



# UNIVERSITY OF GOTHENBURG

## SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master's Degree Project in Marketing and Consumption

### **Is There a First Mover Advantage in an Online Market?**

- A Case Study on the Swedish Grocery Market

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## **Abstract**

**Purpose** The aim of this study is to investigate the presence of a first-mover advantage (FMA) in the Swedish grocery market. Further, we wish to contribute to the field of strategic management by broadening the knowledge of FMA within the online grocery market, to add to the non-existent literature and to provide practical insights for firms looking to enter online markets.

**Design/methodology/approach** The paper will provide findings from ten in-depth interviews with a focus on how the online marketplace has shifted the power from the market actors to the consumer.

**Findings** Three distinct themes were drafted from the interviews. Firstly, we found that loyalty is low with consumers online as they are willing to change from a grocer they are satisfied with just because of a discount offered elsewhere. Secondly, consumers aren't experiencing any differentiation with online grocers in the same way they do offline. Lastly, the online platforms are standardized in a way that makes the consumer feel more at ease in new online stores whereas they would rather not feel at ease in an offline store. All of these themes show us that the switching costs of changing grocer are much lower in an online setting compared to the similar offline setting, which consequently helps new entrants attract consumers even though they are not first in the market.

**Research limitations/implications** The contribution made by this article will help to broaden the knowledge within the field of strategic management and FMA. Additionally, we hope to inspire other researchers to include consumers as a way of analyzing a market phenomenon further. Results wise, no generalization can be made due to the limited amount of data collected.

**Originality/value** When studying the phenomena of FMA, there is a historical tendency to only focus on the market structure or market actors. However, to analyze consumers and consumption in order to understand the FMA in an online setting is as far as our knowledge is concerned new this field.

**Keywords** First-Mover Advantage, Online Grocery Market, Practice Theory

**Paper type** Research paper

## ***Introduction***

This study will handle the phenomenon of the first-mover advantage (FMA). During the 80s and 90s, many different studies proved that as a first-mover in a new market you would be likely to end up as the market leader and gain important long-term market shares (Carpenter & Nakamoto, 1989; Patterson, 1993; Urban, Carter, Gaskin & Mucha, 1986; Miller, Gartner & Wilson, 1989; Porter, 1985; Robinson & Fornell, 1985). As a consequence, managers in every industry were concerned about the order in which they would enter a market. As a pioneer, it is often an uncertain climate and it can be expensive to introduce a new product or service to consumers. However, according to earlier studies, the advantages gained would beat the risk every time (Robinson & Fornell, 1985). Scherer (1985) even drew the conclusion that it's a general concept that if you enter first, you will by definition become the market leader in the long-run.

If pioneers have advantages in supplies, costs, information, product quality, product line breadth, distribution, and long-term market share (Robinson & Fornell, 1985) will this not automatically create an advantage in all industries? Historically this has been accurate, but with technological advancements a shift has been observed. In this report the FMA will be analyzed in the grocery market, a traditional offline market where FMA has proven to exist (Robinson & Fornell, 1985; Urban et al., 1986) and is therefore a great example of a physical shopping practice that has been integrated by online services. Additionally, more recently the grocery market has experienced a full-scale growth online in Sweden and some merely assume that FMA is still accurate (Suarez & Lanzolla, 2005). But can it really be? In an offline setting it has been acknowledged that there are perks with being a last-mover, as you can watch and learn from the first movers, avoiding the biggest mistakes made by the pioneers and enter a market that's up and running (Harris, 2012). The FMA mentality can simply get in the way of the actor. An example of that is when the market leader in the US DVD industry, Blockbuster, had the idea that they could keep their market share no matter what. Netflix introduced their subscription paid rental service into the US DVD industry, but Blockbuster marked them as a niche competitor, arguing that it would not cannibalize on their market share. When looking back though, Blockbuster got run over by Netflix since they weren't willing to see the competition for what it was; the future (O'Reilly & Tushman, 2016).

Some studies show that the order of entry is not at all as important as it has been said in the past. There are multiple examples of companies who have entered a market as pioneers and still ended up failing. One could say that theory is proving to fail. Golder and Tellis (1993) analyzed 500 brands in 50 different categories and in agreement with Suarez and Lanzolla (2005) they came to the conclusion that the FMA is circumstantial. But researchers have disregarded studying purely online markets and kept discussing the phenomena in an offline setting, which clearly needs to be updated in today's environment. Can it be that the FMA is nowhere to be seen in an online setting?

Therefore, it is time to realize that today's market place is simply set up on completely different terms, and the practice of shopping has changed. More correctly, many

marketplaces have gone from offline to online and e-commerce has grown rapidly as the development of technology has emerged (Wrigley & Currah, 2006). While digitalization has been a long ongoing process (Salkin, 1964), it has become increasingly important for society and consumers. With market development, the role of consumers has been changing, as information is comparable to a larger extent online than it has been offline (Karpinska-Krakowiak, 2014). Consumers are asking other consumers for information and don't rely on the communication provided by the companies. For a company to state that they are the best won't fly in today's society if other consumers don't back it up (Walls, 2015; Smith, 2012). Additionally, with switching costs being much lower, consumers are now the one's in power (Hanus, 2016).

Due to this, a gap has emerged in literature as FMA being a proven concept in the offline grocery market is yet to be studied in an online setting. As consumers are now in control of the market (Sweeney, 2006), this motivates to investigate consumption, and in particular consumers as they choose where they consume as opposed to firms as in accordance to previous studies of the phenomenon (Golder & Tellis, 1993; Suarez & Lanzolla, 2005). Due to the increased consumer power and the demanded choice among consumers (Sweeney, 2006), being the first actor in a market does perhaps not guarantee future success in that market. As this particular case market has experienced vast growth, it has been expressed that it is a saturated market due to the large existing competition (HUI Research, 2017). Does this mean that it is pointless for firms to enter this market, as there is a pre-existing advantage for earlier entrants?

