

Covid-19 and the establishment of Amazon in Norway

A Comparative Case Study on Their Impacts on Norwegian Omni-Channel Retailers in the Consumer Electronics and Home Appliances Industry

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Preface

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1. Introduction

During 2020, the Norwegian society was heavily affected by the Covid-19 pandemic. Some industries, such as domestic and international travel, experienced severe losses to their revenue streams almost overnight. Restrictions imposed by the Government forced many stores to close during large periods time, as well as they encouraged people to stay home and avoid unnecessary physical contact with others to contain the spread of the virus.

(Tushman & Anderson, 1986) points out that shocks can render previously relevant resources and competencies obsolete, as was the case in the Norwegian travel industry where most people were put on paid leave. But if a firm can identify and anticipate changes in their environment (Sirmon, Hitt & Ireland, 2007), they can assess and invest in real options to make viable decisions and if necessary, reconfigure their business model by having access to different alternatives.

This thesis will therefore look at Elkjøp and Power, the two major omni-channel retailers in the Norwegian markets for consumer electronics and home appliances, and how they faced the Covid-19 pandemic. The first question posed is:

To what extent were the two major Norwegian omni-channel retailers in the Norwegian market for consumer electronics and home appliances, Elkjøp and Power, positively or negatively impacted by the Covid-19 pandemic?

As the reader might have already guessed – encouraging people to stay home, to avoid excessive physical contact and social interactions, and the closing of stores – led to changes in consumer shopping behaviors and consumers started to transition away from physical stores and onto online stores. As Amazon has started to enter the Nordic markets, it is fitting to compare how Elkjøp's and Power's responses to the Covid-19 pandemic translates into how they will be impacted by the establishment of Amazon in their markets, thus the question:

And how do these impacts compare to how Elkjøp and Power will be affected by the establishment of Amazon in said market?

According to Resource Based Theory (Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993), a competitive advantage can only be sustained if the resource(s) or asset(s) leading to the competitive advantage is valuable, rare, imperfectly imitable, and non-substitutable. This

research will thus investigate whether Elkjøp and Power have the necessary resources and assets to compete with Amazon in the short, medium, and long term.

2. Theory

This section seeks to provide a review of existing literature relevant to the research question and will also be referenced later when discussing findings. I will first draw on literature from resource management during environmental uncertainty. This serves to describe the response from Norwegian omnichannel retailers such as Elkjøp and Power, when confronted by governmental requests of closing stores and encouraging people to stay home in order to contain the spread of the Covid-19 virus. I then seek to delve into literature on Resource Based Theory (RBT) relevant to the research question addressed in this thesis.

2.1 Resource management during environmental uncertainty

Uncertainty will in this study refer to the extent to which future states of the environment can be either accurately predicted or expected (Tushman & Anderson, 1986; Pfeffer & Salancik, 1978). Uncertainty can be regarded as a spectrum, where at the end we have what we call a *Black Swan*; an event that is both fully unexpected and lies *outside our tunnel of possibilities* (Taleb, 2010). The Covid-19 pandemic was not a Black Swan (Avishai, 2020), even though some might use the term loosely. However, it was a *shock*, which (Tushman & Anderson, 1986) describes as events that cause discontinuities in industries.

As pointed out by (Tushman & Anderson, 1986), shocks can render previously relevant competencies and resources obsolete. Here in Norway for instance, travel agencies and many other parts of the travel industry was put on standby, and their competencies became temporarily obsolete. It is therefore noteworthy to acknowledge how Elkjøp, despite having closed many of their stores, encouraged customers to participate in video chats at their online website where the customer could be shown the products they were interested in on a live stream. This way, the products that were on display inside the stores served a purpose instead of being obsolete. But changes in the firm's landscape as a result of a shock can now also enable new resources and competencies that were previously non-relevant, as both valuable and desirable to obtain. However, these resources and competencies have yet to be tested and proved under the new environmental conditions, thus they carry a risk. But they do present a historical opportunity for competitive advantage, even a sustained one (Barney, 1991), to those who are willing to take the risk of adopting them (Tushman & Anderson, 1986).

(Sirmon, Hitt & Ireland, 2007) argues that firm managers should always strive to identify and anticipate potential changes in their external environment, especially those changes that can affect the firm's ability to create value for the customer; but when environmental uncertainty increases and these potential changes becomes harder to identify and anticipate, it might become impossible or too expensive to acquire the information needed to be able to sense these upcoming events (Penrose, 2009). Thus the firm should seek to invest in real options in order to stay flexible, rather than overly investing in specific resources of which some run the risk of becoming redundant when faced with a shock or other types of unforeseen change (Sirmon, Hitt & Ireland, 2007). Assessing the value of real options currently available can disclose the opportunity cost of abandoning, continuing, or expanding a project or a resource (Trigeorgis, 1996). This will help the firm to make viable decisions, and if necessary, reconfigure their current business model to further provide superior customer value. If a firm seeks to invest in resources that enable real options, some of these resources needs to be developed internally, as not all resources can be easily acquired externally from strategic factor markets or the like. This isolation of resources will in turn increase their level of causal ambiguity (Dierickx & Cool, 1989; Peteraf, 1993; Sirmon, Hitt & Ireland, 2007), which in turn can give rise to a sustained competitive advantage (Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993). However, a more important acknowledgment of such resources is their potential of having multiple areas of use and thus being of vital significance in the face of a shock, as they may become a critical part of a firm's response. How Elkjøp and Power managed to keep utilizing their sales staff when their stores closed is an example of this.

2.2 Resource Based Theory

First, a clarification of what constitutes a *resource* seems to be in order. The term "resources" is often used to denote a firms' tangible and intangible assets (Lieberman & Montgomery, 1998; Barney, 1991). Inside these two categories we find all the firm's physical resources, financial resources, human resources and information resources. These four categories include resources such as a firm's assets, capabilities, organizational processes, firm attributes, information, knowledge, skillsets, and so on. In other words, resources are what makes an organization (Penrose, 2009); and acquiring and/or leveraging certain resources can mean the difference between the firm upholding its competitive parity in the market, or being able to achieve a competitive advantage, or even a *sustained* competitive advantage. For a resource to generate a sustained competitive advantage through long-term heterogeneity, it must be *valuable*, *rare*, *imperfectly imitable* and *non-substitutable* (Barney, 1991). A resource is not very relevant if it

does not add value to the firm and/or its stakeholders, but what exactly constitutes a *valuable* resource is often dependent on the context in which it is utilized (Miller & Shamsie, 1996).

2.2.1 The dynamic value of resources and their interdependencies

As (Penrose, 2009) also states, a set of products, or services in the form of functions or activities, can be yielded by a set of resources; but when the same resources are used for different purposes in different ways, and often in conjunction with other resources, different sets of products and services are obtained. For instance, learning algorithms used in self-driving cars will produce quite a different outcome when the same types of algorithms are used to identify what customers pick up from the shelves and put in their shopping carts at Amazon Go stores. This means that if you as a firm invest in copying a competitor's resource, you should not expect *that resource* to play out in the exact same way at your firm as it did at the other firm, if your firm and the competitor's firm is dissimilar. What might constitute a valuable resource to your competitor, might not turn out to be a valuable resource at your firm, as some resources can be firm-specific (Peteraf, 1993).

Resources are seldom static, and the same resource often have more than one area of potential use. That doesn't mean, however, that it has many *relevant* areas of use *to the firm*, taking into account how the firm is structured today. But as time passes, so does consumer demand and consumer preferences. Firms that are customer oriented must therefore alter their business in alignment with changes in these new demands and preferences. As firms then change, they must find new ways of utilizing their existing resources, or these resources will be rendered obsolete. It is of course not clear that the firm should keep utilizing their current resources. For a firm who seeks to stay competitive, a technological shift for instance might force it to abandon much of its current resource pool as new technology often demands new resources, either be it new areas of expertise and competencies, or renewed manufacturing facilities and machinery. In turn, the value of a firm's resources is always shifting, depending on both internal changes within the firm and external changes in the firm's broad environment.

The interdependency between firm resources and how their value to the firm can be regarded as dynamic, will in itself add to the causal ambiguity of a resource. A firm might identify the resource of a competing firm as extremely valuable to their business and try to imitate it. The result might be that the resource holds no value to the firm at all, as little as gasoline holds value for a car that runs on diesel. Causal ambiguity makes it very difficult for a competing firm to know exactly *what* to imitate (Peteraf, 1993) or even *how* to imitate it. Furthermore, it seems reasonable to assume that the more resources a firm holds, the larger the interdependencies are

between the resources and the more firm-specific they become. This further adds to the difficulty of imitating a single resource and expect it to hold equal value to your firm.

2.2.2 Sources of sustained competitive advantage and barriers of imitation

When your firm holds and utilizes such valuable resources that others fail to imitate, you *might have* a sustained competitive advantage; in addition to being valuable and difficult to copy, the resources as mentioned at the start of this section must also be *rare* and *non-substitutable* in order to achieve a sustained competitive advantage (Barney, 1991). Firstly, resources that are common and easily accessible can hardly give rise to any competitive advantage, as your competitors will get them too if they are deemed valuable enough. Secondly, if there are other *strategically equivalent valuable* (Barney, 1991) resources that your competitors can acquire as substitutes for the ones you hold, you can at most achieve a momentary competitive advantage depending on the accessibility of the substitute resource, but not a sustained competitive advantage.

The RBT literature has focused a great deal on barriers to imitation and sources of imperfect imitability, as the sustainability of a firm's competitive advantage depends on how easily its resources can be copied or imitated (see e.g. Barney, 1986; Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993; Miller & Shamsie, 1996). Barney (1991) suggests that barriers to imitation of a resource can emerge from (1) *unique historical conditions*; (2) *causal ambiguity*; and (3) *social complexity*. Dierickx and Cool (1989) have a slightly different approach and suggests that barriers to imitation of non-tradeable asset stocks can emerge from (1) *time compression diseconomies*; (2) *asset mass efficiencies*; (3) *interconnectedness of asset stocks*; (4) *asset erosion*; and (5) *causal ambiguity*. Both these approaches to what constitutes barriers to imitation provide valuable insights into potential sources of sustained competitive advantage.

I will start by addressing Barney's (1991) barriers to imitation and sources of sustained competitive advantage. Firstly, in terms of *unique historical conditions*, a resource may become obtainable only at a certain point in time, and once this moment passes, the resource cannot be obtained anymore, and thus they are imperfectly imitable.

