is essential that the customers trust the information they find online. Fiona Stoffer says that the Internet is the media with the lowest threshold for finding information. The Internet is also a good complement to other media when it comes to supporting the first phase of the buying process, according to Anders Johansson.

Frode Hebnes thinks that not only can the Internet support the customers in the pre-purchase phase but he also considers Volvo Cars to be in the frontline of supporting the customer decision process by letting them use the Buying Service (VBS). The application is depending on the fact that the Volvo brand is known to the customers. Frode thinks that building the Volvo brand and making it known to the broad majority is

done off-line today. It is the off-line promotion that drives people to go online and visit the Volvo Cars homepages. Suzanne Janssen does not fully agree with Frode Hebnes.

“The Internet can support the pre-purchase phase by building brand and letting people get informed.” Suzanne Janssen

Fiona Stoffer agrees with Suzanne Janssen that a brand can be built both offline and online but adds that it is important for Volvo Cars to have a consistent brand message through all media. The more information and communication that can be done online instead of offline will save Volvo Cars money in the long run, according to Fiona Stoffer.

According to David Holecek and Anders Johansson, Volvo Cars has both the technology and the applications in place to publish information about the different car models in a number of different languages and by doing so, support the customer in the first phase of the buying process. Erling Pedersen agrees with the other two that Volvo Cars does have the technology to support the customer during this phase but that it can be further improved. Fiona Stoffer thinks that the technology and applications that is currently used online for Volvo Cars can be improved in functionality for the customer. Fiona also thinks that the backend technology also needs to be improved, so that Volvo Cars can get better at collecting data to learn more about the online customers behaviour and preferences.

“The technology is in place but the personnel within Volvo Cars need to be educated on how the Internet works and how Volvo Cars can benefit from using it.” Suzanne Janssen

Volvo Cars is, however, not organised to efficiently work with the Internet in order for it to be a customer support during the buying process says both Anders Johansson and David Holecek.

“Volvo Cars is not organised according to the buying process... there are a number of different departments that work together to make this information available to the customer through the Internet. This is a problem for the IM department when they are trying to support the buying process online.”
David Holecek

From a company perspective, Suzanne Janssen thinks that the Internet can serve as an important prospecting tool for Volvo Cars when it comes to finding new customers. In the Customer for Life study, conducted by Volvo, it is presented that 41 percent of the European customers has used the Internet to search for information online. The dealers are also testimony, according to Frode Hebnes, that the customer do not visit so many dealers as they used to do before the Internet and that the customer has more knowledge about the car that he or she is interested in, when they do enter the dealership. The VBS is an application that has proven to be an excellent application for prospecting. A total of 70 percent of those who send in an offer request actually bought a car.

How much a customer would like to use the Internet throughout the entire buying process, is partly a question of a generation shift, thinks Anders Johansson.

“A car is a complex purchase since the purchase is done seldom and a car is an expensive thing to buy.” Anders Johansson

Anders thinks that the Internet is probably mostly used in the pre-purchase phase. Predominantly customers use the Internet to gather information and to convince themselves of something. David Holecek thinks that customers can be grouped into three different groups.

“The first group uses Internet to conduct research and purchases online. This is currently a small group of people. The second group is the more conservative customers who today use the Internet to gather information but uses the more traditional purchase channels like the dealer. This group of people never signs up for contests or information since they want to be anonymous. The third group is those who do not use Internet at all. This group exists within all nations due to various reasons. This third group is a fairly large group of people throughout the world today.” David Holecek

Considering the speed by which the Internet is developing and the amount of information, tools and communication that exists on the Internet, Anders Johansson thinks that the usage will change over time and grow. David Holecek thinks that after about 10-20 years the Internet will be a regular part of most people's life and then there will be more people online than offline.

From a study conducted in September 2000 in Europe, regarding Customer Relation management, it was presented that the Volvo customers did not use Internet to search for information prior to their purchase. The non-Volvo owner did search the Internet to a larger extent. This result varies a bit between markets and Fiona Stoffer thinks that when the markets have become more Internet mature, research will show that more and more people use the Internet to search for information.

5.3.2. Analysis Pre-purchase

According to Murray and O'Driscoll (1996) a customer must be aware of a product or a service existence before he or she can respond to an offer. The respondents did not agree on where a brand should or could be built. Frode Hebnes thinks that brand is built offline and when the customer is made aware of the product, and then they go online to find more information. Meeker (1996) say that brand could be build online while MSN [5] suggests that online campaigns delivers comparable branding results at a lower cost than traditional media.

The first stage of the customer buying behaviour is the need recognition (Turban et al., 2002). The understanding of how customers recognise these needs allows marketers to segment and choose their target markets (Kotler et al., 2001). None of the respondents thought of the stage need recognition, as a part of the buying process. Volvo Cars target group was not discussed in this context during the interviews.

All the respondents thought that the major advantage with the Internet is its ability to allow the customers to search for information. Information search is according to Kotler et al. (2001) the second stage of the customer buying behaviour. Most of this information is gathered from commercial sources. The respondents agreed that Volvo Cars today is using the Internet excellent to support their customers in their search for information regarding the available car models. The major reason for this reply is the VBS application that most of the respondents feel is an excellent tool for the customer to learn more about the Volvo cars. Online campaigns were not even mentioned during the interviews by the respondents.

By making product information available to the public, a marketer can improve the opportunity of their product making the customer's list of alternatives (Murray and O'Driscoll, 1996). The Internet could also serve as a entry for new customers for Volvo Cars, according to the respondents. Internet has allowed Volvo Cars to spread more information to a larger audience and the usage of Internet is only increasing, according to the respondents. This way of thinking is clearly linked to the purpose of the Sales to Order process which can be looked upon as the pre-purchase stage of the customer buying process.

When the customer has gathered all the information they need they proceed to the next stage, which is evaluate and compare the alternatives. Today the Volvo Cars online presence does not support comparisons between vehicles but the VBS supports price information in regards to the options and accessories chosen. Kiang et al. (1999) suggests that during the pre-purchase stage the Internet could work as a communication channel where information is exchanged between buyer and seller. Something that many of the respondents believe as well when they, among other things, say that the Internet is saving the customers time.

The literature shows that customers do prefer to gather information online rather than through traditional media (Peterson, 1997). One reason for this, according to Cars Online 2002, is the ability to research without sales pressure. One result of the Internet usage among customers, according to the respondents, is that the customer visits fewer dealers and is better informed when they do visit a dealer.