This study therefore aims to investigate and to broaden the knowledge of FMA within the online grocery market, to add to the non-existent literature and to provide practical insights for firms looking to enter online markets. In more detail, the question this study aims to investigate is:

*Is there a first-mover advantage for firms within the online grocery market?*

Further, we wish to contribute to the field of strategic management by questioning the fact that markets can never become completely saturated when firms are acting in an online setting. The report will after this introduction dive deeper into the theory of FMA, followed by a presentation of practice theory. Thereafter, a section of methodology will be introduced where for example the case market and the interviewees will be presented further. Lastly, the findings and an analysis will be introduced followed by a concluding section.

### ***First Mover Advantage***

Ever since the early 80s the pioneer advantage, also known as a FMA, has been an established phenomenon. It means that by simply being the first on a market you can gain important competitive advantages just by being first. These advantages can derive from elementary factors such as the creation of switching costs, economies of scale and loyalty from consumers (Carpenter & Nakamoto, 1989). But it can also create and establish consumer preferences that followers must take into consideration when presenting their offer,

as the consumers will undoubtedly compare it to the pioneer's standard (Kerin, Varadarajan & Peterson, 1992). Broadly, FMA can also be defined from a more monetary perspective such as Lieberman and Montgomery (1988) who believes FMA is "the ability of pioneering firms to earn positive economic profits".

Several streams of research on FMA have been presented throughout the years. Bond and Lean (1977) introduced the subject by stating that the first firm to offer a new product would gain substantial sales advantage. Whitten (1979) presented a study that confirmed their statements on sales. Then, Spital (1983), Robinson and Fornell (1985) and Robinson (1988) all presented how a pioneer's market share was substantially higher for a longer period of time. At the same time, Lieberman and Montgomery (1988) highlighted advantages gained by a late-mover such as attaining R&D, customer education and industry marketing. But it isn't until more recently that it has been truly acknowledged that entering late can also be beneficial. In some cases, it can be good to watch and learn from the pioneer by not ending up doing the same mistakes made by them (Harris, 2012; Golder & Tellis, 1993). Golder and Tellis (1993) performed a study where they included 500 brands from 50 different categories and came to the conclusion that FMA is only due to various circumstances. In their report, they also brought to the surface some important and actually quite astonishing limitations that have been made in earlier studies on FMA. They claim that only the pioneers who have survived in their market are included in the pro-FMA examples, making it quite biased as the ones who've failed have been excluded. Additionally, Golder and Tellis (1993) added that the studies rely on self-proclaimed pioneers and not actual pioneers, meaning that companies can claim that they were first even though that's not the case, and that an objective judgment hasn't been made.

As a non-pioneer, there are different ways to attack a market. Besharat, Langan and Nguyen (2016) have specified three different strategies that late entrants can adopt when trying to outperform a pioneer. Firstly, the *enhancing strategy* is when the new entrant competes with a similar offer but try to do it better, hence enhancing the already existing offer. Secondly, the *distinctive strategy* is when the new entrant adds a unique feature to the offer in order to distinct itself from the existing offer. Lastly, there is a strategy where the new entrant offers the exact same thing as the pioneer, called the *me-too strategy* (Besharat, Langan & Nguyen, 2016), which can be seen being practiced by for example grocery stores and their private label products. This lastly mentioned strategy has been somewhat criticized for being inefficient if the new entrants don't possess a price advantage (Zhang & Markman, 1998), as well as it has proven to not work if the offer is too similar to the pioneer's (Carpenter & Nakamoto, 1989). However, the critic is relatively old and for the chosen case being the grocery market it can actually be relevant as established grocery stores are beginning to start their own online shops.

Any previous mentioned research has focused on studying either companies (Robinson & Fornell, 1985), markets (Urban et al., 1986) or products (Whitten, 1979) when analyzing the FMA. However, in this report a consumer and consumption perspective will be analyzed as

they impact the success of any company. Their larger power and role in the marketplace will be further motivated in the next section.

### ***A Changed Market***

In today's digital environment, the typical consumer online is a millennial born between 1982-2002 (Sweeney, 2006). Millennials are digital natives, and by expecting a fast paced environment they are impatient, both in their habits and in consumption. Delays are not tolerated and immediate responses are expected. As their communication between themselves is fast-paced, they expect products and services to act the same way (Sweeney, 2006). They talk about products more than the general population, and since 56 percent of millennials does this online (E-Marketer, 2010), this group is difficult to deal with across the consumer industry (Smith, 2012). Being market mavens; having good general product knowledge (Smith, 2012), the importance of companies having a good reputation is vital, as information on products and services is sourced online pre-purchase (Walls, 2015).

Their large size and buying power has made them a prime target for companies (Smith, 2012). But it has been found to be difficult to satisfy millennials over a longer of period of time, due to their consumption patterns and behavior changing (Walls, 2015). Making it difficult for consumer industries, millennials are unpredictable in their choices, as they wish to have full control over what, how and when they wish to consume (Sweeney, 2006). In previous generations a car has always been a typical purchase for a household, but it is apparent that the car market has peaked and is slowly declining as millennials are choosing not to buy cars (McDonald, 2015). As millennials are causing major industries to soar, staying flexible and agile is key in order to market and please this generation (Walls, 2015).

Once millennials have decided on their specific product or service, in order for them to stay entertained due to their changing consumption and behavioral patterns, personalizing and customizing is expected (Sweeney, 2006). Additionally, in order to ensure a higher rate of loyalty among millennials, incentive programs increase the likelihood of purchase by 78%. Although, this does not mean that they will stay loyal or repurchase the brand if the product offering is better elsewhere (Walls, 2015).