Secondly, in terms of *causal ambiguity*, the causal relationship between a firm's success and its resources might not be understood, or not understood *well enough* in order to imitate them. As mentioned earlier, the interdependency of resources makes it difficult to identify which resources are valuable and which are not. Causal ambiguity is perhaps the strongest barrier to imitation. However, as (Rumelt & Lippman, 1982) also address, the causal ambiguity must be

equal to both the firm that possess the resource, and the firm that wishes to imitate it. If the firm holding the resources gets a better understanding of how the resource is giving them a competitive advantage, then competing firms can try to acquire this knowledge as well. It seems reasonable to suggest that if *anyone* trying to unravel the causal ambiguity of a firm resource can get a better understanding of its causal relationship to the firm's success, then so can any competing firms too, and the competitive advantage will be lost with passing time. That being said, change in itself is more frequently becoming a part of a firm's business and strategy. As mentioned earlier, resources are often dynamic in nature. To be valuable in changing environments, they must have multiple areas of use, or they will turn obsolete. As the interdependencies and interconnections of resources are changing more rapidly, the more difficult it will be to successfully imitate these resources, even if the link between a firm's competitive advantage and its resources can be eventually understood; by the time a competing firm has successfully managed to imitate a resource, the resource might have a new area of use or it has been rendered obsolete. In any case, it might not be worth imitating anymore.

Thirdly, in terms of *social complexity*, a firm's resource may be difficult to imitate if it is part of a very complex social phenomena. Such phenomena can for instance be related to a firm's culture, or the relationship between managers, or a firm's reputation among its suppliers and customers. To socially engineer imitations of such phenomena is very difficult, even though they might be understood and there is no causal ambiguity; therefore they are sources of imperfect imitability.

I will now address Dierickx's and Cool's (1989) barriers to imitation and sources of sustained competitive advantage, but first a quick clarification: when referring to *asset stocks*, I am referring to resources a firm is currently holding. So, *time compression diseconomies* is related to how the accumulation of time invested can create barriers to imitation. Dierickx and Cool (1989) argues that if you double all other inputs while time is being held constant, you will not achieve the same amount of asset stocks as you would if you held all other inputs constant and doubled the time invested. An example that is brought up is doing a two-year MBA program in one year, but doubling all other inputs such as effort, time spent each day on school related work, etc. In contrast, you would likely accumulate more knowledge over the course of two years while keeping all other inputs constant, according to the principle of time compression diseconomies. This means that resources that has been accumulated over a long period of time are often difficult to imitate in a much smaller time frame, even if all other inputs are increased proportionally.

Furthermore, *asset mass efficiencies* relate to the principle of how “success breeds success”. In other words, holding high levels of an asset stock will in turn facilitate the incremental addition of said stock. An example can be users on a social media platform where content is user generated. The more users that join the platform, the more attractive the platform becomes for potentially new users. In this case, most people will join the platform that holds many users compared to the ones that hold few users, all else equal. This accumulation of an important asset stock will thus work as a barrier to imitation for competing firms.

Interconnectedness of Asset Stocks relates to the interdependencies and interconnectedness between asset stocks as previously mentioned in this theory section. The accumulation of incremental additions to an existing stock may not depend on the level of that stock alone, but also on the level of other asset stocks that is interconnected with the first one. Little is to be gained by hiring more machine operators unless you have a sufficient number of machines that needs operating; and vice versa, little is to be gained by buying more machines if you don't have enough machine operators to operate them.

Asset erosion relates to how all asset stocks *decay* in the absence of sufficient expenditures. The reasons behind asset erosions are numerous. For instance, brand loyalty at online retail stores will most likely decay if investments are not continuously put in to secure a system compatible and well-functioning website that is easy to navigate. The slower the decay, the more sustainable a source of competitive advantage the resource is.

Causal ambiguity relates to the inability to identify and control that which adds to the accumulation of asset stocks, much like how (Barney, 1991) portrays it; though an interesting notion put forth by (Dierickx & Cool, 1989) is how having superior means to invest in asset stock accumulating activities can add to the causal ambiguity linked to the firm's asset stocks. An analogy used is pharmaceutical firms that faces high level of uncertainty and low chances of success. However, by having the necessary means to invest heavily in R&D, they will increase their chances of achieving a breakthrough. This can perhaps also be even more thoroughly understood in conjunction with *asset mass efficiencies* and *interconnectedness of asset stocks* as investments often go into increasing a firm's level asset stocks, and the accumulation of asset stocks in turn can accumulate increments of said asset stocks and all those interconnected. *Asset mass efficiencies* in conjunction with *interconnectedness of asset stocks* when faced with uncertainty can thus create a sustained competitive advantage and add to the causal ambiguity linked to a firm's asset stocks.

Imperfect mobility lies implied in Barney's (1991) understanding of barriers to imitation and sources of sustained competitive advantage, whereas in Dierickx's and Cool's (1989) work, *perfect immobility* is a critical assumption; the barriers to imitation and sources of sustained competitive advantage applies to resources that cannot be traded. (Dierickx & Cool, 1989) thus provides a better insight into the complexity that arises specifically from the accumulation and development of resources within a firm (Peteraf, 1993). Peteraf (1993) also points to the fact that imperfectly mobile resources, in the same way as perfectly immobile resources, are tailored to firm-specific needs, often making them less valuable to other firms. Imperfect mobility or perfect immobility are therefore strong forces to the sustainability of a competitive advantage.

As pointed out by (Penrose, 2009: 117) in perhaps the most influential forerunner to RBT, a firm is a *collection of resources*, and its size should be measured by *the productive resources it employs*. What constitutes *productive resources* has been one of the main talking points in this theory section. The purpose of using RBT in this thesis is to analyze the firms' resources, whether these resources provide barriers to imitation and thus can be possible sources of sustained competitive advantage. This will in turn generate insights into how omnichannel retailers such as *Elkjøp* and *Power* will be affected by a possible entrance of Amazon into their market.

3. Research setting

This section seeks to develop a presentation of the case; first by introducing Elkjøp and Power, the two major omni-channel retailers in the Norwegian market for home electronics and appliances; secondly, a short introduction to how the Covid-19 pandemic has impacted the Norwegian retail markets in general; thirdly, a presentation of Amazon's business model and how it differs from the traditional retailing models of Elkjøp and Power. This section was created by using secondary data sources exclusively, as further described in the methodology section of the thesis.

3.1 Elkjøp Norge AS

Elkjøp Norge AS is a privately held company, and the largest omni-channel retailer in the Norwegian market for home electronics and appliances in terms of revenue (Elkjøp Nordic AS, 2020). In its fiscal year of 2019/2020, extending from April 30th, 2019, to April 30th, 2020, the company reported a total revenue of NOK 13.091 million, and a positive growth of 7,6 percent from its previous fiscal year (Elkjøp Nordic AS, 2020) . In the first half of its fiscal year 2020/2021, Elkjøp reports a total revenue of NOK 7.115 million and a 26 percent increased growth from first half of its previous fiscal year. Together with approximately 140 physical stores in Norway, its vision is to “help everyone enjoy amazing technology, every day”.

Elkjøp started in 2017 a project called “Next Generation Retail” where, in cooperation with Microsoft and Azure Kubernetes Services they have modernized Elkjøp's operational and sales systems and moved all its core business into the cloud (Microsoft, 2021). The purpose is to better accommodate the needs of modern customers. This system, which utilizes handheld devices carried by the sales staff, allows for customers to pay anywhere in the store, not just at a desk help or at the cashier. It is also a more efficient service than the previous sales system they have used, reducing the time it takes to enter a customer's order. Another part of this project has been to internalize all last mile transportation logistics instead of using a third-party delivery agent, as has been the case up until now (Neptune Software, 2020).

When it comes to the potential threat of Amazon entering the Norwegian retail market, the CEO of Elkjøp Norway says he “welcomes Amazon to Norway, here he will be met with resistance” (Tønnesen, 2020). He then adds that they will meet Amazon with their secret weapon: Elkjøp's 4.100 employees.

3.2 Power Norge AS

Power Norge AS is a privately held company, and the second largest omni-channel retailer in the Norwegian market for home electronics and appliances in terms of revenue (Hopland, 2021). In its fiscal year of 2019, the company reported a total revenue of NOK 5.376 million, and an increased growth of 9,5 percent compared to its previous fiscal year. In its fiscal year of 2020, the company reports a total revenue of NOK 6,5 billion, and a growth of 21,2 percent compared to 2019. Together with its approximately 120 stores, Power's vision is to become the world's most customer friendly store.

Back in 2017 when Power was relaunched from its previous brand "Expert", the CEO of Power Norge AS stated that "Our price robot is the most customer friendly concept in our business, and to this day no one has a similar solution" (Ottemo, 2017), referring to electronic prices that update regularly to match a select few of its competitors' prices (Power, 2021). Chief of marketing and training, Tone Matssen, stated back in 2017 that it is the people working at Power that makes the difference (Ottemo, 2017), and that staff training is a much bigger part of Power's focus than what was the case earlier when the firm was named "Expert". In the same interview, CEO of Power International, Ronny Blomseth, stated that firms such as Amazon does not have the necessary physical stores to compete in the Nordic markets. He also added that Power does not seek to expand their platform by allowing third party sellers access to it.

3.3 The Covid-19 pandemic and Norwegian retail

To contain the spread of the covid-19 virus in Norway, the Norwegian government on March 12th, 2020, enforced measures that included closing parts of the Norwegian society (FHI, 2020), stores and malls however could still be open. On March 16th, 2020, the Norwegian government started to encourage social distancing. On August 14th, 2020, The Norwegian government started to encourage face masks in public where it is not possible to keep at least 1 meter distance from others. On January 23rd, 2021, Elkjøp had to close 27 of its stores (Elkjøp Norge, 2021) while Power had to close 12 (Haugen, 2021). Neither company put their employees on paid leave during this period. The stores opened again on February 3rd, 2021. On March 16th, 2021, 52 municipalities in Norway went into almost complete lockdown and all stores and malls in these regions had to close, except for grocery stores, pharmacies and liquor stores (Andersen, Sæther, Rosef & Lyngstad, 2021). In some of these regions, stores and malls were closed for more than a month. To combat the impact from closed stores, both Elkjøp and Power encouraged the pick-up of products bought online, at the outside of the stores, through a so

called “Click & Collect” system. The customers would pull up at the parking lot and have someone from the store come out with their product while the customer sat in their car.

The Covid-19 pandemic has been challenging to the retail industry, but it has also provided valuable opportunities. As a result of the many restrictions imposed by the government to contain the spreading of Covid-19, including travel restrictions, Norwegian consumers who normally spent a great deal of money on travel, usually during the holidays, now had to look elsewhere. This provided ample opportunity for many households to invest in their own homes, such as installing a new kitchen and kitchen appliances, buying a new TV or home cinema system, getting an outdoor pizza oven, and so forth. Additionally, as employees of many companies moved away from public offices and into their own private homes, necessary equipment had to be acquired, such as computers, web-cameras, microphones, headsets, etc. For instance, overall web-camera sales alone increased by 923 percent in 2020, compared to 2019 (Andersen, 2021). Both Elkjøp and Power experienced growth in 2020 in terms of sales revenue, compared to 2019.

3.4 Amazon.com, Inc.

Amazon launched in 1995 as an online bookstore, quickly gaining momentum and went public in 1997 at \$18 per share (Investopedia, 2021)

Today, as of May 31st 2021, Amazon is a public company and it is the third largest company on the S&P 500 index trading at more than \$3.200 per share, with a total market capitalization of \$1.625 billion. (Yahoo Finance, 2021). The company employs more than 1,3 million people around the world; more than 1,9 million small to medium sized businesses sell through their platform, making up almost 60 percent of Amazon’s total retail sales (Amazon.com, Inc., 2021).