The Internet is designed to be reliable and efficient according to Hanson (2000). Neither of the respondents believes the technology is the reason to why the usage of Internet is not growing faster than it does. What is lacking at Volvo Cars, according to the respondents, is education of how to use the Internet to support the buying process within company to benefit from this new media.

5.4. Purchase

The second question to the respondents was regarding the purchase phase of the buying process. The purpose of this question was to clarify if the Internet can support the actual buying online for Volvo Cars. It was also intended to bring up the difficulties with and attitudes regarding conducting online purchases from both a company and customer perspective.

5.4.1. Result Purchase

The respondents all agree that the Internet could support the purchase phase but that Volvo Car does not support sales online. Frode Hebnes thinks that as a large company, Volvo Cars strength lies in the fact that the processes and the way it do business is well tried out before the Internet stepped onto the scene.

“The business model Volvo Cars uses is the same as before the Internet emerged. The Internet is seen as a new media that Volvo Cars is trying to utilise for its business model... The Buying Service supports the buying process until the actual transaction, which is done in the old traditional way at a dealer.” Frode Hebnes

Frode Hebnes also thinks that by having a strong brand, Volvo Cars has an advantage over other newer companies trying to conduct business online.

Fiona Stoffer thinks that the VBS, which is presenting information about the car, application is serving the customer excellently during this phase. The application could, however, be further improved with print on demand and personal brochures (a thin brochure with information about the car, which the customer configured online). Anders Johansson agrees with Fiona that the VBS application needs improving. Anders thinks that the application is too complicated to use, from a customer perspective, since it's not very pedagogical. It has from a technical point been improved and the user statistics shows that the usage of the application has increased, but Anders thinks that it can be even further improved.

David Holecek also thinks that the Internet can support the purchase phase, but that it requires more interactivity to do so. It is not enough to just publish information, such as prices, online. This interactivity, in turn, requires applications to be built according to business logic. These applications do not exist within Volvo Cars today. Erling Pedersen means that, from a theoretical point, the Internet can support the purchase phase online. The technology is probably available if Volvo Cars would choose to start selling cars online. Anders Johansson agrees to some extent with Erling.

“The technology is out there but since Volvo Cars do not aim to sell cars online we do not have the resources to do so. The applications, as such, to sell cars online exist within Volvo Cars but what is lacking is a solution for the actual transaction/payment. The technical solution, once again, exists but there are more practical things that are not in place such as a legal framework.” Anders Johansson

According to Frode Hebnes, Volvo Cars is not ready to start selling cars online.

“The technology exists to be able to conduct transactions and create connections to the needed sales systems within Volvo Cars. The technology is however not put in place due to the fact that Volvo Car does not wish to sell online today. To be able to sell online the current sales processes and distribution must be redesigned and I do not see the purpose of such a

change. However, about 20 percent of the customers that buy a new car do not test-drive the car before the purchase.” Frode Hebnes.

Suzanne Janssen agrees that from a technical perspective the Internet could support the purchase phase. But she has concerns in regard to if Volvo Cars is supporting the customer efficiently.

“All the work I do should support the customer buying process but I do not know if that is the case. Practically no one who works within Global Marketing at Volvo Car is a car buyer. We all drive company cars and have little or non experience as a customer.” Suzanne Janssen

Today there is a lack of resources within Volvo Cars to support online purchase. David Holecek does not think that the company is prepared, mentally or organisation wise, to support the buying process online. People within Volvo Cars know how much money a TV advertisement cost and what the outcome of it will be, but the Internet and what it delivers is still a grey area to many. Erling Pedersen does not fully agree with David Holecek. Erling thinks that resources (money and people) exist within the company, but that it would be needed to reallocate the resources within the company to be able to support the new sales channel.

Another issue is that Volvo Cars is currently lacking a good tracking system for the sales, according to Fiona Stoffer. Without a good tracking system it is hard to know what the customer wants and needs during the purchase phase. Volvo Cars has several databases containing everything from customer data to offers etc but they are not connected. To connect all these databases will require expensive and hard work. For Volvo Cars to be able to use more data mining, certain skills are required that the company does not possess at this time. To hire consultants to perform this job is not only a costly but a lengthy process.

Another issue, according to David Holecek, is that the purchase behaviour differs between nations and continents due to different cultures, laws etc. while the pre-purchase behaviour is more similar over the world.

“An application built to support online purchase of a Volvo car becomes a very complex application if it is meant to support purchases all over the world... There do exist a lot of backend systems that are now being consolidated. The current status is that there are too many isolated systems that are not reachable to create an online application.” David Holecek

The majority of the respondents agree that the people who do buy online lies within Volvo Cars target group. The reasons to why a customer chooses to buy online differ substantially and some of the respondents do not think that customers want to purchase a car online at all. Erling Pedersen thinks that there are few, if any, situations when a customer would like to purchase a car online. One such situation could be if a person is just replacing his car e.g. buying the same make and model. Fiona Stoffer says that there is a group of people that is willing to buy online.

“Volvo Cars has already received a lot of orders for the new XC90, a car that is not yet available at dealer showrooms.” Fiona Stoffer

Fiona also says that, on the other hand, there are a lot of people that are not willing to buy online. Anders Johansson does not think that customers are willing to buy a car online. He thinks that people still want to see, experience and test-drive the car. Anders thinks that Volvo Cars aim of the Internet as a media should be

“...to support the customer in the pre-purchase phase and let the customers use the more traditional sales channels for the purchase.” Anders Johansson

If you do test-drive the car and then goes back online to conduct the purchase, Anders does not consider that as buying online. He considers that as a customer searching for the best price deal. But if the Internet can help the company to sell a car it is a good thing.

“For a customer to buy a car online, the price of the car must be substantially lower than the price in the traditional sales channels or there must be something else that makes it more convenient to purchase online than offline for example that it is very far to the closest dealer.” Frode Hebnes

Today Volvo Cars has a distribution system that work well and the dealers are spread throughout all the major Volvo Cars markets making it easy for a customer to visit a local dealer.

Anders Johansson says that TDS has previously sold cars online but is no longer doing so. The buyers of those cars were quite Internet savvy. But a car is a capital goods and the Internet is not the place where a customer buy those kinds of products.

One issue that most of the respondents brought up as a major factor to why car purchase will not take place on the Internet is test-drives. Test-drives are still important, which means that buying online would require a new form of test-drives, according to David Holecek. For example: the car is delivered to your home or work for you to test-drive. David does not think that Volvo Cars should encourage people to buy a car without a test-drive. Erling Pedersen thinks that all car buyers wants to experience the car, look at it, judge the size of it, drive it and listen to it. It is not the technology or the Internet per se that is the problem, according to Erling, but that people do not dare to make such a large investment without experiencing the car.