Research shows how retailing has evolved with digitalization and how this consequently has impacted consumption practices. The digitalization of retailing has shown that the practice has grown from merely being a face-to-face interaction to a larger number of settings. Consumption practices have therefore become more complex, but at the same time it has never been as easy as it is to consume today. The blurring boundaries between retailing and consumption has led to existing actors within the practice of consumption are changing (Hagberg, Sundström & Egels-Zandén, 2016). The involvement of consumers is increasing as well in the production process in the digital environment, connecting the various actors leading to a closer collaboration providing opportunities for co-creation and co-production (Sorescu et al., 2011). This change has consequently altered the practice of shopping. Ramus and Nielsen (2005) explains how the practice of online grocery shopping has emerged, but also explains the difficulties that firms have to deal with as consumers are experiencing lesser

control online. Various arguments were found during their research among consumers as to why online grocery consumption is superior to offline, being that online grocery shopping is available 24 hours a day as well as the convenience of not having to leave your household. The participants in the study argued that their consumption behavior has changed with online grocery shopping, mainly due to the lack of control experienced. This being that many expressed that selection, packaging and transportation was left to the online grocers, which was argued to be a drawback. Wilson-Jeanselme and Reynolds (2006) argued that as the online business-to-consumer markets mature, it has left consumers with larger choices that previously only have been available offline, and this has consequently grown further with an evolved digitalization. The online grocery market has been a market that has been predicted to grow since the early 90s, but due to technology being undeveloped, it is not until recent years that this practice has grown by various actors in the market meeting consumer expectations.

As seen the consumer behavior is inter-linked with a changing market, which means that we need to understand how the consumer is acting to understand the market. Therefore, as investigating the specific practice of shopping groceries, practice theory will be used to discuss this phenomenon.

### ***Grocery Shopping from a Practice Theory Approach***

In order to analyze consumers and consumption in the online grocery market, we need to understand the practice of grocery shopping. In that way, we can compare the practice of shopping groceries offline where FMA is proven with the new set-up of shopping groceries online.

Consumption research has traditionally focused on exploring the symbolic meaning of connecting identity to the very things we consume, and the established relationship in the process of consuming (Halkier, Katz-Gerro & Martens, 2011). Ordinary consumption is therefore understood as habits and routine, and can be explained as the very core of consumption (Randles and Warde, 2006). Practice theory on the other hand, is identified as a set of cultural and philosophical accounts that emphasize the context of carrying out one's social life (Halkier et al., 2011). Early 1990's marked a shift in traditional consumption research, as Warde (2004) argued that consumption moves past the marketplace and those social contexts and other factors surrounding simply the purchase needs to be examined as if they had an impact (Halkier et al., 2011).

Reckwitz (2002) identified a practice as a routinized type of behavior consisting of several elements. These are identified as activities, things and how they are used, the various thinking and understanding during this practice, emotion and motivation. In terms of consumption, this means that all surrounding elements in the purchasing process is involved and is identified as a consumption practice. Shove and Pantzar (2005) argued for the aspect that artifacts are acquired and used for the purpose of participating and accomplishing social practices and is in parallel vital for consumption theory. Further, Reckwitz (2002) similarly argues that carrying out a practice means using particular objects in certain ways. Practices

are also suggested to steer consumption prior to action logically and ontologically (Warde, 2004). Warde (2005) further explains that consumption itself is not a practice, but a particular moment in most practices. He also argues that the world is made up of various practices, and it is mentioned that practices steers desires and creates wants, which leads to consumption. With the introduction of online consumption, a growing amount of factors emerged steering consumption, which affects the practice of consuming and shopping.

Due to the changed market identified with a new type of consumer, the practice of grocery shopping has subsequently changed and needs to be analyzed in order to identify if there is a FMA for early entrants. Therefore, using practice theory has a direct relationship with analyzing the FMA as the actors within the practice of grocery shopping; consumers, firms and subsequently their relationship has changed. In order to investigate the practice of online grocery shopping, the practice will be analyzed to show how online shopping affects firms entering the market and their respective market shares.

### ***Methodology***

The aim of this report is to investigate the presence of a FMA in the online grocery market in Sweden. Earlier when FMA has been researched, it has been on a marketplace offline (Urban et al., 1986). Thus, a gap in research was identified. Additionally, a vast amount of large-scale quantitative research exists on FMA (Eisenhardt, 1989), but it's rare one would see the researchers include consumers' in-depth opinions as a factor. We've therefore chosen to look at the marketplace with a consumer and consumption perspective as they today decide either the success or failure of a company (Hanus, 2016). Being that this study is unique of its kind, at least to our knowledge, we want to bring a new understanding and expertise to the specific field and hopefully reduce the research gap. For that reason, we felt it was motivated to apply an exploratory research approach to this thesis. According to Ghauri and Gronhaug (2015), this research choice is appropriate when the question in focus is more abstract and calls for flexibility in order to retrieve the required answers. Furthermore, as this will be a case study on the grocery market in Sweden a qualitative research method is to prefer (Bryman & Bell, 2013; Denscombe, 2004; Collis & Hussey, 2009). Some limitations are of course inevitable. For example, this thesis won't give us the possibility to generalize the findings (Bryman & Bell, 2013; Monette, 2005). However, we will contribute with new theory on both FMA and practice theory. Additionally, this report can help inspire researchers to take a step forward into the new market set-up of online shopping; something that is lacking today.

### ***Case Study***

Yin (2003) argues that when research is made on a multifaceted phenomenon in a specific context, a case study is to prefer. In our study, the phenomenon is the first-mover advantage and the specific context is the online market place. As mentioned earlier, extensive research exists on the first-mover advantage (Eisenhardt, 1989), but extremely limited research when applied to an online setting.

We quickly understood that an interesting market to investigate was the Swedish grocery market. Not only is it a typical example of how a traditional offline market goes online, the



online grocery market is also one of the most explosive markets in Sweden at the moment; in 2015 it finally connected its growth with maturity in both actors and customers (HUI Research, 2016). Another factor that made the online grocery market interesting for this case was the fact that major actors have stated that a first-mover advantage is crucial for companies entering this market (McKinsey, 2013; Wilson-Jeanselme & Reynolds, 2006). The online grocery market makes up 1,5% of the total grocery market turnover in Sweden in 2015 (HUI Research, 2017). When compared to how well some other countries are performing, it becomes clear that Sweden with such a technically savvy population has the tools to grow and increase that share. And slowly they are, in 2015 the online grocery market grew by 39% and in 2016 it was forecasted to increase by another 39% (HUI Research, 2016).