Amazon has three vision statements as of 2021: To be “Earth’s Most Customer-Centric Company”, to be “Earth’s Best Employer”, and to be “Earth’s Safest Place to Work” (Amazon.com, Inc., 2021). To be “Earth’s Most Customer-Centric Company”, it is guided by four principles (Amazon.com, Inc., 2021: 3): “*customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking*”. When referring to its customer segment, Amazon includes “*consumers, sellers, developers, enterprises, and content creators*”. The company’s revenue generating activities are primarily sales of products and services to customers (Amazon.com, Inc., 2021: 19). This includes (Amazon.com, Inc., 2021: 44) retail sales, third-party seller services, subscription services, Amazon Web Services (AWS), and other services such as advertising; thus reflecting the

business model of a multi-sided marketplace. Its financial focus is on sustainable, long-term growth in free cash flows. “*Improving all aspects of the customer experience*” (Amazon.com, Inc., 2021: 19) is its primary focus to increase sales of products and services.

At the end of its fiscal year, December 31st, 2020, Amazon reported a total revenue of \$ 386.064 million, and a growth increase of 37,6 percent compared to its previous fiscal year. Amazon experienced a 40 percent growth internationally, outside of North America (Amazon.com, Inc., 2021: 26).

Amazon, contrary to what some seems to believe (Ottemo, 2017), have physical stores at which you can buy their products. There are currently five different types of Amazon stores: Amazon Books, Amazon 4-Star, Amazon Go Grocery (called Amazon Fresh in the UK), Amazon Go, and Amazon Pop-Up.

As Amazon.se launched in Sweden, October 2020, the company officially started its entry in the Nordics. A 15.000 square meter warehouse in Eskilstuna, approximately 100 kilometers from the Swedish capital Stockholm, and 400 kilometers from the Norwegian capital Oslo, will serve as Amazon’s first logistics center in Sweden (Teller Report, 2020). It seems reasonable to assume that at some point in time, Amazon will continue its expansion into the Norwegian markets.

3.5 Summary

Amazon, as a multi-sided marketplace, differs from traditional retailing. Should Amazon choose to enter the Norwegian markets, incumbent firms will therefore be faced with a different type of competition they have never faced before. It is of interest to try and generate insights into how the Norwegian incumbents will be affected by such an entrance, more specifically Elkjøp and Power in this case study. These omni-channel retailers depend on customers shopping at their stores, or else there wouldn’t be any stores. Furthermore, the Covid-19 pandemic and the study of its effect on Norwegian retail markets present a valuable opportunity to obtain insights into how the Norwegian incumbent firms manage to deal with shocks and the changing preferences and behaviors of Norwegian consumers. By comparing the two phenomena, a more detailed picture of the future of Norwegian retail can be provided.

4. Methodology

4.1 Background philosophy

As a researcher, I find myself leaning more towards pragmatism than any other philosophy. Reality is a complex phenomenon. In itself, it is not open to interpretation; regardless, we as humans still have different world views to how we interpret the world. I believe the differences to how humans interpret reality emerge from a naturally narrowed field of focus. We cannot make sense of the world as a whole, because the world is far too complex for anyone to fully understand; but we as humans cannot *not* try to make sense of the world either, because that would lead to chaos. Therefore we develop a narrow world view that partly represent reality, and we try our best to make sense of our views. I believe that is why, throughout history we as humans have always sought answers to questions asked, and we have come up with answers regardless of whether they align with the universal reality of the world or not; because the alternative, that you know close to *nothing*, is a far more terrifying reality.

You might ask why this matter. The reason is that we as humans should acknowledge our short comings and acknowledge that we have different world views. Parts of these world views are not aligned with the objective reality, but some parts are. Therefore, by communicating, studying the world, and publishing research, we can try to identify what is objectively real and what is not; to see what sticks and what does not. As a researcher, I am biased by my own world views of which some are objectively true, and some are not; my research is driven by my own subjective values; and my research has been initiated and sustained by my own beliefs and doubts. I have long been interested in the development of e-commerce, and before embarking on this project, I believed that Amazon would be successful in the Nordic markets simply because I did not see the value of having physical stores. In retrospect, this was short sighted. Not because it was necessarily wrong, but because it was too narrow minded. During this project I have sought to expand my scope beyond this. I believe that to answer my research questions, I must strive to acknowledge all relevant facts and views. Whether my findings are actually relevant is of course subject to my own subjectivism, and my own interpretation of them.

4.2 Research Objective and Research Question

Amazon as a company, and the different parts it plays across the globe, are indeed very complex phenomena; as is the effect of Covid-19 on all parts of the world. These events affect us more than we know, and in ways that we don't know. It is therefore my hope that my research can provide valuable insights and contribute to the understanding of the universal reality to how these events affect us. As I am personally intrigued by technology, consumer behavior and the emergence of multi-sided marketplaces such as Amazon, I have chosen to narrow down my study to answer the following research question divided into two parts:

To what extent were the two major Norwegian omni-channel retailers in the Norwegian market for consumer electronics and home appliances, Elkjøp and Power, positively or negatively impacted by the Covid-19 pandemic? And how do these impacts compare to how Elkjøp and Power will be affected by the establishment of Amazon in said market?

As a pragmatic researcher, I acknowledge the fact that this research question can be answered in a number of different ways, and there are likely several valid approaches to how this can be done.

4.3 Research Approach

These two parts of my research question are heavily intertwined, as the conclusions derived from answering the first part, together with additional data collection, will provide insights to answer the second part. It seemed most fitting to use an abductive reasoning in my attempt to answer them, which is a suitable approach to explore these phenomena, to identify similarities and differences, and to infer how the resulting consequences of one event can generate insights into the resulting consequences of another (Saunders, Lewis & Thornhill, 2016).

The research approach that seeks to answer the first part will be of an explanatory nature (Saunders, Lewis & Thornhill, 2016), as I study the situation of the Covid-19 pandemic in Norway and seek to study the relationship between how Covid-19 through governmental containment measures and imposed restrictions affected the retail industry and consumers in general, and how Elkjøp and Power adapted in response to these measures. By studying this relationship, the goal is to explain to what extent Elkjøp and Power were positively or negatively impacted by the Covid-19 pandemic.

The research that seeks to answer the second part of the research question will be of an exploratory nature, as little research has yet been done to specifically answer this part. Conducting an exploratory study is a valuable tool to gain an understanding as to what is

happening and why, when studying a new and unexplored phenomenon or event (Saunders, Lewis & Thornhill, 2016), which is the case of Amazon entering the Norwegian markets.

4.4 Research Design and Strategy

The design of my research has taken the form of a mixed methods, in-depth comparative case study consisting of two parts. The case study strategy has been chosen to facilitate the in-depth inquiry into two complex phenomena, that of Amazon and the Covid-19 pandemic, but it also facilitates the study of said phenomena in their contexts, providing insights into what is happening and why (Saunders, Lewis & Thornhill, 2016). A case study is also a suitable strategy for a mixed methods research design. The purpose of using a mixed methods research design to answer the research question is to combine the analysis of officially published data with the analysis of the different companies' perceptions on the case in question; the goal of using a mixed methods research design is to broaden the scope of my research by avoiding the exclusive view of only one approach. I believe this will add to the richness, complexity and depth to the insights provided by the research in this thesis. More specifically, I have used a *concurrent triangulation design* as I have collected both numerical and textual data during the same phase of my research with the purpose of comparing these data and how they support one another (Saunders, Lewis & Thornhill, 2016). In other words, this method allows me to assess whether the findings from my quantitative research corroborates the findings from my qualitative research.

4.4.1 Data Sources

This research has been utilizing secondary data sources exclusively. Some of these aggregated data sets retrieved from Virke and Statistics Norway would arguably be very difficult to obtain through primary data sources, due to the reach these organization have across different demographic areas in Norway. Also, as stated by (Saunders, Lewis & Thornhill, 2016), when conducting research that compares national and/or international data, secondary data sources can transpire to become the main sources that facilitates the answering of the research question(s).

The secondary data sources utilized in this thesis are textual documents, publicly uploaded YouTube videos, the Virke trade report 2020/2021, a separate report from Virke on retail development during Covid-19, and compiled and aggregated data from Statistics Norway. Textual documents include annual reports, official press releases, the companies' websites and publicly released news articles, interviews and reports.

4.5 Data Collection

I started out this project with the hope that I could establish a cooperative partnership with one of the major omni-channel retailers in the industry. When this failed, I had to look for data sources elsewhere. During the collection process, I came across the Virke trade report 2020/2021, but I could only access a description of what it contained. As this report usually costs NOK 5.000 for non-members of the Virke organization, I contacted Virke via e-mail, and asked if they by any chance could provide me with the report for use in my master's thesis. They were so kind as to send me the entire report, free of charge, with an additional report specifically looking at retail trade development in Norway during the Covid-19 pandemic.

As I assessed the relevance of these reports, they turned out to represent all retail markets in Norway, and the information they contained concerning the retail market for consumer electronics and home appliances, specifically, was somewhat limited. The suitability of these data sources was not optimal, so I searched for additional data sources, and managed to find both numerical aggregated data and statistics at Statistics Norway relevant to answering my research questions. The numerical data were put into an Excel spreadsheet to create models that represented growth in retail sectors more specific to the market for consumer electronics and home appliances in Norway. However, these data could not differentiate between the different firms in the industry that the data represented. This led me to the search for more data that could corroborate what the previously collected data had started to indicate. I then found relevant data in annual reports retrieved from both Elkjøp and Power in the first section of the research project, as well as excerpts from relevant public interviews with several leaders and directors of the two companies. The sum of these sources together now provided sufficient data to answer the first research question.

The literature to support my discussion and conclusion derived by answering the second research question is largely concerned with the sustainability of competitive advantages and whether a firm's valuable and rare resources are imperfectly imitable or not. In the attempt to answer the second research question, I looked for data sources that could give me insights into what resources were allocated at the different firms. By studying mostly textual documents such as annual reports, press releases, websites, public interviews, news articles and so forth, I gained insights into what relevant resources the different firms have at their disposal, as well as what resources they themselves believe to be critical in the event of Amazon entering the Norwegian markets. Supported by the literature on Resource Based Theory, I could now enter the discussion as to how Elkjøp and Power will be affected by the establishment of Amazon in the

Norwegian markets for consumer electronics and home appliances, and then compare this event with the impact of Covid-19 as stated in the research question.

Much of the collected data was only available in the Norwegian language and had to be translated to English.