David Holecek thinks that when it comes to used cars – people are more willing to buy without seeing the car. The reason for this, David thinks, is that the investment is not as immense and the buyer has a greater knowledge of what he or she is buying. David thinks that online purchase could be beneficial for used cars. Anders Johansson agrees with David Holecek, that a used car can easier be sold over the Internet, compared to a new car. This since the Internet allows the customer to search for the specific car he or she is looking for, easier and throughout a larger geographical area, than visiting a

dealer or buying a bunch of newspapers. By using the Used Car Locator application at a Volvo Cars website, a customer can fill in what kind of car he or she is searching for and conduct a countrywide search. Anders does not think it is as important to test-drive a used car as a new one. Erling Pedersen does not agree with this. Erling doesn't think that even a used car would be sold over the Internet but he agrees with Anders Johansson about the advantages of searching for used cars over the Internet.

5.4.2. Analysis Purchase

Hanson (2000) thinks that most of the fundamentals of marketing carry over to the Internet. Frode Hebnes says that Volvo Cars not only use the same marketing strategies, it uses the same business model as before the Internet emerged.

According to Turban et al. (2002) the behaviour a customer goes through during the purchase stage is choice decision and configuration. All the respondents think that the VBS application supports the customers during the configuration, since it allows the customer to evaluate personalisation choices. The application could however become better and easier to use for a customer, according to the respondents.

Peterson (1997) thinks that the customers are not as inclined to make purchases online, as they are to seek information. The respondents all agree that the technology is available to make purchase online but they do not think that the majority of the customers are interested in purchasing a car online. In an interview Anna Smidt thinks that Volvo is making the classical mistake of spending a lot of money on advertising campaigns but they customers is not enlightened about how it feels to drive a car. The respondents partly agree with Anna Smidt's comment by saying that it is not possible to receive a driver's experience online.

O'Keefe and McEachern (1998) suggest that during the purchase phase virtual banking, logistics providers and package tracking can be used. Anders Johansson thinks that the only thing that is lacking from a technical perspective at Volvo Cars is a solution for the actual transaction. Another thing that is lacking within Volvo Cars, according to Fiona Stoffer, is a tracking system for the sales. Most of the respondents think that an organisation, equipped to handle the new sales channel, is not in place.

The customers purchase decision is partly based on the price of the product (Kotler et al., 2001). Peterson (1997) thinks that the cost and benefits of buying online will depend on the price/quality trade off. Some of the respondents agree to this. They think that the customers who purchase online are looking for a bargain or a lower price than they could get offline. When it comes to the used cars it is more a question of the quality of the car. That is the reason for why people do not want to buy online, according to the respondents.

According to Dalgleish (2000) customers do not necessarily want to do everything, like purchasing, online. This view is shared by some of the respondents who believe that the Internet should support the customers when searching for information but to let the traditional sales channels handle the actual purchase. There is however a common belief among the respondents that the customer behaviour is changing and that the

development of Internet will imply changes for the automotive industry within the next 10-20 years.

Online ordering was already in 2000 a profitable amount of new car sales (Hanson, 2000). According to some of the respondents there are customers who are willing to purchase online and Volvo Cars has already received orders for its new model (Volvo XC90) that is not yet available in the showrooms. Sterne (1999) writes that earlier people were more interested in product information rather than the possibility to order online since the customers were happy with the ordering process. This confirms Frode Hebnes assumption that the distributions system with a lot of dealers, often close to the customer, does not need to be replaced with an online sales channel.

The choice of retail outlet is vital to the success of customer products (Murray and O'Driscoll, 1996). Today, according to the respondents, the dealer handles the contact between the customer and Volvo Cars. The Internet does not allow the customer to experience the car online but this can be done at the dealer. Murray and O'Driscoll believe that some innovative companies will grasp the opportunity the Internet offers and others will stick to traditional and declining retail channels.

5.5. Post-purchase

The third question to the respondents was regarding the post-purchase phase of the buying process. The purpose of the question was to clarify if the Internet can support Volvo Cars owners during the post-purchase phase. The aim was also to clarify how a customer could be supported online during this phase and the negative and positive effects this could imply from both the company and the customer perspective.

5.5.1. Result Post-purchase

The majority of the respondents argue that the Internet could support the post-purchase stage but as David Holecek says "*do the customers want it*"? There is a new project to build a relationship with the customer called "Care by Volvo" but so far this is an off line project, says Suzanne Janssen. Pure confirmation for a customer is probably better done offline than online according to David Holecek. To see commercials, PR and that Volvo receives prices, does this better than an Owner Page. The online version could be e-mail to inform the customer of good PR news and whatnot, but that requires updated customer data and a common Customer Database (CDB).

Fiona Stoffer feels that a lot of the ongoing CCP activities can also be done online. Specific online alternatives can save money Volvo Cars e.g. using the Internet to publish certain CCP contacts that you would normally send over mail. The Internet can also be used to create a "web-ORIZED" version of Volvo Magazine to complement the paper version and to reach a wider audience, since the Volvo Magazine is not sent to all customers in some markets. David Holecek agrees with Fiona Stoffer. David does not think that the Internet should replace the magazine since that is brand building and could be seen as a statement if you are a Volvo owner.

"A magazine should enhance the premiumness of the brand and the image of the car. The online material should be more offers related – buy new

winter tires, go to this event, book service etc. These kinds of offer should not be included in the magazines.” David Holecek

Fiona Stoffer and Erling Pedersen thinks that by using Owner Pages – a personal Internet page that requires log in, which could be offered to the Volvo Cars customers – the Internet can support a Volvo car owner during the post-purchase phase. One way to do this would be to gather all the information that is relevant to the customer e.g. service information, repairs, warranty, general info, financing, insurance, invitation to events that can be of interest to that specific customer etc. Erling Pedersen thinks that the Internet can support the customer by making the ownership easier and save the customer time and effort. Erling does not believe in the idea of creating other services, which is not related to the car ownership for the Owner Pages. If the Owner Pages should work and pull the customer to use it, the information online must give the customer value for his or her time. A survey of Volvo customers in the Netherlands, conducted before the Owner Pages-pilot, indicated that the customers did like the idea of their own personalised contact page with Volvo Cars. The Owner Pages project is currently on hold due to budget restrictions.