In Sweden today, the online grocery market is divided into two main categories, recipe boxes and Pick-Your-Own (PYO) groceries, both of which allow people to do their food purchases online and then have it delivered home. Within the category of PYO groceries, Mathem.se is both the first-mover and still the actor with biggest market share. For recipe boxes, Linas Matkasse has the largest market share (Breakit, 2017; Leijonhufvud, 2016). However, it was Middagsfrid who pioneered the market with the concept of recipe boxes in 2007; they are still active even though their market share is limited (Lindstedt, 2016). It is argued that the birth of recipe boxes online changed consumer behavior online (HUI Research, 2016). With recipe boxes disrupting the market, PYO groceries are catching up due to changing consumer behavior and according to the D-Food Index, it grew twice as much as recipe boxes during 2016 (HUI Research, 2016). Additionally, quite recently the traditional offline players who have gone online such as Citygross.se and Ica.se have challenged both of these online categories (HUI Research, 2016).

### ***Interviewees***

The typical consumer of groceries online is the millennial, born between 1982 and 2002 (Sweeney, 2006). Old enough to have kids, hence a large household, but still young enough to be digitally savvy. This is a very special group of consumers who are forcing companies to adapt to them in a larger sense than before and they are behaving differently from previous consumers (Walls, 2015). Opinions and actions can change in an instance forcing companies to be extremely agile and invest in order to survive in today's fast-paced environment (Walls, 2015). Additionally, millennials are the biggest generational group since the baby boomers (Smith, 2012). They have been found to have different habits such as being more qualified, well off and socially developed from an earlier age (Howe, Strauss & Matson, 2000). Growing up with access to endless amounts of products and services, choice is seen as a birthright (Howe et al., 2000). Millennials have also been found to be increasingly price aware, due to the accessibility of information available online. Their consumption patterns differ to other generations, as a third have been found to only purchase products or services that are necessities (Walls, 2015). This is the reason why millennials have been chosen for this specific case, as their consumption patterns and behaviors are important to comprehend for businesses acting in the market.

The people interviewed in this report all fit the profile of a millennial even though their life situations differ, as presented below. Their names have been changed in order to preserve the anonymity and therefore enhance their ability to speak freely (Bryman & Bell, 2007).

Name	Age	Situation
Annie	27	Student and part-time worker, lives with her boyfriend in the city and have a car.
Sonja	26	Student and part-time worker, lives by herself in the city with no car.
Emma	25	Student who lives with her boyfriend in the city center with no car.
Andy	26	Student and part-time worker, lives with his girlfriend outside town without a car.
Johan	25	Student who lives by himself in the city without a car.
Jenny	25	Works full time, lives together with her boyfriend without car.
Jackie	22	Student and part-time worker. Lives alone with a dog in the city.
Peter	25	Works full time. Lives with girlfriend outside of town with no car.
Petra	25	Student and part-time worker. Lives alone outside town without a car.
Robert	28	Works full time. Lives with a roommate and has a car.

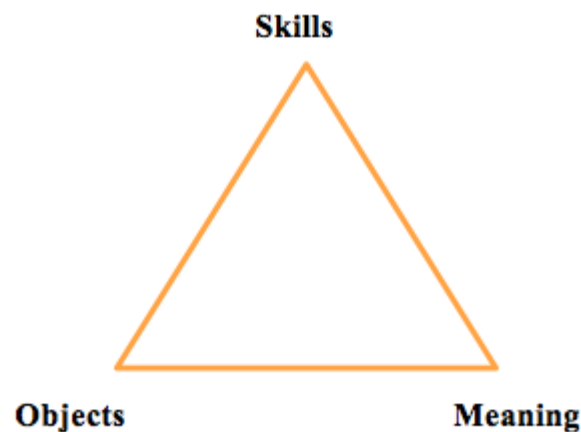
### ***Data Collection and Analysis***

The primary data was collected through the conduction of 10 semi-structured in-depth interviews. They all lasted for an approximately 40-60 minutes and every interview was transcribed immediately. This helped provide a correct interpretation of the interview and allowed us to return and update a limited memory when analyzing the results (Bryman & Bell, 2007). We did come across some difficulties, specifically regarding finding appropriate people to interview. Many have tried shopping groceries online but only for a limited period of time and that didn't allow us to map the practice of shopping groceries. We therefore spent more time than originally planned to find relevant candidates for the study. As it turned out, this paid off in the end as only candidates who had extensive experience with online grocery shopping were a part of this study.

A framework of interview questions, as seen in Appendix 1.1, was composed alongside practice theory and more specifically with the help of Figure 1 seen below using skills, objects and meaning. In order to understand the practice of shopping groceries online, we first need to understand the practice of shopping groceries offline where being first on the market is proven to be an advantage (Urban et al., 1986). We can then make a comparison to

the practice of shopping groceries online with the ambition to find differences that can be linked to FMA. Our interview questions were therefore focused on the consumption of shopping groceries as a whole, not only online.

Practice theory has been approached by various authors and generated various conclusions regarding its definition. Schatzki (2001) argued that practices consist of ‘materially mediated arrays and shared meanings’ meaning numerous existing elements including images, varying competences and tools. Reckwitz (2002) further argues that ‘things’ are centrally relevant in the production and reproduction of practices. This is then concluded by Shove and Pantzar (2005) that practice theory can be interpreted in three various ways: objects, skills and meaning, as seen below.



**Figure 1.** Practice Theory (Inspired by Shove & Pantzar, 2005).

In order to understand this, Shove and Pantzar (2005) explains that to fully perform a practice these three factors need to be outlined. Firstly, some sort of objects needs to be used in order to perform the practice. As Reckwitz (2002) explains that practices are routinized behavior with elements that are interconnected, it can be understood that the objects used for the practice is important. Skills are another factor used by Shove and Pantzar (2005) that helps outline how practices can be interpreted. In order to perform a practice and to effectively use the objects provided, various skills-sets need to be found within the performance. Lastly, as explained by Shove and Pantzar (2005) meaning or image is important to include within the interpretation of practices. This is due to that the practice is performed as it evokes emotions for the performer. Therefore, this particular way of interpreting practice theory is essential as it takes the various aspects into consideration. This was helpful as it allowed us to compare how the consumer performs the same practice in an online setting as well as an offline setting.