4.6 Quantitative Data Analysis

Relevant excerpts from the Virke reports, as well as already prepared relevant statistical data from Statistics Norway, were examined to identify potential changes in consumer trends and shopping behaviors, and changes to retail trends and retail development both online and in physical stores. Some of these excerpts represent retail as a whole, but they can provide valuable insights into general changes in consumer shopping behavior. Other excerpts represent retail in consumer electronics and home appliances, and provide insights into changes in consumer behavior and retail development specific to the consumer electronics and home appliances industry. A relationship between the increase in consumer electronics and home appliances retail sales, and the steep decline in sales in the service sector, has been suggested by Virke, which I also believe to be plausible. However, I have not been able to assess the strength of this relationship, neither in terms of how much they correlate, or their cause-and-effect relationship. Therefore, without having access to the compiled data sets used in the report, I cannot take a definitive stand on this matter. That said, by assessing the validity and reliability of Virke as a secondary data source, I find that its level of authority from being The Federation of Norwegian Enterprise and a well-known organization, representing more than 24.000 businesses in numerous industries in Norway, and being an institution dependent on its own credibility in order to exist, all together suggests that it is a trustworthy and an accurate source.

To create the four figures found in the findings section, numerical data was retrieved from Statistics Norway by accessing the turnover statistics tool found at their website and choosing from which years I wanted to know the turnover of relevant industries. I then entered the numerical (and longitudinal) data into an Excel spreadsheet to create the models, as shown in the following:

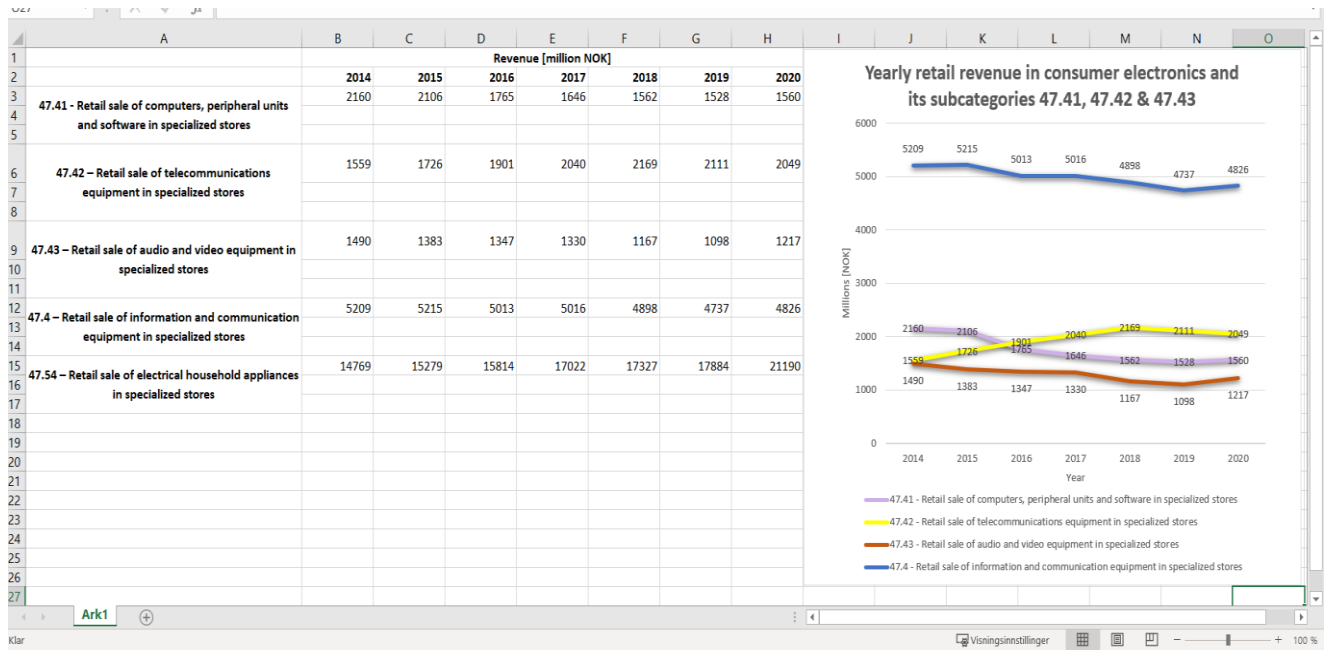


Figure 1: Using numerical data from Statistics Norway to create a line graph in Excel.

This allowed me to separate industry categories to specifically analyze trends and yearly growth in the consumer electronics and home appliances industry. By developing and using graphs, I was able to better explore and understand the data, as also mentioned by (Saunders, Lewis & Thornhill, 2016). I decided to use a line graph as this is the most suitable diagram to explore trends (Saunders, Lewis & Thornhill, 2016), as well as adding clear axis labels, graph descriptions and numerical values to avoid distorting the representation of the data.

In the findings section I propose a relationship between three of the figures, more precisely figure 1, 2 and 4. This relationship, as noted in the findings section, is based on speculations, and cannot be verified based on the data presented. By incorrectly suggesting a relationship, a “Type I” statistical error might occur (Saunders, Lewis & Thornhill, 2016). However, dismissing the relationship all at once might cause a “Type II” statistical error to occur, which involves the conclusion that two variables are not related when they in fact are (Saunders, Lewis & Thornhill, 2016). Therefore I will neither verify or dismiss the relationship, but speculate what it means and its impact should it by any chance be existent.

4.7 Qualitative Data Analysis

A Thematic Analysis was used to analyze the qualitative data sources, with the purpose of deriving meaningful explanations from the data (Saunders, Lewis & Thornhill, 2016). When going through the textual data sources, I was looking for company resources, offerings, and services that the companies themselves value. Excerpts from various interviews with different leaders at Elkjøp and Power, as well as press releases and news articles, all played important roles in this search. The mentioning of some strategies, such as Elkjøp's "Click & Collect" service, occurs in more than one source of data, which in turn identified a pattern to how important this is to Elkjøp. This process makes it possible to identify which resources, offerings, and services Elkjøp and Power believe played an important part in their responses to Covid-19, and which they believe will play an important part in meeting the competition from Amazon.

At the same time, I was also looking at Elkjøp's and Power's customer offerings found on their websites; these findings are listed under "relevant resources, offerings and services" in the findings section. I went through all of their service and support offerings, customer clubs, website content and so forth, to examine which resources, services and offerings create additional customer value. For instance, joining a customer club at either Elkjøp or Power gives the customer additional value, but in two different ways. I looked for differences and similarities, with the resulting findings showing that there are many similarities and few differences, except for Elkjøp's Next Generation Retail project which will be interesting to see how plays out.

Furthermore, I utilized coding in much of the content I was analyzing to categorize and look for trends (see Saunders, Lewis & Thornhill, 2016) and which offerings constitutes customer value; an example is shown in figure 2. Here you can see that several support services offered by Elkjøp is meant to simplify the purchasing experience for the customer. Also, some services such as an extended warranty/insurance can arguably facilitate a relationship of trust between the customer and, in this case, Elkjøp. If any accidents were to happen to the purchased product, the customer, by having bought an insurance, puts his or her trust in Elkjøp's ability to solve the problem should it occur. The codes chosen are words that represent what consumers, according to the Virke trade report 2020/2021, generally value, as well as words that can identify barriers to imitation.

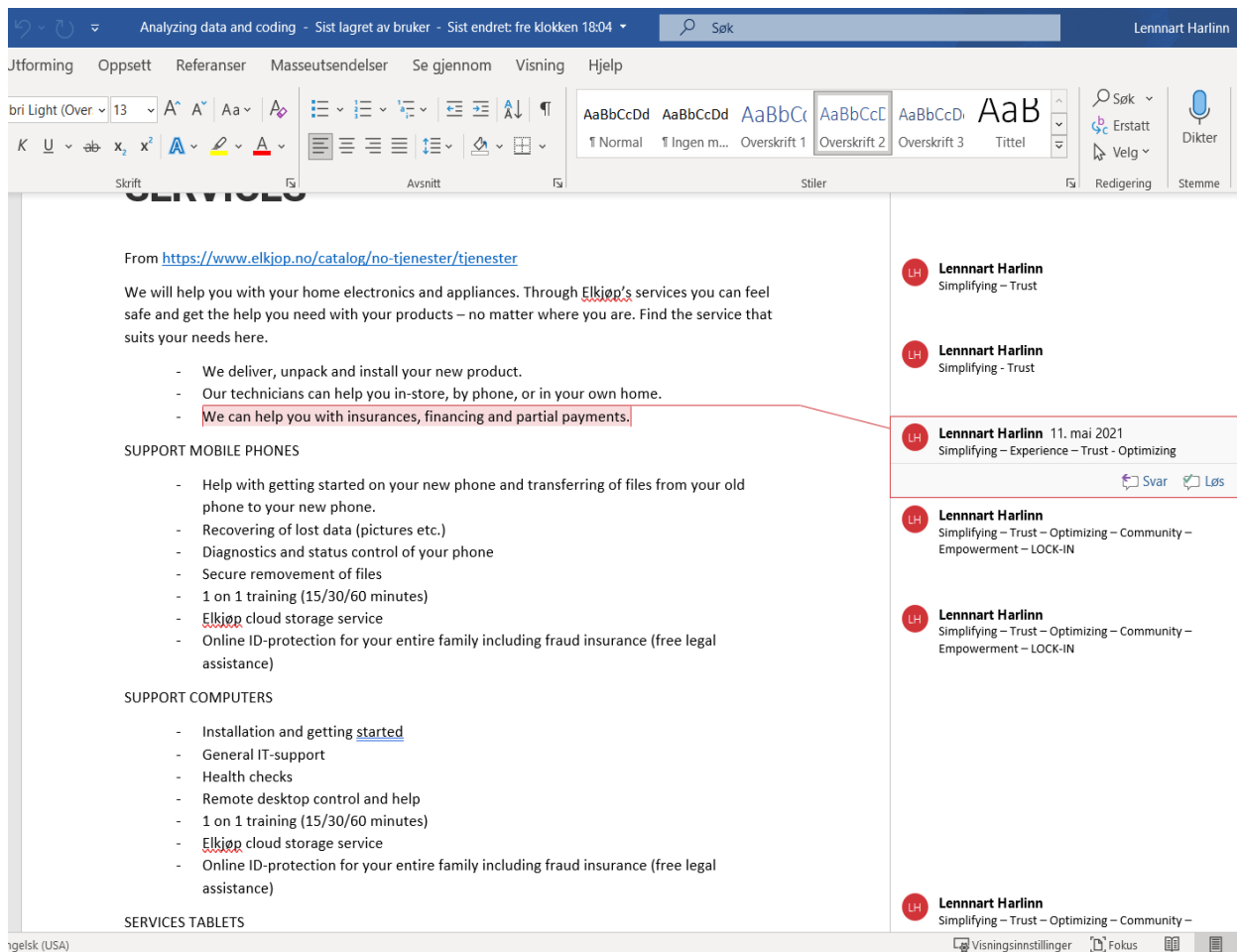


Figure 2: Coding of textual secondary data sources

4.8 Research Quality

In this section I will evaluate the overall quality of the research carried out in this thesis. Two concepts – reliability and validity – are both central to the assessment of research quality (Saunders, Lewis & Thornhill, 2016). Researchers often distinguish between *internal reliability*, which addresses the consistency of the research, and *external reliability*, which addresses whether the research conducted, and its consistency, is replicable by other researchers. Researchers also distinguish between *external validity* and *internal validity*. Internal validity addresses the accuracy of the analysis of the results, as well as the accuracy of the relationships advocated for in the research. External validity addresses the generalizability of the study’s findings in terms of how transferable they are to other contexts. The measuring of validity to a given research project is an excellent assessment tool used to evaluate the research quality of quantitative research, but not necessarily to evaluate the trustworthiness of qualitative research which often requires less rigid assessments (Saunders, Lewis & Thornhill, 2016). To achieve an appropriate assessment of the qualitative research in this thesis, I will

therefore be assessing the *credibility*, *transferability*, and *confirmability* of my findings, which parallels that of internal validity, external validity, and objectivity, respectfully (Guba & Lincoln, 1994).