David Holecek thinks that the Internet offers huge possibilities to support a customer during the post-purchase phase, but at the same time he thinks there are very few Volvo customers today who would use something like Owner Pages. The small group of people that would use Owner Pages is Volvo fans. Right now Owner Pages is something a Car Manufacturer should do to be in the front line, according to David Holecek.

Anders Johansson does not think that Owner Pages is the solution to support the customer online during the post-purchase.

“The latest research shows that an Owner Page is not a reason for a customer to go online... Volvo Cars needs to develop co-operation with another large online portal... those who do not use the Internet that much tend to use the largest portals such as Yahoo, MSN and AOL.” Anders Johansson

To create a Volvo Cars portal is not a cost efficient solution, according to Anders.

According to Frode Hebnes there have been a couple of pilot-projects with Owner Pages. From a customer perspective, an Owner Page requires constant update and an interaction between the customer and the company. The pilots have been managed by Volvo Cars centrally and not the dealers who are the main Volvo contact for the customer. The projects have not been successful in creating relationships with the customer, according to Frode, which is the aim of such a page.

“It is easier for example a Travel Company to create a relationship with its customer because their dialog with the customer was more frequent even before the Internet.” Frode Hebnes

Frode thinks that the relationship between the customer and Volvo Cars should subsist between the dealer and the customer, not between Volvo Cars centrally and the customer. The dealer has a greater opportunity to offer the customer more relevant information. Volvo Cars is good at creating a one time event that builds brand and awareness but not long-time relationships. The support and information that an owner would like to have from Volvo Cars online is mainly information and service that today is offered by the dealer. This service could probably be offered online with the help of databases and e-mail. Suzanne Janssen thinks that both the dealers and Volvo Cars could gain a lot, by offering the owners service booking via e-mail where the owner receives an e-mail when it is time to service his or her car and does not have to spend time trying to book it himself.

David Holecek thinks that when it comes to an owner, Volvo need to use more “push” e.g. push out the information to the customer as opposite to “pull” when the customer goes online to find out the latest news. It is important to collect information about and e-mail addresses to the customers, so that Volvo Cars have the possibility to push out information to them. The response that Volvo Cars has received earlier, on their e-mail campaigns shows a high click-through rate (>50 percent).

The technology is not in place to rollout Owner Pages to all new Volvo customers, but the concept is ready and there is a pilot planned for the Netherlands, according to Fiona Stoffer and David Holecek. Local pilots have been tried and the technology works. Even though the technology and applications exist to support customers online, Anders Johansson does not think that customer would go online if there were no additional value for the customer in using the Internet.

Anders does not think that the customer sees the value of being online once they are customers. Why should anyone give away information about himself or herself, receive yet another password if the information online is not adding something of value to the customer. It would be beneficial if Volvo Cars could use the Internet to have a dialog with its customers.

“To ask the customer himself to update personal information on the Internet, information that he has already supplied the dealer with, is probably not going to be well accepted by the customer... the dealer is the one who knows everything about the customer.” Anders Johansson

David Holecek thinks that Owner Pages will be available in the future, when Volvo Cars has one global CDB with correct, updated information. There is an ongoing discussion between the dealers and Volvo Cars, due to the fact that the customer data today is collected by the dealer and not available to Volvo Cars.

“If the dealer should supply Volvo Cars with customer information, the Owner Pages must give the dealer some value as well, otherwise he will not be willing to give away information about his customer... to be able to create Owner Pages, which provides the owner with value, requires that Volvo Cars and the dealer have one common picture of the car owner... We shall never forget that from a customer perspective the dealer is Volvo Cars

and the relationship that the customer has with Volvo goes through the dealer.” Erling Pedersen

According to Erling the most important thing is to have correct and relevant information about the customers, otherwise Volvo Cars might publish the wrong material and that could affect the relationship in a negative sense.

Since Volvo Cars is not organised according to the buying process, this makes the start-up of a project as Owner Pages a very hard task, according to David Holecek. David does not think that the Owner Pages-project has been presented to the decision-makers at the right level. There are a lot of people who do not understand the benefits of Owner Pages but they all understand the usage of TV commercials because this has been done during several years. Generally when it comes to Internet investments, a lot of people do not have enough knowledge to understand the potential of the investment. Today it is possible to get money for banners and campaign sites. The Volvo Cars organisation needs to be educated within this area.

5.5.2. Analysis Post-purchase

During the post-purchase phase the customers evaluate the product (Kotler et al., 2001). Only one of the respondents mentioned the fact that Volvo Cars needs to ensure the customer that they have made the right decision. Suzanne Janssen believes that this is today mostly done offline. O’Keefe and McEachern (1998) suggest that discussions in news groups are one way for the companies to support the post-purchase phase for a customer. Neither of the respondents mentioned news groups as a way of serving the customers during any of the stages in the customer buying process.

Hanson (2000) does not identify any stages of online car buying that supports the post-purchase. A majority of the respondents do argue that the Internet could support the post-purchase stage. How it should be done, differs between the respondents. The most common suggestion among the respondents was an Owner Page.

Kiang et al. (1999) thinks that the Internet could work as a distribution channel by exchanging services during the post-purchase stage. All the respondents agree to that service and offers could be made available on the Internet for the customer. The main issue is however to gather and put information that is of interest to the customer online. To do so, Volvo Cars needs to co-operate with the dealers that sell Volvo cars.

The technology boom has created new ways to learn about and track customers (Kotler et al., 2001). To some extent the respondents think that the way Volvo Cars can benefit from using the Internet is by learning and collecting data about their prospects and customers. The problem today is that information is collected and stored in different places and there is not a single system but several containing customer data. According to Sterne (1999) the WWW offers many ways to serve the customer. The respondents are not all sure on what, how and when Volvo Cars as a company should offer the customers information online. The technology is available but Volvo Cars lacks an organisation and resources to be able to communicate efficiently with its customers online.

According to Murray and O'Driscoll (1996) marketing never ends with a sale and this is something that the marketers at Volvo Cars is both aware of and are working with. The issue for Volvo Cars is that they can not learn as much about its customers as it wish since a lot of the information is in the hands of the dealers.

5.6. Risks, opportunities and the future

The respondents were asked to give their input if they foresee any risk and/or opportunities with working with the Internet to support the buying process. Examples of areas that were mentioned were organisation, customers, laws and regulations. The respondents were also given the opportunities to say if they could foresee any changes in the way they work in the future due to the Internet.