It is identified by Shove & Pantzar (2005) that other factors need to be taken into consideration when studying practices, such as the history and the future. Therefore both offline and online grocery shopping will be analyzed as this adds value when researching practices: offline grocery shopping being the history and online being the future. According to Shove and Pantzar (2005) practices are constantly changing and transformed. Further, practices come into existence, persist and then disappear as the factors of object, skills and

meaning are constantly made, sustained and consequently broken. Although, it is argued that it is still vital to discuss and identify these factors at any point in time within practices (Shove & Pantzar, 2005).

In order to analyze and interpret the data collected we identified three themes derived from the interview responses (Bryman & Bell, 2007). Even though the interviews were based on a practice theory framework, the analysis was not. The themes derived from consumer interviews will help us find common factors that can be analyzed with FMA in mind.

### ***Validity and Trustworthiness***

Eriksson and Kovalainen (2008) talk extensively about validity in research. They argue that for qualitative research, there is both internal and external validity, but both refer to if the research is correct or not. Internal validity is more specifically whether or not the study provides a correct image of reality (Eriksson & Kovalainen, 2008). The empirical findings are properly collected; however, it should be recognized that the writers personally make the interpretations of them. External validity is according to Ritchie and Lewis (2003) the ability to apply the produced research on other study areas. A case study though is in general not the best research approach when attaining a generalization (Yin, 2003). Including the low amount of interviews and the specific geographical area, our study will therefore not be able to generalize. However, we do believe it will contribute with knowledge to the chosen theories.

According to Eriksson and Kovalainen (2008), the study's trustworthiness is another factor to assess the quality of the report. It refers to how well the study can be replicated if used the same methods and end up with similar results. In order to confirm trustworthiness, we've therefore been transparent with our research process and included the interview form in the report.

### ***Findings From Grocery Consumers***

From the conducted interviews, three themes were identified and will be discussed and presented further below. The first theme identified was the low loyalty that exists among consumers towards the online grocery stores. This was motivated by the fact that the interviewees of the study were all driven by discounts and could change in an instant if a discount was offered elsewhere. The second theme identified was that the interviewees recognized the non-existence of differentiation among the online grocery stores. In terms of positioning, the difference between competitors is low within the online grocery market, whereas in the offline market the difference between competitors is much more clear. The third and final theme identified was that the perception of online grocery stores' platforms are standardized, meaning that even though the customer have never visited an online grocery store before, they still believe that they know how to navigate because the structures are similar.

### ***Low Loyalty Online & High Loyalty Offline***

During the collection of empirical data, it became apparent that the group of millennials interviewed had a low loyalty towards the online grocery stores. As it seems, a majority of

the interviewees got into trying shopping for groceries online due to a discount promotion of some sort.

*“We tried Linas Matkasse because we got a discount.” - Johan [Interview, 2017-03-15]*

When comparing this to when the various interviewees were asked about their in-store or offline shopping routines, the majority expressed that they shop at the store that is closest geographically. Many argued that they often stay loyal when it comes to physical stores, due to a few factors such as complexity of switching and comfort. This being even though the store offered the lowest or the highest prices, the location was argued of being the deciding factor. When being the first actor on the market, or being able to target specific geographic locations earlier than competitors this can earn firms a competitive advantage (Carpenter & Nakamoto, 1989) as shown among the interviewees. Loyalty among millennials is found to be circumstantial in terms of grocery shopping. This is due to that in-store or offline consumers develop routines and the particular learning curve of shopping in a certain store is longer compared to online. Once the store is known, the interviewees argued that they almost never switch unless they are forced to by various unplanned shopping trips. All interviewees were found to be both loyal but also satisfied with their current offline grocery provider, and as Walls (2015) argued that millennials are difficult to satisfy over a longer period of time this is found to be disproven in regards to offline grocery consumption. On the other hand, when it comes down to online grocery shopping, the factor of location disappears and price overtakes as the one factor that will drive consumption. According to Walls (2015) millennials are found to be increasingly price aware, this being due to the vast amount of information available online and therefore enables this particular group to compare to a larger extent. This in combination with this group being more qualified, well off and socially developed from an earlier age (Howe et al., 2000), the online grocery market is experiencing difficulty dealing with millennials.

*If another store did like a ‘shop here and get free delivery’-promotion or something I could change. Yeah they can lure me with money.” - Emma [Interview, 2017-03-27]*

Overall the consumers were found to be driven by discounts. It was expressed that the reason why most decided to either try or become frequent customers at other online grocery stores was triggered by discounts. For example, Andy (Interview, 2017-04-05) mentioned that he would not have become a customer at all if it weren't for the offered discount. Although he's currently a perfectly satisfied customer at one online grocer, he would change to another online grocer if offered a discount elsewhere. Similarly, this was argued by Annie (Interview, 2017-03-30) who was initially a customer at Mat.se because she was given a discount. She expressed that she then received a similar offer from Mathem.se, which made her change.

All interviewees expressed that they are subject to personalized marketing by all of their local actors within the online grocery market. This means that they are aware of all online grocers in the market, and when they subsequently are offered a discount elsewhere, the particular brand is known. In combination with the known brands of online grocers, various

recommendations from online reviews, friends and relatives leads to that the barrier of switching online grocer is small. Hanus (2006) argues that the switching costs online are much lower than they are offline, leading to an increased consumer power. Further, one participant both buys groceries online for work but also when doing personal shopping and is largely satisfied today. But this did still not motivate him to stay a customer.

*"I buy from Mat.se every week as we buy groceries for my office and for my own personal groceries, which I am in charge of and very satisfied with their services. However, if there would be a better offer provided elsewhere I would definitely try it." - Robert [Interview, 2017-04-17]*

It was also mentioned that once signing up for a specific online grocer, it's easy to continue being a customer as long as they are satisfied as one interviewee explains, especially if the service is based on a subscription as in the case of Linas Matkasse.

*"We tried it out (Linas Matkasse) because we were offered a week for free, and we liked it so we've stayed." - Sonja [Interview, 2017-04-02]*

However, this does not guarantee that they will continue to be customers. Even if the consumers started shopping at one specific online grocery store, many were more than willing to change if given a discount somewhere else. This also explained by Walls (2015), that various initiatives can enhance the likelihood of loyalty or repurchase, but cannot be guaranteed with millennials. Willingness to change can be argued by that the switching costs and barriers between the various online stores is low, and that it is easy to become a customer elsewhere.