4.8.1 Reliability

As my research is built entirely on publicly accessible secondary data sources, replicating this study will be easier than if my research was built on primary data sources, as primary data sources are more dynamic in the sense that they can change from one study to another. An example could be an interviewing process, where in the first study an interviewee is asked a question. In the second study, the exact same person, in the exact same location is asked the exact same question but provides a different answer in the second interview compared to the first. Reasons behind this can be participant error, such as the interviewee was not hungry during the first interview, but during the second interview a sense of hunger and thus impatience led the interviewee to provide different answers to the same question. It could also be due to the interviewee being exposed to an event in between the two interviews that affected his or her response to the question. By using secondary data sources, participant biases and errors are effectively eliminated from the study. Researcher errors and biases, on the other hand, are not. Throughout the research process, I have therefore strived to keep an open mind to what my results my research might yield. I have tried to collect data, analyze them and discuss my findings through an objective lens. In terms of cognitive biases, I have tried to eliminate any form of anchoring bias or confirmation bias, which I personally would argue are the most common biases in doing research, then perhaps followed by the infamous Dunning-Kruger effect. Hence, I do believe I have avoided the major pitfalls concerning the reliability to my research. As a side note, the use of secondary data sources is also why reliability as an assessment tool is still suitable, even though parts of my research is qualitative in nature.

4.8.2 Credibility

The credibility of a research project addresses the extent to how truthful the research findings are, and how confident one can be that this is the case. It assesses whether plausible information can be drawn from the research data (in this case secondary data sources), and whether the interpretations made from these data are representative of their intent (Lincoln & Guba, 1985).

During data collection, numerous interviews in public news articles or press releases were examined, and excerpts from some of these interviews have been included in the findings section. These excerpts have been translated from the Norwegian language to English, but they serve only as a reiteration of what was said in the interview, and under no circumstances have

any of my own opinions or views been included in these excerpts. I acknowledge that creating excerpts of interviews by using some of the interview and discarding the rest can in many cases lead to a different interpretation of what was said than if the entire interview was included. Being aware of this, I believe my excerpts have successfully managed to hold on to the meanings, intents, and views of the interviewees.

Furthermore, in the collection of additional data sources and in the publishing of the research findings, I have prioritized information and sources of data provided by Elkjøp, Power and Amazon themselves, such as annual reports and their websites. During the publication of my findings, I have not evaluated the findings and they should not be subject any of my opinions. The research findings, from an isolated view, should be open to interpretation, not already interpreted.

The credibility of the research in this thesis is also further strengthened by the use of triangulation in my research by collecting and using independent methods and data sources within my case study (Saunders, Lewis & Thornhill, 2016).

4.8.3 Transferability

Transferability assesses to what degree the research project can be transferred to another setting (Saunders, Lewis & Thornhill, 2016). The level of transferability relies on the researchers ability to provide a full description of the research project, including research questions, research design, research settings, findings, his or her own interpretations, and results.

A thorough description of the research setting has sought to allow other researchers to understand the context in which this research project has taken place. Full transparency has been provided, and wherever my data sources or findings are subject to my own subjectivism and interpretations, this has been made very clear. I therefore believe the descriptions provided throughout the research project are sufficiently comprehensive and thus allow other researchers to transfer parts of this study to other settings. It should be noted, however, that this research project, its findings, literature review, data collection process and design have been chosen to fit the exact context in which the research project finds itself; more specifically the case of explaining how one phenomenon have affected Norwegian consumers and retail markets; exploring how another phenomenon might affect Norwegian consumers and retail markets in the future; and providing a meaningful comparison of the two. This means that, as much as I believe this research is transferable to another setting, I cannot specify the extent to how *fitting* it is to another setting.

4.8.4 Confirmability

Confirmability addresses the extent to whether the research findings can be confirmed by other researchers (Korstjens & Moser, 2017), and whether the researcher has let his or her own preferences and viewpoints affect the interpretation of the findings.

All findings published are publicly available, although to access the Virke trade report, a fee of NOK 5.000 is being charged. To the best of my abilities, I have tried to make it very explicit when and where I put forward my own ideas and speculations, and I believe I have done so with great caution, and any other personal preferences or viewpoints that could affect the research findings have been successfully avoided.

4.8.5 Ethical considerations

All statements and names mentioned in this research project origin from publicly published material, such as publicly accessible YouTube videos, news articles, public interviews and press releases. None of these statements have been taken out of context. Furthermore, no personal interviews or observations have been conducted; no statements from closed media groups, commentary sections, or any other non-public forums or communities, have been included; and no data has been used that can identify any person that isn't already included due to their public presence in the aforementioned media platforms.

5. Research Findings

5.1 The impact of Covid-19 on Norwegian retail

The research findings section turned out to be quite comprehensive, with the purpose of including all relevant findings that can affect how the research question is answered. In the first part of this section I will be presenting relevant findings and statistics that tells how Covid-19 has affected consumer behavior and trends, and the impact it has had on Norwegian retail industry in consumer electronics and home appliances. In the second part I will be presenting interview excerpts from chief officers and leaders at Elkjøp and Power, who tell their side of the story; what strategies have they followed to face the uncertainty and everchanging circumstances, and how they and their companies personally experience the impact of Covid-19 on their day-to-day business.

So far, I have referred to Elkjøp and Power as retail stores in the market for consumer electronics and home appliances. In order to thoroughly navigate the data sources from Statistics Norway, I have therefore in Appendix A included the relevant categories that comprise *consumer electronics* and *home appliances* in this thesis.

As a general note before I represent the findings, it seems important to recognize that during a two-week period in March 2020, as a result of the Covid-19 pandemic, the Norwegian krone was weakened by 25 percent against the US dollar (Alstadheim, Nordal, Syrstad, Ter Ellen & Wassås, 2021). This led to higher purchasing prices from foreign suppliers to Norwegian retailers, who in turn increased prices on their products to consumers. This implies that the increase in sales prices could to an extent have led to the increased sales revenues listed in this thesis, as consumers had to pay more for the same product in the second half of 2020 compared to what they had to pay in 2019. Even though this is not certain, it should however not be prematurely dismissed.

5.1.1 Retail sales in consumer electronics and home appliances during Covid-19

The findings in this subsection have primarily been retrieved from various reports and data collections at Statistics Norway, as well as the VIRKE trade report 2020/2021 and a separate report concerning the development in trade during Covid-19. The findings in general suggests that consumers have been spending less on services and more on product items in 2020 compared to previous trends. Furthermore, consumers have shown a tendency to favor more

online shopping and less shopping in physical stores. However, these trends seem to vary across different product categories within the consumer electronics and home appliances industry.

5.1.2 Changes to consumer shopping habits

According to the VIRKE trade report 2020/2021, the year 2020 marked an unusual year for Norwegian retail. In recent years, the service sector has experienced higher growth compared to the growth of the retail industry (Virke, 2021). This trend took a sharp turn in 2020. During the first half of 2020, Norwegian airports experienced 17,8 million fewer on both domestic and international flights, compared to the first half of 2019 (Rekdal, 2020). This equals a 65,3 percent decrease in total, of which passengers flying on international flights decreased by 77,5 percent, and passengers flying on domestic flights decreased by 55,8 percent, during this time period. Areas in the Norwegian service sector, such as personal transport, lodging, and food and drink service, experienced a 34,9 percent decrease in total revenue during the first half of 2020 (Rekdal, 2020). This decrease equals NOK 30,3 billion.

Furthermore, cross border trade in 2019 equaled NOK 16 billion, whereas in 2020 it was reduced to NOK 2 billion (Statistics Norway, 2021).

In the consumer survey “Shopping habits online and in stores 2020”, carried out by Opinion on behalf of Virke (Virke, 2021), respondents were asked if they had been shopping more or less in certain types of stores due to the Covid-19 pandemic.

In terms of Norwegian online stores, 4 percent responded they had been shopping *a lot more* and 19% responded that they had been shopping *somewhat more*; 4 percent responded they had been shopping *a lot less* and 5 percent responded they had been shopping *somewhat less*; 63 percent responded they had been shopping approximately the same amount as before, 5 percent responded they were not sure.

In terms of “Click & Collect”, where the customer orders a product online and picks it up at the physical store, 2 percent responded they had been shopping *a lot more* and 11 percent responded they had been shopping *somewhat more*; 8 percent responded they had been shopping *a lot less* and 7 percent responded they had been shopping *somewhat less*; 57 percent responded they had been shopping approximately the same amount as before, 15 percent responded they were not sure.

In terms of foreign online stores, 1 percent responded they had been shopping *a lot more* and 5 percent responded they had been shopping *somewhat more*; 19 percent responded they had been

shopping *a lot less* and 9 percent responded they had been shopping *somewhat less*; 55 percent responded they had been shopping approximately the same amount as before, 11 percent responded they were not sure.

In terms of Norwegian physical stores, 1 percent responded they had been shopping *a lot more*, 5 percent responded they had been shopping *somewhat more*; 13 percent responded they had been shopping *a lot less*, 30 percent responded they had been shopping *somewhat less*; 50 percent responded they had been shopping approximately the same amount as before, 1 percent responded they were not sure.

Overall, these findings indicate that consumers during Covid-19 have somewhat transitioned away from physical stores and onto online webstores.

5.1.3 Development in retail sales

Prior to Easter 2020, the Norwegian foundation “Elektronikkbransjen” sent out a second survey to its members, mostly senior and intermediary leaders in the Norwegian electronics industry, to assess the effect of the Covid-19 restrictions on the industry as a whole (Ottemo, 2021). These 68 respondents represented mainly store companies and omni-channel companies, but some represented suppliers and some repair shops and services. In this survey, 75 percent of the recipients responded that the current situation would become non-sustainable before 6 months had passed. 53 percent responded that it would become non-sustainable after only 3 months. Furthermore, 62 percent responded that the Covid-19 pandemic would negatively impact the company’s access to product supplies. It should be noted, however, that the motivations behind these answers are unknown, but the numbers do shed some light onto the sustainability of many companies in the industry when heavily impacted by unforeseen circumstances.