5.6.1. Results risks, opportunities and the future

All the respondents have different ideas of what the risks and opportunities with using the Internet to support the buying process could be. One advantage, according to Anders Johansson, is that by using the Internet Volvo Cars can give the customers better offers, when the customer wants it.

According to Suzanne Janssen, Volvo Cars is not an innovative company but a user of proven media. The Internet allows more to be shown than in traditional media, but in the case of Volvo Cars, an advertising campaign online (like the one BMW has run in the USA) would never be accepted, at the time being. Volvo Cars shall not be the first using new innovations online, but it shall be in the frontline of using the Internet, Erling Pedersen thinks. What Volvo Car does is very effected of what the automotive industry as a whole does.

The majority of the respondents sees several opportunities with using and further develop the online presence of Volvo Cars. Fiona Stoffer thinks that the Internet offers Volvo Cars many opportunities e.g. virtual test-drives, tracking people online, direct links with databases.

“By utilising databases and the technology that is available today Volvo Cars could use customer profiles and data mining pro-actively to offer relevant content, invitations and offers to individuals.” Fiona Stoffer

Fiona thinks that an interesting initiative could be to build further on an online dealer advertising toolkit to control the brand communication and make the dealer advertising work easier for the markets. This kind of tool already exists for some markets.

David hopes that the new GIP-project will enhance the Volvo Cars online presence, from a design, content and functionality perspective. One large change will be that the US market will use the same tool as the rest of the Volvo Cars markets. The US is the largest markets – and has the largest customer group that is homogenous.

Frode Hebnes thinks that Volvo Cars has an advantage today since no other car company offers such an extensive buying service as Volvo Cars does. The VBS is connected to backend systems that make it impossible to create a non-buildable car online. David Holecek thinks that a large advantage with trying to work more online can

probably means larger retention e.g. people become more loyal stays with the same brand.

With the new Automotive Block Exemption (see appendix 4 for more information) the automotive industry faces a lot of changes. The Automotive Block Exemption is a business risk right now, according to David Holecek. It means that Volvo Cars needs to start thinking in new ways and this can imply new opportunities in the longer run. The majority of the respondents think that the Internet can be of assistance when the business must adapt to the new law.

“Internet poses an opportunity for Volvo Cars to keep a central control of their customers with the new Automotive Block Exemption.” Fiona Stoffer

One opportunity the Internet offers, according to Anders Johansson is that Volvo Cars could work with more companies (that are selling Volvo cars) and hopefully ask them to provide Volvo Cars with information about its customer. But there is also a risk if Volvo loses their customers to non-Volvo workshops. The VBS is already built to support the Automotive Block Exemption that has been decided upon by the EU, according to Frode Hebnes. The changes in the block exemption are better for the customer, but not for the company.

The risk with using the Internet, according to Suzanne Janssen, is that Volvo Cars centrally loses the opportunity to follow up on the customers, because the dealer handles the relationship between customer and Volvo Cars. This means that Volvo Cars loses valuable knowledge about its customers and their preferences. David Holecek thinks that the risk is that both the dealers and NSC need to be involved in some of the Internet activities for Volvo Cars. Volvo Cars can not sell online from Gothenburg, because they need the knowledge (of selling cars) that only exist on a local level at the dealers. David does not think that Volvo Cars can cut off all the parts in the distribution network. Frode Hebnes thinks that the risks with using the Internet could impose a change of distribution system.

One threat, with working through the Internet, is the larger focus on privacy and the pressure the new data protection laws post on Volvo Cars. This can also be made in to an advantage if it is used properly e.g. by gathering data correctly and offering the customers something in return. David Holecek thinks that the EU data protection can be solved with new technology.

“It creates a problem for us as a company but the customer will never notice.” David Holecek

Anders Johansson foresees a risk in that the company uses incorrect information e.g. wrong name or address etc in the marketing activities. Another risk according to Anders is that it requires a strong organisation to keep a communication ongoing.

Anders Johansson thinks that from a customer perspective the online presence of Volvo Cars can occur to be too much of isolated islands. Since the information and applications online are developed and maintained at different departments there is no

overall guiding thought behind it. The ambition is probably to see what is best for the customer but Anders is not sure that the result is the best customer focused website. The technology makes a lot of things possible but it is not always the best way when communication should take place. Anders wishes that the work within the company should be, and a lot of work needs to be, co-ordinated and things would need to be prioritised. Anders also thinks that there is no prioritising of the ongoing or planned activities that is prioritised from a customer perspective.

“The future brings change.” Frode Hebnes

5.6.2. Analysis risks, opportunities and the future

According to Meeker (1996) it is when early adopters has tried the new stuff that the business people join. Some of the respondents claimed that when it comes to the Internet Volvo Cars has been an early adopter by e.g. being one of the first companies with a car configurator. Frode Hebnes and Suzanne Janssen think that Volvo Cars should not be an innovator but a user of proven methods and media.

According to the respondents a car is a product that is purchased seldom and the customers spend a lot of time searching for information before they make the actual purchase. This correspond with the results shown from the Cars Only study. Kotler et al. (2001) means that a product that is expensive and purchased infrequently imply that the customer undertakes a complex buying behaviour.

The fact that Internet is scalable and built on open standards (Hanson, 2000) has helped Volvo Cars when it comes to the new Automotive Block Exemption, according the respondents. The VBS application has for instance already been developed to support the new rules for car purchasing. The Internet also allows Volvo Cars to communicate with the new workshops and dealers that will emerge as a result of the new rules.

Kotler et al. (2001) says that a company’s success depends on how things are being co-ordinated between various departments. The respondents have testimony that both the online applications can be though of as isolated islands and that projects as the Owner Pages is hard to drive since it involves several departments. Kotler et al. also says that it is important to master core business processes but so far, according to the respondents, Volvo Cars has not succeeded in all the master processes.

6. Conclusion and my own reflections

In this chapter my conclusions is presented, based on the results and analysis presented in the earlier chapters. Thereafter my own reflections are presented and in conclusion I give some suggestions to subjects that would be interested for further study in future investigations.

6.1. Conclusions

Volvo Cars Online Presence

Through the investigation it became clear that Volvo Cars is striving to have an interactive online presence that offers the customer support during the entire purchase process. The theory suggests that there are both opportunities and possibilities to support the entire buying process online and that the technology to do so exists. The theory does not, however, take into account the current business process and organisation changes that need to take place, before a company can effectively use the Internet to support the buying process. All the respondents agreed that there are not enough resources in place to support the entire buying process online today and the company is not organised to work according the buying process. Even though the aim of the Internet activities at Volvo Cars is to support the buying process, they do not do so today since they do not handle transactions online or actively support the owners during the post-purchase phase.