Conclusively, there isn't much that would keep the consumers loyal and ignore a better offer from another actor on the online grocery market. This particular aspect argued by various interviewees added a factor when it comes to online grocery shopping. When a service offered by an online grocery provider is seen as superior to others, they choose to stay loyal. If the same emotions are evoked online as many interviewees argued are found during offline grocery shopping, the customer experience will be increased and increase the likelihood of loyalty towards the particular grocery provider. Even though they are satisfied with their current online grocery, a discount would motivate to switch provider.

### ***Big Differentiation Among Grocers Offline, Non-Existent Online***

Throughout the study it was found apparent how differently all interviewees felt about offline in-store grocers in comparison to online grocery shopping. This came down to image, communication and the lack of differentiation between the various stores where they all currently shop.

*"There's really a distinctive difference in how the (offline) grocery stores position themselves, both in terms of price segments, but also in their offer." - Johan [Interview, 2017-03-15]*

This was further motivated by that the different offline grocery stores available to shop at in-store has different segments in which they choose to target. Many argued that this is obvious through a number of factors such as where they are located, prices offered and how the store is designed.

*“I feel like there’s a huge difference between Lidl, Ica, Willy’s and Coop. Some are premium, some aren’t. Some are cheap, some aren’t. It is obvious.” – Emma [Interview, 2017-03-27]*

This means that it is perceived that all stores operate in different segments, and that the consumers that shop there are a part of their respective segment. Peter (Interview, 2017-04-05) argued that he chooses to shop at Ica since he wished to be a part of their clientele, and that he felt as if they offer better products to lower prices, which adds value. Further, offline stores have a clear difference in their communication, making it clear as to where on the market they position themselves. As Bond and Lean (1977) argued that the first firm to offer a new product would gain substantial sales advantage, it could be said that the offline grocery market follows those guidelines. It is extremely difficult for a new grocer to enter that market, as the actors now present have been experiencing oligopoly for a substantial amount of time. The implications of this meant that consumers know where they should consume depending on their particular need. Although all interviewees did not agree on it, one interviewee argued that:

*“Of course there is a difference between different stores, Coop and Ica are like one segment and Willy’s and Hemköp is another. There is a distinctive price differentiation, the first mentioned feel more luxurious, even if they might not be.” – Andy [Interview, 2017-04-05]*

As offline stores were argued to clearly differentiate themselves, something that has been argued by the interviewees to be lacking among online grocers. Many argued that there is no clear difference between them, offering the same brand image and little differences in stock. When asked about the online grocery stores respective differences two interviewees responded:

*“All of the online actors have the exact same image. I’m sure they have the same stock as well, without actually knowing. However, the offline stores images transfer to their online store as well, like Ica for example, it’s the same online and offline.” – Emma [Interview, 2017-03-27]*

*“I can’t say that the online stores have succeeded differentiating themselves from each other, if anyone is more premium than the other I can’t say which.” – Annie [Interview, 2017-03-30]*

Andy (Interview, 2017-04-05) pointed out that the online stores perhaps have decided to position themselves in the same market since they hope to reach the same consumers. It was expressed that they are too equal meaning that none of them stick out in any way. Petra

(Interview, 2017-04-16) explained that traditional offline grocery stores are distinctly different both in terms of their personalized targeting, and consequently who decides to shop there. In accordance with Lieberman and Montgomery (1988) who state that late-movers can gain advantage from attaining R&D and other important knowledge about the industry in whole, one could say that Ica along with the other offline grocers have waited for someone else to kick start the market for them. It's only until recently they are starting to establish themselves online and they are entering the market with a so-called me-too strategy (Besharat, Langan & Nguyen, 2016). Basically, they are offering the exact same thing as the PYO-grocers, and even if the customer won't see a price differentiation, the offline grocers already possess an advantage with economies of scale and network of actors in this industry that can help them increase their margins in a way the online grocers cannot. One example that stands out is the following:

*“Ica has really succeeded in translating their communication offline to the online side, it's cohesive, it feels like the same store.” – Sonja [Interview, 2017-04-02]*

As various offline stores have managed to have a clear target market and to attract consumers as they wish to identify with their respective stores, this has been clearly identified by the interviewees that online stores are unable to copy. The offline stores have a clear marketing, customer base as well as brand image according to the interviewees. This makes it easy to identify with and to know which specific store to visit in terms of what errand is intended. Online stores lack strong communication as to what their particular niche is, if there is one in comparison to offline stores. Therefore, we see an advantage for the offline stores who are now starting to enter the online concept, as they can bring their strong brand image into the new market. In a way they are the first movers in the food market as a whole, having provided that service for years. Consumers trust them with food and that trust seems to elongate online even though they are new to that concept. As Carpenter and Nakamoto (1989) argue, the advantages such as brand recognition from consumers and an already existing network with important actors are of course present today for Ica, who was brought up multiple times as an example by the interviewees. Clearly it seems like they can gain something from that, initially. But as it was proven from Theme 1, loyalty is lost to discounts. If the offline stores don't succeed to provide an equally good online grocery store as their purely online pioneer competitors, the winning factor might then be their customer incentive programs that can continuously attract existing customers to both of their channels. According to Sweeney (2006) it can increase the possibility of purchase with 78%.

### ***Importance of Knowing the Store Offline Compared to Online***

From the interviews, it became evident that the habit of knowing the store offline is preferable, meaning that very few prefer to shop at a store they're not familiar with as this leads to confusion regarding the stock and orientation. The third and final theme was identified to be that the online platform was standardized to a larger extent, whereas the offline grocery stores are more specific. This adds to the specific emotions of the consumers when being in-store.