During 2020, online retail sales in Norway experienced a 37,8 percent growth in total, whereas brick-and-mortar stores (excluding malls) experienced an 11,0 percent growth in total (Statistics Norway, 2021). As figure 5 shows, total online retail sales experienced an average yearly growth of 13 percent from 2012 to 2019, in contrast to total in-store retail sales which have experienced an average yearly growth of 2,3 percent from 2012 to 2019 (Statistics Norway, 2021). The main part of the growth in online retail sales comes from the second half of 2020 (Elisenberg, 2021). In-store retail sales of consumer electronics and home appliances experienced a 15 percent growth from 2019 to 2020 (see figure 4 and 6), whereas online sales

of consumer electronics and home appliances experienced an 18,4 percent increase from 2019 to 2020 (see figure 3).

Power experienced a 21,2 percent growth in total during 2020, whereas Elkjøp experienced a 26 percent growth during the first half of its fiscal year extending from April 30th, 2020, to April 30th, 2021. In comparison, the e-commerce company Komplett AS, which operates in the same market as Elkjøp and Power but doesn't have physical stores, has reported a 31 percent revenue growth in 2020 compared to 2019 (Vist, 2021)

According to Statistics Norway, retail sales of consumer electronics in March 2021 experienced a 13,1 percent decline in revenue compared to March 2020 (Statistics Norway, 2021). Furthermore, retail sales of consumer electronics in March 2021 experienced a 13,9 percent decline in revenue from its previous month of February 2021. During the 3-month period from January 2021 up to and including March 2021, retail sales of consumer electronics experienced a 2,6 percent decline in revenue compared to the 3-month period from October 2020 up to and including December 2020.

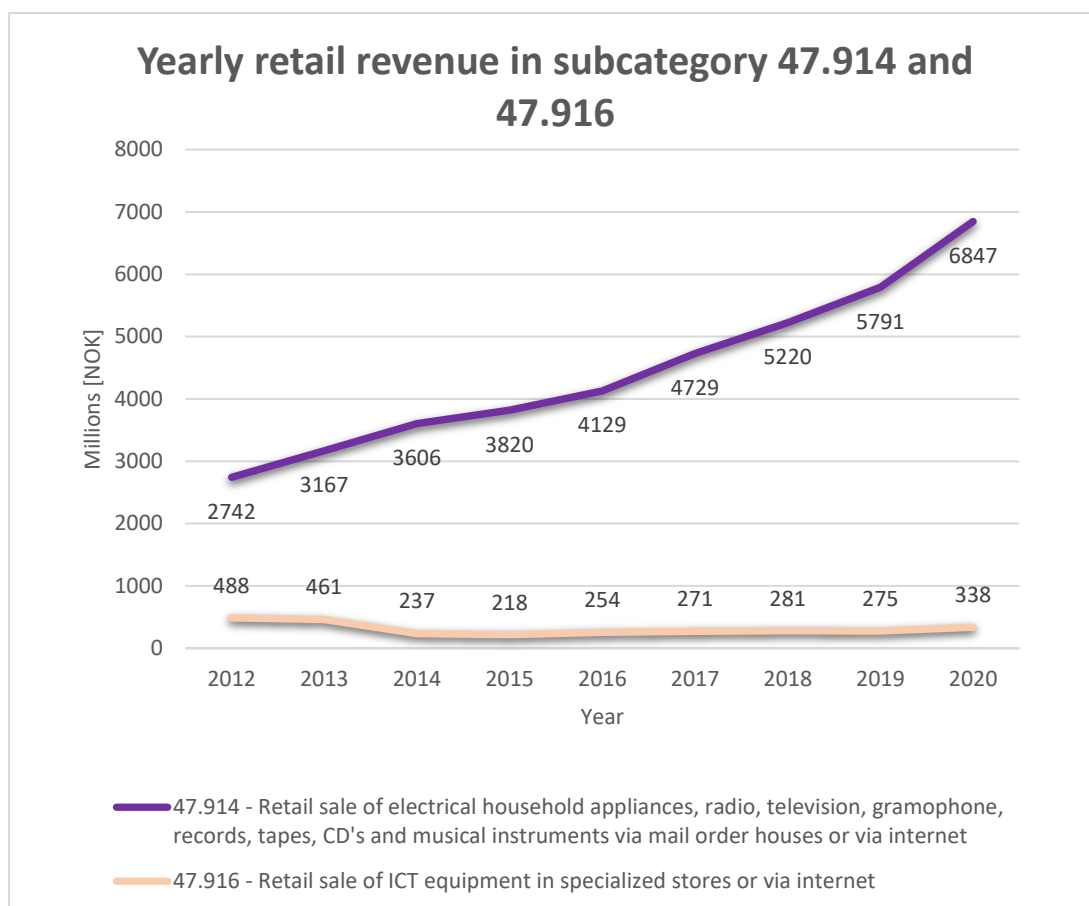


Figure 3: Yearly revenue from online retail sales in consumer electronics and home appliances. Source: Statistics Norway

Figure 3 shows a steady increase in online shopping of home appliances and consumer electronics (ICT equipment excluded), showing a 18,2 percent growth from 2019 to 2020 and an average yearly growth of 11,3 percent from 2012 to 2019. We also see a somewhat bumpy ride in retail sales of ICT equipment, with an average yearly decline of 5,3 percent from 2012 to 2019, heavily affected by a 48,6 percent decline from 2013 to 2014; also showing a 16,5 percent growth from 2015 to 2016, then a small decline of 2.1 percent from 2018 to 2019, and lastly a 22,9 percent growth from 2019 to 2020. As mentioned earlier, figure 3 also shows the growth in online retail sales of consumer electronics and home appliances (including ICT equipment) experienced an 18,4 percent growth from 2019 to 2020.

If we look at figure 4, we see that revenue from sales of home appliances in stores has increased steadily with an 18,4 percent increase in growth from 2019 to 2020, and an average yearly growth of 3,9 percent from 2014 to 2019.

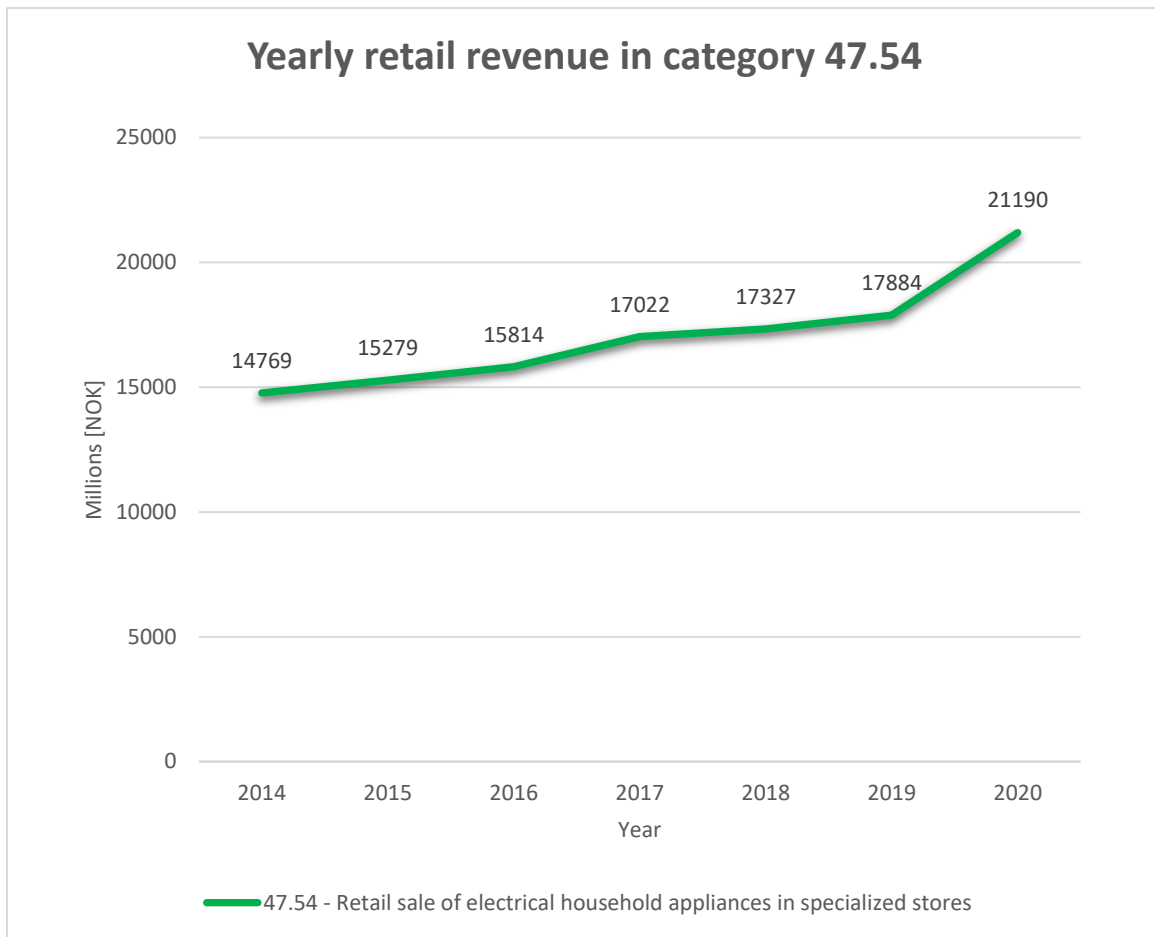


Figure 4: Yearly revenue from in-store retail sales of home appliances. Source: Statistics Norway

Figure 5 shows retail sale revenue from online shopping overall, compared to online shopping of home appliances and consumer electronics excluding ICT equipment. Total retail sales from online shopping have experienced an average yearly growth of 13 percent from 2012 to 2019, and a 37,8 percent growth from 2019 to 2020. Looking at figure 5 also reveals that the growth from 2017 to 2018, and the growth from 2018 to 2019, both were lower than the average yearly growth in the industry, showing a 9,1 percent growth and a 9,2 percent growth, respectfully.