Some theory suggests that the Internet is not a sales channel in its self. Other says that the Internet is an information channel and other says that it is a communication channel. Volvo Cars thinks of the Internet as a strategic sales channel for their business. The information and applications Volvo Cars have online do not support the entire buying process and I would therefore say that Volvo Cars today is not using the Internet as a strategic sales channel. This means that the main hypothesis is not true for Volvo Cars. It is more of a goal for Volvo Cars Interactive Marketing department than it is a testimony of the current online presence. There is, however, a great belief in the Internet as a tool to support the customers in their buying process better than before.

Pre-purchase

The results from the interviews correspond well with the theories of how the Internet can be used during this part of the buying process. The respondents also verify the results showed in the latest investigations, conducted both by Cap Gemini and Volvo Cars that people use the Internet more and more to search for information. I agree with one of the respondents who said that the Internet started out as a way of posting information and the first things that were posted online according to the theory was brochures online. I think that Volvo Cars has moved one step away from online brochures with the VBS. There are, however, still a lot of customers who are satisfied during the pre-purchase stage with an online brochure e.g. product information online, without the hassle of facing a dealer and this Volvo Cars does offer its customers. One can however say that Volvo Cars reasons for being online correspond well with the reasons DMA's fifth annual E-commerce survey states.

The investigation shows that the respondents only consider the search for information as a part of the pre-purchase phase and forgets about identifying a need. Most of the respondents did not even consider that the customers would be interested in a comparison between products. I think this reflects the seller's point of view, which is natural since the employees at Global Marketing works with marketing and selling cars.

Purchase

It became evident during the investigation that Volvo Cars do not support the purchase phase online since they do not offer transactions online. According to the theory this is one of the things the Internet can support through electronic banking, a solution Volvo Cars is not even considering. I believe that since Volvo Cars do not aim to online it has already taken into consideration what kind of applications that needs to be in place for and has not developed tools or applications to support e.g. transactions online.

According to the theory the technology exists to support the purchase online and the results show that the respondents also believe in this. The technology is however not used or adapted to the current Volvo Cars systems. I interpret this fact into that Volvo Cars uses technology to support its business instead of letting the new technologies be the driver of the business. Since Volvo Cars is an automotive company it should not be an innovator when it comes to system development and I think it is vital that Volvo Cars target group is willing to use the new technology before Volvo Cars invest in it.

Most respondents believe that purchases will be conducted online but they emphasise that the customers want /should /need to test-drive the car before they conduct the purchase. The theory suggests that when the customers are happy with how something works today they do not search for an alternative e.g. change over to a new sales channel. What drives the people to go online is the fact that the Internet often offers a better deal than the traditional sales channel suggests the respondents. I believe that for the time being this is true. I also think we will see a change in attitudes towards how and when to use the Internet once the usage is spread and a new generation Internet-savvy people is growing up and taking up higher positions within the larger companies.

Post-purchase

How the Internet can support a customer during the post-purchase is not clear in the theory or in the respondents minds. Kotler et al. (2001) includes evaluation of the product as a part of the post-purchase behaviour and only one of the respondents concurred to this. I believe that since the customer follow up is not done at headquarters but at the dealers, the personnel at Global Marketing have little knowledge of this part of the buying process. I foresee a risk with any attempts to drive an online activity for the customers from headquarters since they have little knowledge of who the customer is and what kind of support they normally would require from the dealers.

When no one knows what should be done online during the post-purchase stage it is difficult to evaluate if the technology exists and what kind of resources that needs to be in place. The respondents were all convinced, however, that the technology is not the problem. The largest issue is to gather and present the information that the customer would like to receive and do it so successfully that the customers are willing to go online for it. I agree with the respondents that this phase is very much dependent on

what the customers want and need. But I think that the biggest issue for the company is to become customer oriented, so that they have an organisation that works full time with upholding an ongoing communication with the customers. As the theory indicates, the Internet offers so much and is available 24:7. The question is, as a David Holecek said, does the customer want it?

From a theoretical point of view there are behaviours to support and technology and applications available to support these behaviours online, which would indicate that the main hypothesis is true. The best known example of this is DELL. DELL is not only selling its products online they are also supporting its customers during their ownership through service and upgrades etc. What one should keep in mind is that the entire DELL enterprise is organised to sell and service their products online.

In the table below I have tried to sum up my conclusions regarding how the Internet could support the buying process. This table shows that the only hypothesis that can not be falsified is:

H_{0:1} The Internet can support the pre-purchase phase.

This since having a database in place is not necessary to serve the customers during the pre-purchase stage, but it is something that Volvo Cars think is necessary to be able to collect prospects successfully. All the other hypotheses can be falsified, in the case for Volvo Cars, since neither the technology nor applications are in place.

Table 6.1 Conclusions

	Pre-purchase	Purchase	Post-purchase
Technology available	Yes	Yes	Yes
Technology in place at Volvo Cars	Yes	No	No
Applications in place at Volvo Cars	Yes	No	No
Databases in place at Volvo Cars	Partly	No	No
Resources available at Volvo Cars	Yes	No	No
Customers willing to use the online tools	Yes	Yes	?

My general conclusion is that even though the technology is available all the other hypotheses (including the main hypothesis) can be falsified. It takes an organisation to run the applications and that is not in place at Volvo Cars or in many other organisations that are not built for electronic commerce. Even if there are customers willing to purchase online there is too little research on what kind of products they would like to purchase online. There is even less information about what kind of support the customers would like to receive during their ownership. This result is in line with the respondents views and the results from the Cars Online study.

Risk, Opportunities and the future

We do not know what the future brings and things we believe to be the truth today may be proven wrong in the future. All the respondents are fairly confident that the usage of the Internet will grow and studies show that people are using the Internet more frequently. The question is what will they use the Internet for? To search for information or will they purchase online? I believe that cars will be purchased online (to some extent they already are) but there are a lot of things that need to be put in place. More people need to become better in using and developing the online tools and functionality. The online tools need to be easier to use, the speed of the Internet must improve and most importantly the customers must want to go online.

6.2. My own reflections

In today's society information and communication flows and some people declare that we live in an information society or economy. The Internet, which can be seen as yet another communication channel allows even more communication to take place through websites, news groups, e-mail etc. The theory presents the Internet as a media that is available 24 hours a day, seven days a week. But the communication online mostly takes place when the customer wants it to take place. The customer is so to say the driver of the online information and communication. They are the ones who pressure the companies to be online, offering information and services. As Sterne suggests, the customer expectations are rising and I think that the companies need to pay attention or else they will lose their customers to the companies who do listen.