*“When I know the store it means that I am comfortable and calm when shopping” – Petra  
[Interview, 2017-04-16]*

Various interviewees argued that it adds comfort and ease when grocery shopping in a store offline where you have been before and frequently shop. According to Johan (Interview, 2017-03-15) this is due to that “...you know where to go, where the stuff is and it’s easier to remember what you were supposed to shop”. From theory, Carpenter and Nakamoto (1989) explained that factors such as loyalty from customers are advantages found from a FMA. A pioneer within the market will create and establish various consumer preferences, leading to that consumers will compare new entrants to the established pioneer (Kerin et al., 1992). In the case of offline grocery shopping, the customer experience of ‘knowing the store’ aids pioneers’ within the market of keeping market shares. Consumers, as explained, prefers to continue shopping where it is ‘calm and comfortable’. Derived from this, in accordance with Lieberman and Montgomery (1988) who explains that pioneering firms have the ability to earn positive economic advantages by entering the market in an earlier stage. As found among the interviewees, they all preferred to shop at familiar stores in terms of store layout, design, brand and products.

Emma (Interview, 2017-03-27) added that it is preferred to visit a store that she has been in before, because it is easier. It was added that various interviewees found it to be extremely annoying to visit grocery stores and not find what they were looking for. The amusement of shopping is exponential visiting and shopping in stores that they have been in before compared to offline stores that are new. This is due to that it speeds up the overall process, as being familiar to where the specific groceries are placed leads to less confusion. The time it takes to go shopping is always a factor; the faster the better (Annie, Interview, 2017-03-30). As pioneers in the market have shaped consumer preferences by persuading them that their particular assortment, store design and products are superior to competitors they gain advantages through routine (Kerin et al., 1992). As the interviewees explained the importance of knowing the store located offline, this gives an extraordinary customer experience and has a direct correlation with the advantages of the store location but also duration on the market. This shows the success that various offline grocers have achieved in retaining the millennials participating in this study, since they are unpredictable in their choices (Sweeney, 2006), frequently changing their consumption patterns and behavior (Wall, 2015). Within traditional grocery shopping the presence of millennials is strong as the alternatives have been few historically, but as the presence of online grocers have grown, their consumption behavior has seen a slight shift. The various settings in which the practice of grocery shopping now can be performed have increased (Hagberg et al., 2016). The alternatives that are provided for consumers are aligned with preferences among millennials (Sweeney, 2016). In comparison to this, online stores were argued to be more standardized, making the process of shopping online easier when it comes to different shops.

*“Shopping online is the same on every site, the layout is like any online shop; either shop by categories or use the search tool.” - Emma [Interview, 2017-03-27]*

Overall, the interviewees argued that all stores are standardized to the extent that there is no difference between the various actors in the online market when it comes to usage of the service. As many interviewees explained, when shopping offline there is a different comfort and routine as to when one shops online. These routines are more standardized and offers a less complex experience. This allows for the platforms online to quickly provide for an overall better comfort, whereas in-store offline routines need to be developed over a longer period of time. When shopping for a cucumber, it was argued that it is the same on every site with no difference (Andy, Interview, 2017-04-05). Argued in FMA theory, it has been outlined that positive economic profits can be earned by being a pioneer in the market (Urban et al., 1986). As found from interviewees this can be confirmed in terms of offline grocery shopping, but when purchasing groceries online the offering among competitors in the market is similar. This means that advantages of being first in the market is smaller as new competitors can lure consumers by offering various advantages of switching. As the product offering among grocers online is alike, the factors including switching costs arguing for a FMA online is non-existent (Carpenter & Nakamoto, 1989), as the consumers often experience a positive economic advantage of switching grocery provider online. The standardized platforms have led to that very few grocers have gained a competitive advantage in the market. As millennials have been found difficult to satisfy over longer periods of time (Walls, 2015), this causes a major obstacle for online grocers. Although, it has been argued that incentive programs increase the likelihood of purchase by 78%. This does however not guarantee loyalty or repurchase, but does enhance the possibility. One interviewee added that there is some difference between the various online actors, regarding the process of navigating the site, which could create confusion (Annie, Interview, 2017-03-30). Although, it was argued that this is a small factor, and that the overall experience is similar within all online grocers.

*“I’m more comfortable buying from an online store I’m used to, because I don’t know how the others work. This goes for any store offline as well”. - Sonja [Interview, 2017-04-02]*

One interviewee argued that she had only been a customer at one online grocer, meaning that the same comfort that was present offline was translated online. However, she also mentioned in the interview that if a better offer were given elsewhere she would switch grocer. Wilson-Jeanselme and Reynolds (2006) argues that as digitalization has increased, the choices given to consumers have grown exponentially, meaning that millennials are constantly looking for the best offers. Astonishingly, 56% of millennials discuss products that they have or will consumer in the future (E-Marketer, 2010). Consequently, this specific group of consumers are market mavens, and as a group difficult to deal with for online grocers. As the willingness to switch provider solely based on price, even though they are satisfied with the service is a phenomenon that has changed the online market. The barriers between the grocers are as explained small, and switching costs are low, meaning that a majority of the interviewees experienced a limited difference between the online grocery providers. Throughout the interviews it was clearly shown that the various platforms online were standardized and that this led to that switching was easier than offline. The ease of use online also led to that numerous interviewees bought more products than perhaps planned:

*“Having a subscription to Linas Matkasse means that I have several times chosen to add items to my bag as it is easy to use.” – Jackie [Interview, 2017-04-02]*

Some grocery providers (such as Linas Matkasse) have understood the millennial consumer and their respective behavior, which means that they have innovated their own technology to enable a superior ease-of-use with a subscription model. By doing this, it has been argued that they retain the customers by offering a starting discount, and this led to that this many of our interviewees chose to stay customers (Jackie Interview, 2017-04-02)

When comparing the offline and online shopping routines, some interviewees argued the big differences between the two. Entering a new store offline added stress and discomfort, as all preferred consuming at offline grocery stores that they knew.

*“When I know the store it means that I am comfortable and calm when shopping.” – Petra [Interview, 2017-04-16]*

Additionally, an interviewee mentioned that they buy more products when the store is better planned, which is directly correlated to knowledge of the store itself (Sonja, Interview, 2017-04-02). On the other hand, it was argued that the stores online are standardized to such an extent that the experience of using the various online grocers is minimal. This leading to that the customer experience of using the different online stores is so small that most of the interviewees rarely reflected as to if there was a difference at all. Being able to offer the same type of comfort online and superior product offering will increase the likelihood of customer loyalty. By providing the best product or service offering in the market it can ensure online grocery market success.