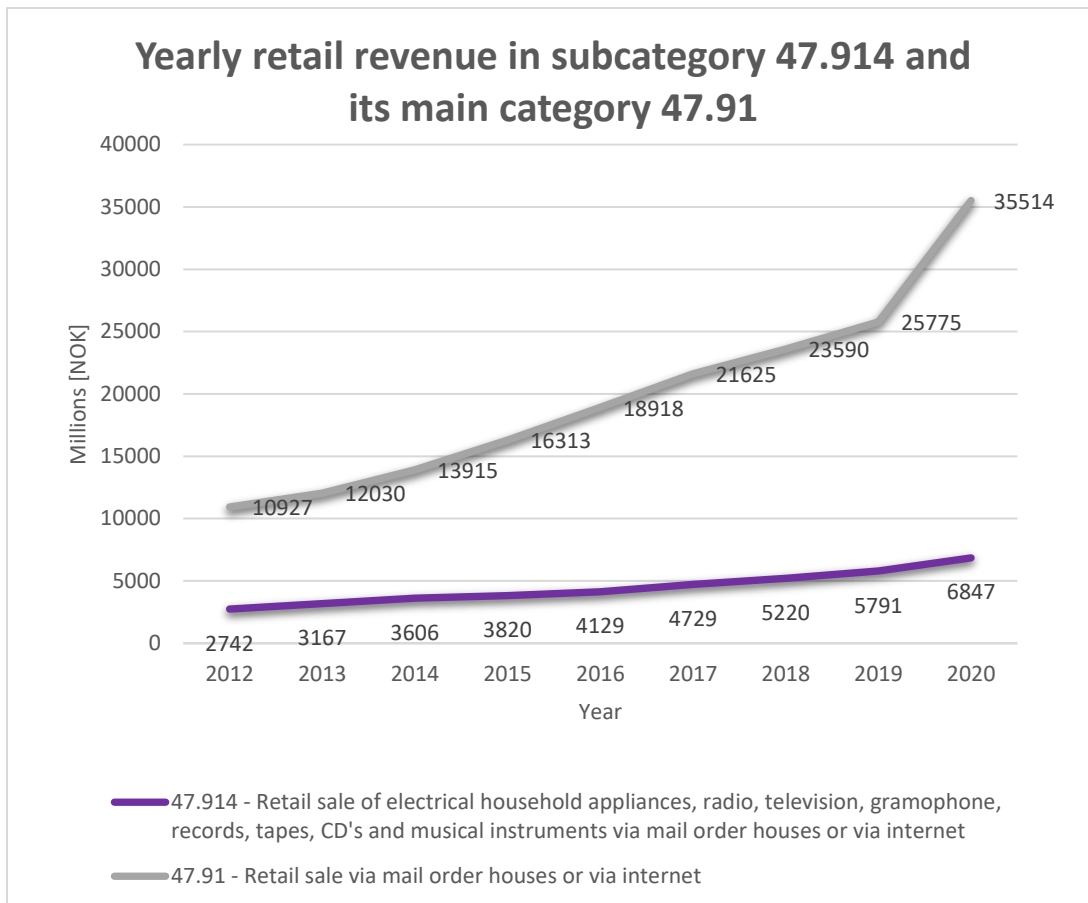


Figure 5: Yearly revenue from total online retail sale, and yearly revenue from online retail sales in consumer electronics and home appliances excluding ICT equipment. Source: Statistics Norway

Figure 6 represents retail sale of consumer electronics in stores and shows an average yearly decline of 1,9 percent from 2014 to 2019, then experiencing a growth of 1,9 percent from 2019 to 2020. However, retail sale of telecommunications equipment, such as smartphones and the like, has not experienced the same decline as the two other subcategories. The figure also shows a steady increase in telecommunications equipment from 2014 to 2018, experiencing an average yearly growth of 8,6 percent in this time period, then heads into a slow decline from 2018 to 2020, experiencing a 2,7 percent decline from 2018 to 2019, and a 2,9 percent decline from 2019 to 2020. Retail in-store sales of computers, video and audio products on the other hands seems to have a slightly reversed trend. In-store retail sales of Computers with accessory hardware and software experienced an average yearly decline of 6,5 percent from 2014 to 2019, but this decline is most steep from 2015 to 2016, then it slowly comes back around and heads into a 2,1 percent growth from 2019 to 2020. In-store retail sales of audio and video equipment shows a steadier downturn from 2014 to 2019, experiencing an average yearly decline of 5,8 percent in this time period, then a 10,8 percent growth from 2019 to 2020.

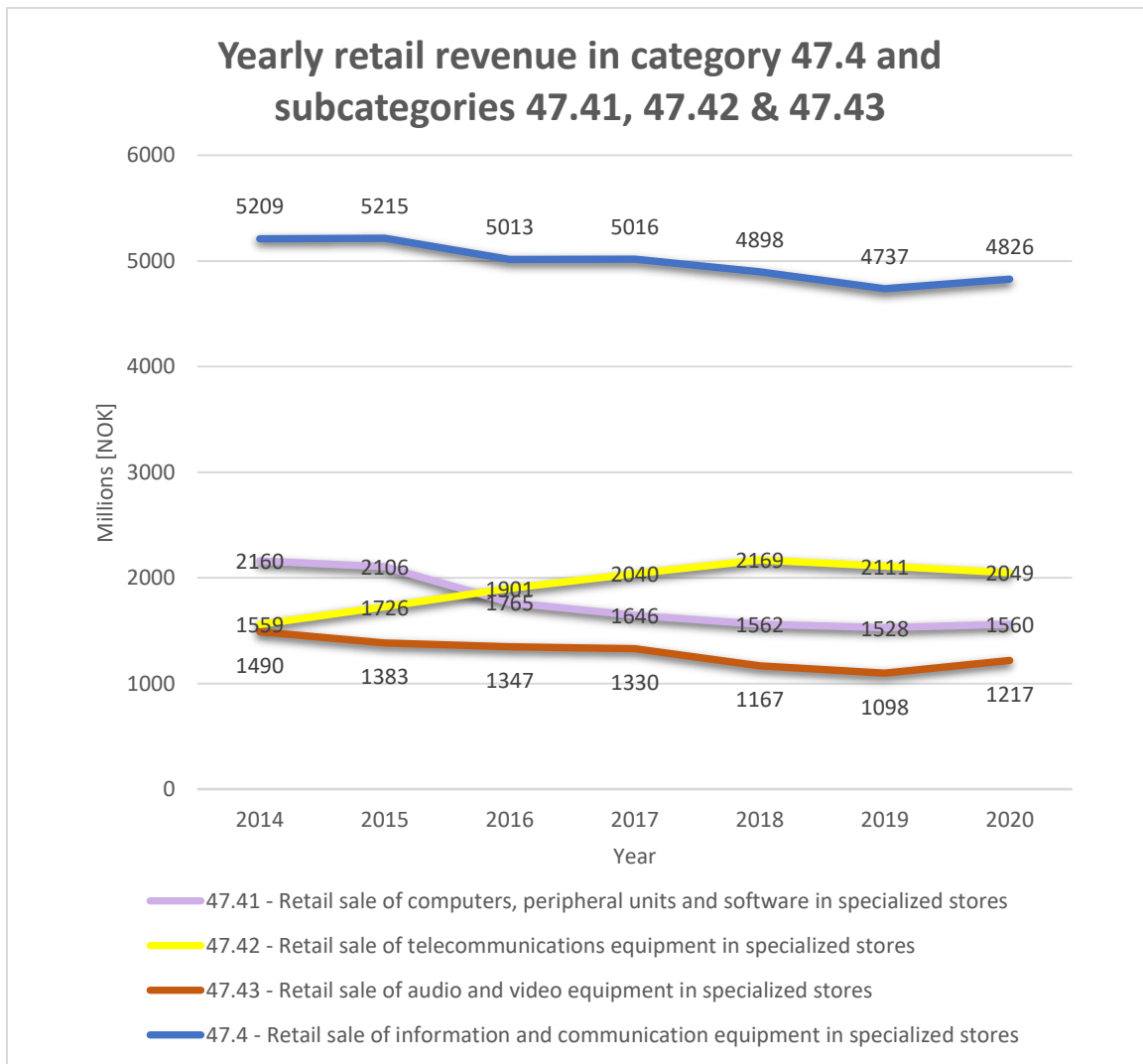


Figure 6: Yearly revenue from in-store retail sales of consumer electronics. Source: Statistics Norway

Lastly, The Virke report 2020/2021 has identified seven future trends that represent what consumers in general value: *Simplification*, where people want quick and simple solutions to everyday issues; *Optimization*, where people want to get the most out what they spend their time on and what they purchase; *Consciousness*, where more people reflect on their choices and actions with regard to their environments; *Trust*, where people want to minimize perceived personal risk and seek safe environments and control over that which affect their lives; *Experiences*, where people in general wants to experience things in life rather than spend their time and money on physical and static things; *Empowerment*, where more people seek to take matters into their own hands so to speak; *Community*, where more people seek closer relations to the people around them as a result of how a digitalized world to a greater extent have put

people behind monitors instead of directly across each other. These trends can serve as guidelines as to how retail business should approach, and offer value to, the customer.

5.2 Courses of action taken by Elkjøp and Power in response to Covid-19.

The following will be presenting excerpts from relevant interviews where chief officers from Elkjøp and Power share the strategies on their companies' responses to the Covid-19 pandemic, the restrictions imposed by the Norwegian government to contain the spread of the virus, and how this has affected their businesses.

5.2.1 Elkjøp

The findings in this subsection suggests that according to Elkjøp, a seamless shopping experience is the best way to win over customers. Stacked storage facilities, the option to shop online and collect the product at the closest Elkjøp store, together with competent employees and an innovative culture seems to be what Elkjøp deems their most valuable resources in response to the Covid-19 pandemic. This has allowed Elkjøp to aid the customer throughout the entire shopping experience and made it possible for the customer to choose when and where he and she wants to shop.

Excerpt from an interview with CEO at Elkjøp Norge AS, Fredrik Tønnesen, on March 16th, 2020, retrieved from Elektronikkbransjen.no (Sønsteng, 2020)¹:

Elkjøp has had to cancel “Campus”, their yearly training convention that gathers 6000 employees in May and in June. The cancellation also affects 150 of Elkjøp’s suppliers that were also supposed to be there.

Further into the interview, Tønnesen reports a large increase in the demand for home office equipment, such as PC-monitors, headphones, accessories and so forth.

In a press release, issued on March 15th, 2020, Elkjøp reports they have chosen to reduce the staff at their stores in the Gardermoen area by 70 percent.

Excerpt from an interview with CEO at Elkjøp Norge AS, Fredrik Tønnesen, on March 17th, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)¹:

Tønnesen reports that the main priority now is to take necessary safety precautions to ensure the safety of their staff as well as the customers. When asked about how much product Elkjøp has in stock, Tønnesen responds that they have procured large quantities of products and have filled up their storage units, and believes they are well prepared. From what he can tell, supply of products should not be an issue.

Excerpt from an interview with CEO at Elkjøp Norge AS, Fredrik Tønnesen, on March 24th, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)²:

To adapt to the restrictions imposed by the government, as well as to assist customers who are at risk of becoming seriously ill from the Covid-19 virus, Elkjøp expanded on their “Click & Collect” offering and provided at-risk customers with open store hours apart from the regular ones. In terms of “Click & Collect”, Elkjøp now offers to deliver the products or services bought to the customer outside at the parking lot.

Excerpt from an interview with CEO at Elkjøp Nordic, Erik G. Sønsterud, on June 26th, 2020, retrieved from Elektronikkbransjen.no (Sønsteng, 2020)²:

Elkjøp’s fiscal year of 2019/2020 extends from April 30th, 2019, to April 30th, 2020. In its annual report for this period, The Elkjøp Group reports a 20,2 percent increase in online sales. During the five weeks from March 21st 2020 to April 25th 2020, the increase in online sales had doubled. Erik Sønsterud, believes that innovation is a big part of the culture at Elkjøp. It is the culture, mixed with team spirit, that made it possible for Elkjøp to face the Covid-19 crisis according to Sønsterud. Elkjøp reports that the company put some of their employees on paid leave but has tried to minimize this. Erik Sønsterud believes that the second-hand markets in consumer electronics and home appliances are evolving. It seems this is a market Sønsterud will not be dismissing too abruptly.