My analysis shows that the purchase of a Volvo car can be seen as complex buying behaviour. The fact that customer would like to know a lot of information about the product could indicate that the Internet is a good source. This since the customer can, from one place, receive information from several different sources. This type of purchase also needs more assistance than simple decisions and maybe that is why the dealer is still important when it comes to car purchases. I believe that different products (different buying behaviours) can benefit more from online sales than others can.

Even though the Volvo Cars sales process aims to be customer driven I would not say that the Volvo Cars sales process and the customer buying process are two sides of the same coin. The goal of the sales process is to sell cars and by selling cars with good quality the company hopes that the customer returns when it is time to replace that car. The buying process is full of different behaviours of which some the Volvo Cars sales process take no notice of. Based on this I would not say that Volvo Cars process is 100 percent customer driven. One fact that indicates that so is the case, is the fact that the respondents were not aware of all the customer behaviours that occur during the buying process.

Kotler et al. (2001) writes about the importance of a co-ordinated organisation that focuses on its core business to be able to succeed in the competitive marketplace. The bigger issue - that I found no theory to base my conclusions on - is the issue regarding the organisation of the company. To be able to support the buying process online a company must not only start using new technology (and maybe replace the old technology) it must to some extent reorganise its organisation to be able to handle the new flows of information and communication that take place on the Internet. In the case of Volvo Cars I foresee even bigger issues since they have a large organisation covering not only headquarters and National Sales Companies but also dealers. I believe there is a concern within Volvo Cars, and possibly within the automotive industry as such, regarding how the current distribution systems would work if car sales were to be conducted online. Volvo Cars has currently contracts with its dealers that need to be renegotiated before Volvo Cars can start reorganise its business to support buying online. I do not believe that this will stop the progress of conducting more and more business and communication online for Volvo Cars but that it will take some time before the online material is fully customer centred and that the functionality behind it is automated.

As my investigation shows the Internet can be classified as many things. One thing that is clear to me is that it is not how the Internet can be used that is the important issue. What is important is how the Internet can support the business a company is trying to master. And since all companies need to be customer oriented (if they strive to succeed), every company needs to know what the behaviour of the Internet customers looks like. There is little or no research on how the customer behaviour will change when using the Internet a medium that allows the customer to see an ad in immediately make the purchase.

6.3. Future research

During this investigation a line of questions has arisen that I find interesting for future investigations, which do not fall within the frames of this investigation. My perspective for this thesis has been the customer buying process as such. The goal of this thesis has not been to ask what the customer would like to see online to support them during their purchase process. Even though the buying process is a general process that more or less fits any customer goods, this thesis was not intended to test the process from a car purchase point of view.

My recommendation, based on the information gathered during this investigation, is that Volvo Cars needs to investigate what kind of information and applications its customer would want online. Volvo Cars aims to use the Internet as a strategic sales channel and the technology does exist to fulfil this goal. The respondents all believe that there are people who are willing to use the Internet and that this group would grow in the future. The large question is still: what does the customer want? When the answer to this question is clear then, and only then, can Volvo Cars start to build up its organisation (e.g. reallocate resources and educate the decision makers etc) to work with the Internet to support the whole or parts of the buying process from a more customer oriented view. By doing so I think that it will be evident if people are interested in purchasing cars online in the near future.

An area where there is little information and research about today is in the area of buying behaviour on the Internet. The theory indicates that every customer makes several decisions during their buying process, however no one can today say that this behaviour is global or that it is the same behaviours that occur when making a purchase online. I would therefore recommend that more studies in this area were conducted.

As mentioned earlier, the Internet is developing at an enormous speed and is a topic of interest, which means that new interesting questions /research areas constantly emerge.

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What is the Internet?

The term internet is used in two different contexts. When two or more networks are combined or interconnected to form a single network this is according to Stamper (1999) an internet. The Internet (with a capital I) is a specific collection of interconnected networks reaching almost every country throughout the world. The Internet is a public network in the sense that private individuals are able to gain access to it and use its recourses. With the right software and a modem a user can obtain or share information and interact with other users on the Internet (Kotler et al. 2001).

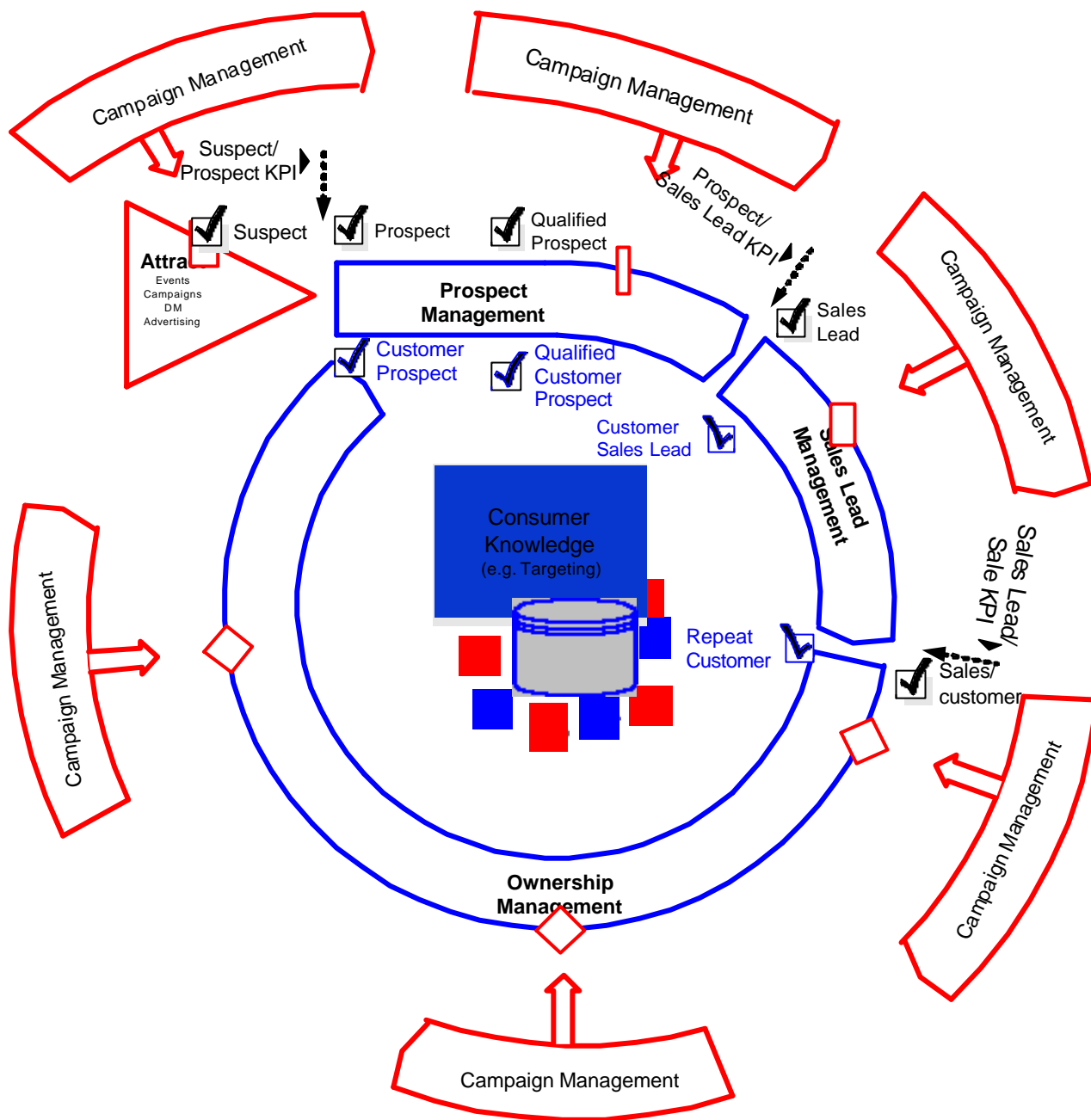
The physical implementation of the Internet began in 1969 with the Arpanet, sponsored and named by the U.S. Defence Department's Advanced Research Project Agency (ARPA) (Stamper, 1999). The Defence Department was interested in a military network that would continue to function even if parts of it were destroyed by e.g. a bomb or sabotage. During the early years of the Internet it was used as a communication medium not only for the military but also for researchers. Until the 1990's, business was not conducted over the Internet and any form of commercials e.g. advertising was discouraged. Today, according to Kotler et al. (2001), the Internet links computer users of all kinds around the world.