### ***Discussion and Conclusion***

This report has outlined three themes among the interviews conducted based on consumers and their grocery shopping habits both online and offline. On the basis of previous research, it has been found that there is a FMA within traditional shopping, but the aim was to investigate if this also was the case in an online setting, using the Swedish online grocery market as an example.

We found that the majority of the interviewees were willing to change from a store that they are pleased with, to a store they've never tried before, just because of a discount. Additionally, the majority felt that it was easier to become acclimatized to a brand new online grocer compared to an offline grocer. Finally, the majority felt that the online grocers who are currently present on the market are similar in their positioning. Due to these various factors, we have identified that in the Swedish online grocery market, there is not a FMA due to the low switching costs, disloyal consumers and the standardized online platforms used. Actors within the market that are first do therefore not have an advantage compared to future entrants. Conclusively, we can agree with Golder and Tellis (1993) that FMA is circumstantial. In the case of the Swedish grocery market, one could see that the offline

stores who are now lately entering the online market have an easy time just adapting to the settings and bring their brand image to the new concept. Maybe in another market where it's purely new upcoming online actors, the circumstances are different. Therefore, we wish to argue for a different concept in accordance with the findings presented: *Best Mover Advantage*. This entrance strategy does not focus on when the actor enters the market but what the product or service offering is. A few interviewees argued that they chose to stay loyal towards grocers due to that the offering was superior to others. Grocers should strive to provide the same comfort offered offline in the online setting, and by doing this it would effectively lead to both loyal and satisfied customers. A way of ensuring this will be by applying the best mover advantage, hence providing a superior service compared to competitors. As the interviewees were found to be driven by discounts, pricing strategies among grocers should be prioritized in order to retain customers.

The contribution made by this article will help broaden the knowledge within the field of strategic management and FMA. Additionally, we hope to inspire other researchers to include consumers and consumption as a way of analyzing a market phenomenon further. Results wise, we are aware that no generalization can be made. However, on a more practical note, we hope that this report will help retail actors who are considering rejecting a market because it's said to be saturated might think again. If they can enter a market and offer a better service, or the same service but with a competitive price or margin, they have a better opportunity to succeed with today's conditions than back in the days when FMA was acclaimed as a truth (Carpenter & Nakamoto, 1989). The 'disloyal' millennials are surely more preferable to serve as a late entrant as they are easy to lure away from other actors in the market if the offer is better elsewhere, but also easier to lure back if lost.

An important factor that seems shortsighted in this market is the fact that loyalty is lacking to such a wide extent. The consumers will go anywhere there is a discount. But can that really last in the long run? One may wonder if the online grocers can afford to provide discounts, or from a marketing perspective, do they want consumers to associate them with discounts? From a consumer's perspective, won't they get tired of always keeping track on where it's most cheap to shop? And lastly, from our perspective as researchers, maybe we need a couple of more years before analyzing this market so that both sides can decide on other factors that matter more to them than discounts.

### ***Limitations and Future Work***

This paper has found three overall themes when investigating consumers in the market and their particular opinions and routines in regards to offline and online grocery consumption. While doing so, the ambition was to investigate if there was a FMA present within the Swedish online grocery market. Various limitations were present in the study, such as solely interviewing millennials. This is due to their overrepresentation within consuming groceries online. The found themes are applicable to the Swedish grocery market, but this does however not represent the entire market, and therefore no general conclusions as to if there is a FMA present within other markets online can be made. This is because of the number of interviews conducted, making it difficult drawing general conclusions.

In accordance with this, the future needs to further investigate the FMA within online markets and how this is affected in a larger context. Both being able to make general conclusions about geographical and specific product markets. This will then hopefully enlighten pioneers and market entrants as to what strategies work when entering saturated markets without only competing on price. Additional research should investigate how the FMA has been eradicated in other markets as well, encouraging firms to enter these markets even though they are saturated. Another interesting area of research that can help build on this concept is the Omni-channel, the blending of online and offline. Investigating how the Omni-channel affects the practice of grocery shopping and how this consequently affects the customer experience is an area that will grow in the future.

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## *Appendix*

### 1.1 Interview questions

#### **General questions**

Age?

Occupation?

How often do you shop?

Where, city and stores?

To whom? How many in the household?

How important is food to you? Why, why not?

Does that translate to food shopping as well?

#### In store

##### **Objects**

Can you walk us through a typical shopping experience from initial thought to loading the groceries in the fridge?

*What type of objects do you need in order to do your grocery shopping in store?*

##### **Skills**

Do you plan your purchases prior to grocery shopping or shop spontaneously? Why, why not? How do you plan?

Do you have a grocery store you most often visit? Which?

Why do you shop there? (stock, location, etc.)

When you do shop somewhere else, why do you change?

Is there a difference to shop in a store you've visited before or in a store you've never been? Why?

##### **Meaning**

What feelings are evoked when you shop groceries in a store?

Do you feel a connection to the grocery store you most often visit? If so, why?

Are there different images associated to different grocery stores? Which?

Is there a difference to shop on different days of the week? If yes, how?

#### Online

##### **Objects**

Can you walk us through a typical shopping experience from initial thought to delivery?

*What type of objects do you need in order to do your grocery shopping online?*

##### **Skills**

Do you plan your purchases prior to grocery shopping or shop spontaneously? Why, why not? How do you plan?

Do you have an online grocery store you most often shop at? Which?

Why do you shop there? (stock, reputation, delivery, membership, familiar)

When you do shop somewhere else, why do you change?

Is there a difference to shop in an online store you've visited before or in an online store you've never visited? Why?

**Meaning**

What does it mean, to you, to shop in an online grocery store?

Do you always visit the same grocery store? Why?

Are there different images associated to different online grocery stores? Which?

Is there a difference to shop on different days of the week? If yes, how?

What type of people do you think do their grocery shopping online?

What type of people do you think have never tried doing their grocery shopping online?

**Closure**

Do you think it is easier to shop online or offline? In what way?

How do you think you will be doing your grocery shopping in 10 years?