E-mail

The key driver of the usage of the Internet was e-mail, according to Hanson (2000). The users found that e-mail was a surprisingly efficient method for communication. E-mail took advantage of asynchrony, separating the time of sending the message from receiving it. E-mail helped foster a sense of community, allowing many colleagues to keep in touch between meetings and this remains true today. E-mail also facilitates advertising and customer service (Turban et al., 2001).

World Wide Web

Since its start the Internet has continued to grow, slowly at first and then quickly in the 1990's (Stamper, 1999). One major factor to the growth during the 1990's is due to the World Wide Web (also the Web or WWW) that was created in 1989 together with browser products. This made it easier for many new users to go online. The Web is a hypertext-based distributed information system used on the Internet that integrates hardware, software, communication and information technologies. From a hardware perspective both individuals and companies can afford the platforms necessary for Web access. The software capabilities are hypertext linkages and browsers that allow users to access locations and follow the links. The large number of users e.g. business and consumers, connected to the Web is the important communication aspect. The integration of these three gives access to the riches of text, graphics, video and audio images that are stored on web sites. There are a variety of reasons for using the Web, but the most common ones in 1999 were research, communication, business and downloading files. On the Web a user have access to millions of homepages and almost unlimited amounts of information. Text, images or icons can be links, which means that a user can be transferred, by a simple click, to other homepages. A user surfs the Internet by using a browser and the most popular ones today is the Microsoft Internet Explorer and the Netscape Navigator.



Källa: Erling Pedersen, personal communication, December 13th, 2002

Interview guide

The background of the respondent

1. Describe your position and your role within Global Marketing? How long have you been holding this position?
2. How does the work you do support or align with the Volvo Cars buying process?

The Internet and the Pre-purchase phase

3. Can the Internet support the customers in the pre-purchase phase? How? (Why or why not?)
4. Does Volvo have the technology, applications, functionality and processes in place? Implementation problems?
5. What do the customers think? Do they prefer the Internet or other media, tools etc?

The Internet and the Purchase phase

6. Can the Internet support the customers during the purchase phase? How? (Why or why not?)
7. Does Volvo have the technology, applications, functionality and recourses in place? Implementation problems?
8. What do the customers think? Do they prefer the Internet or other forms of contacts etc?

The Internet and the Post-purchase phase

9. Can the Internet support the customers in the post-purchase phase? How? (Why or why not?)
10. Does Volvo have the technology, applications, functionality and recourses in place? Implementation problems? Other problems?
11. What do the customers think? Do they prefer the Internet or other media, tools etc?

Presumption of the Internet and the buying process

12. Are there any risks with using the Internet to support the buying process? Laws or regulations? Usage and usability? Cost? Resources?

Future

13. Do you foresee any pros or cons compared to the way you work today?
14. Do you think this will change over time?

Regulation for a new motor vehicle Block Exemption

Source: European Commission

On July 17, the EC adopted the new Regulation on the Automotive Block Exemption. The new Regulation will replace the regime brought in 1985 and slightly revised in 1995, that expired on 30 September 2002. The Regulation provides for a specific regime for agreements relating to the sale, servicing and spare parts distribution of motor vehicles. In line with the new EC competition policy, it applies only below a given market share threshold. This threshold is set at 30 or 40 %, depending on the type of agreement finally chosen. Above this threshold, vehicle manufacturers can select the members of their sales or service network only on the basis of purely qualitative criteria without being able to limit their number. Briefly, these are the main changes in comparison with the previous Block Exemption:

- 1) Distribution: vehicle manufacturers must choose between selective or exclusive distribution.
- 2) Multibranding sale within the same showroom is allowed, provided that distributors do so in brand-specific sales areas.
- 3) After-sales: sub-contracting from distributors to authorised repairers is allowed.
- 4) The notion of authorised repairer is much broader than before.
- 5) Independent repairers must have access to technical info from manufacturers.
- 6) Spare parts: the novelty lies in the fact that some of these parts can now be called original spare parts, provided that they meet manufacturer quality criteria certified by the parts producer.
- 7) The dealer enjoys greater protection vis-a-vis the manufacturer.

The Regulation enters into force on October 1, 2002. However, existing agreements that comply with the current block exemption will remain valid until October 1, 2003. On September 30, the Commission issued an explanatory brochure with guidelines designed to clarify the interpretation of the original legal text.