Sønsterud believes that the most promising focus area now forth, is a more seamless shopping experience for the customer. Elkjøp is currently working to replace the old IT-systems in its stores with a new one, and it is also replacing the current systems for home delivery and customer service. They will also be replacing the entire platform on their webstore. The purpose

is to have *one* platform where they can meet the customer at every step of the shopping experience, both in store and online. This rollout has already started in Denmark.

According to Sønsterud, Elkjøp is perceived by the customer as a safe harbor in times of crisis. They are a trustworthy company and the largest omni-channel retailer in consumer electronics and home appliances in the Nordics. He believes this is the reason why they get by when faced with harsh circumstances.

Excerpt from an interview with CEO at Elkjøp Nordic AS, Erik G. Sønsterud, on July 15th, 2020, retrieved from Elektronikkbransjen.no (Sønsteng, 2020)³:

According to Sønsterud, Elkjøp's customer club and future service innovation will secure a lasting relation with the customer – both before, during and after the purchasing experience, across all sales channels. In 2019, Elkjøp launched their customer club in all Nordic markets, and they have experienced a surge in club membership numbers. Sønsterud believes that by offering customer value through Elkjøp's customer club membership, both an opportunity as well as the need to create a closer relationship with the customer appears. By offering new services, Elkjøp will make everything as simple and as accessible as remotely possible, either in terms of shopping, delivering, installing, repairing, recycling, or anything else that the customer might need.

Excerpt from an interview with CEO at Elkjøp Norge AS, Fredrik Tønnesen, and CEO at Elkjøp Nordic, Erik G. Sønsterud, on December 16th, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)³:

Tønnesen believes that having both a physical presence in stores as well as an online presence on their website has worked out well in 2020. Elkjøp experiences a significant increase online and from customers utilizing the "Click & Collect" service. He adds that it is important for the customers to choose for themselves how they wish to shop, and at the same time Elkjøp must be able to assist and aid the customer throughout their shopping experience. Utilizing the interaction between their online webstore, physical stores and competent employees will be the winning recipe for the future, according to Tønnesen.

5.2.2 Power

The findings in this subsection suggests that Power believes the reallocation of resources such as human capital has played a vital part in their response to Covid-19, rather than to simply cut costs by putting employees on paid leave. A large increase in “Click & Collect” also suggests that this has been an important part of their strategy. Additionally, Power seems to value their employees and the customer relations they are able to create, and this becomes even more apparent as Power invests in building its own TV studio to keep educating their staff and strengthening their culture.

Excerpt from an interview with CEO at Power Norge AS, Anders Nilsen, on March 24th, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)²:

Power launched in early March 2020 a “drive-through” concept in addition to their regular “Click & Collect” service. This allows the customer to order online, and when he or she arrives at the store they call a phone number listed on the outside of the building. The staff at Power will then carry the products to the customer outside while payment is being procured electronically.

Excerpt from an interview with CEO at Power Norge AS, Anders Nilsen, on June 22nd, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)⁴:

Power reinstates the right to return bought products within 60 days of the purchasing date, as long as a list of certain criteria is met. The returned products will be reset, cleaned and controlled before they are put up for sale again. If the product’s packaging has been opened, the product will be sold as an “outlet” product at a somewhat reduced price compared to an unopened product, but with the same guarantees and warranties.

Excerpt from an interview with Chief Learning Officer at Power Norge AS, Morten Hovland, on July 13th, 2020, retrieved from Elektronikkbransjen.no (Ottemo, 2020)⁵:

In order to maintain necessary staff training, Power built its own TV-studio and launched PowerUp TV. This made it possible for 26 of Power’s suppliers to give Power employees lectures about their products. Some of these broadcasts were also sent as live recordings.

PowerUp is usually a training program that lasts for three days, where Power employees and suppliers come together at a large convention. Since such gatherings were not possible due to Covid-19 restrictions, Power had to come up with alternative ways of keeping their employees up to date on their product and service offerings. During a broadcast, employees watching could send feedback and ask questions through an open chat. Chief learning officer at Power, Morten Hovland, adds that even though PowerUp TV has been a success when it comes to training employees at Power, it also has reinforced the culture at Power and brought colleagues closer together.

Excerpt from an interview with CEO of Power Norge AS, Anders Nilsen, at Elektronikkbransjen.no on May 5th, 2021 (Sønsteng, 2021):

CEO at Power Norge AS, Anders Nilsen, believes that no other parts of Norwegian retail, except wholesale of groceries, sell products as critical to Norwegian society as the retail companies working in consumer electronics and home appliances. He adds that people cannot manage without products to store their foods, laundry appliances and communicational devices.

However, he is proud that despite all Power stores not being able to stay open throughout the entire Covid-19 pandemic, they did not put any employees on paid leave. Instead they reallocated their resources. When visiting a Power store in Sarpsborg, Norway, there were 6 employees working the chat on Power's website. Other employees at the store were outside, greeting the customers who had ordered products online and came to collect them outside the store. Some employees had to work at the cashier and were also present on the chat system. A total of 16 employees were working that day at the store, even though the store was officially closed. When customers visiting the Power website had questions regarding products or services, they were transferred to a chat operated by their closest store.

Excerpt from an interview with CEO at Power Norge AS, Anders Nilsen, on May 22nd, 2021, retrieved from E24.no (Hopland, 2021):

Power reported, in addition to a 21,2 percent revenue growth, a 38 percent increase in profitability for the fiscal year of 2020. The CEO at Power Norge AS, Anders Nilsen, reports that 100.000 chat conversations with customers have been made during a four-month period from January 2021 to May 2021. "We've almost become a tech-company" says Anders Nilsen.

He then adds that instead of cutting back on costs by putting his employees on paid leave, he chose to rather use these resources elsewhere while 40 percent of the Power stores in the country were closed. According to Nilsen, even though the stores have been closed, Power has managed to stay profitable during this period. Furthermore, Power reports that the increase in “Click & Collect” sales has been larger than the increase in online sales. Approximately 20 percent of Power’s revenue of NOK 6,5 billion comes from online sales in 2020.

5.3 Courses of action taken by Elkjøp and Power in response to an establishment of Amazon in Norway

In this subsection I will be presenting relevant excerpts from interviews with chief officers and managers at Elkjøp and Power that elaborate on how the companies plan to meet the competition from an establishment of Amazon in the Norwegian markets.

5.3.1 Elkjøp

The findings in this subsection suggests that “Click & Collect”, as well as creating an even more seamless customer shopping experience, will be Elkjøp’s focus areas in fighting off the competition from Amazon. Furthermore, Elkjøp’s Next Generation Retail Project will provide Elkjøp with the necessary resources to also simplify and increase the efficiency of the customer’s shopping experience.

Excerpt from an interview with CEO at Elkjøp Nordic, Erik G. Sønsterud, on June 26th, 2020, retrieved from Elektronikkbransjen.no (Sønsteng, 2020)²:

The fact that Amazon will most likely establish a presence in the Norwegian markets works as a motivational force, according to Sønsterud. Elkjøp needs to become better, quickly. One of the main focuses Elkjøp will continue to have is to help the customer, also after the purchase of a product. Sønsterud mentions that the “Click & Collect” service is a very effective way to meet the competition from Amazon. Why would the customer order anything at Amazon when they can just order it online at our website and pick it up in our store after 15-60 minutes, Sønsterud asks rhetorically. He also adds that Elkjøp provides guidance and help with their products, and with stores across all the Nordics, Amazon will never be able to deliver such services outside of the major demographic areas. Sønsterud points to Australia where Amazon’s market share is less than 5%, and he believes the reason behind this is the “Click & Collect” service provided by other firms in the industry.

Excerpt from an interview with CEO at Elkjøp Nordic, Erik G. Sønsterud, on July 15th 2020, retrieved from DN.no (Solem, 2020):

Elkjøp has for years prepared for the entrance of Amazon into the Nordic markets. To partly meet the competition from Amazon as a multi-sided marketplace, Elkjøp has launched a marketplace platform of their own, however at a much smaller scale. In this interview, Sønsterud reports that the profit margins in the consumer electronics and home appliances industry are in general already very tight. He believes that the product margins will not necessarily be tightened any further as Amazon enters the market. But to counterweight the tight profit margins on sales of products, Elkjøp is in the works of developing more accessory products and services where profit margins are better.

In response to how Elkjøp, with their costly locations of physical stores, will fight off the global e-commerce giant, Sønsterud says that their 416 stores in the Nordics together with more than 10.000 employees will be able to meet the customer more locally, and that is a strength they put their faith in. Sønsterud further adds that “Click & Collect” will be their main strength, together with the guidance and counselling provided by staff in-store.

Excerpt from a press release at Elkjøpnordic.com on January 20th, 2021 (Elkjøp Nordic, 2021):

Elkjøp reports that despite the establishment of Amazon in Sweden in the second half of 2020, this is where Elkjøp has experienced its largest growth in terms of market shares, with up to 2,8% increase so far in its fiscal year. CEO of Elkjøp Nordic, Erik G. Sønsterud, mentions that Amazon seems to have taken a soft start to their conquest of the Nordic markets. However, he acknowledges that the competition will become tougher. That said, he believes that Elkjøp is ready for the competition and that it will only make Elkjøp better at what they do. He further says that the Covid-19 pandemic and the challenges it has brought with it, have reinforced Elkjøp’s belief in that an omni-channel approach is an advantageous strength and should continue to be their focus area in times to come.

Excerpt from an interview with Chief Brand & Digital Officer at Elkjøp Nordic, Morten Syversen, on unknown date sometime between July 1st, 2020, and May 28th, 2021, retrieved from Teft.no (Teft, 2021):

2021 will be the year when Elkjøp Nordic launches its new frontend-system through their Next Generation Retail project. They have decided to develop their IT-systems as in-house solutions. Syversen reports that Elkjøp will bring the customer closer to the day-to-day operations of the company by listening to the needs of the customers. Every decision Elkjøp makes will be based on in-depth analysis, to improve marketing, supply chain and communication with the customer.

When asked about the upcoming competition from Amazon, Syversen responds that their British mother company Dixons Carphone has a long experience of withstanding the competition from Amazon in the UK. He believes Elkjøp's strengths lie in their physical stores, service and helpdesks that help the customers to switch products, repair broken ones and solve complaint issues effectively, in addition to "Click & Collect" solutions. He says that by providing a seamless, omni-channel experience, they can meet the customers' needs wherever the customers prefer. They will not try to become Amazon. They will rather continue to be Elkjøp Nordic and continue to improve at what they are good at.

5.3.2 Power

The findings in this subsection suggests that a wider product range, good prices and efficiency will shape how Power plans to meet the competition from Amazon.

Excerpt from an interview with Nordic Category Manager of small domestic appliances at Power Norge AS, Mikkel Alme, on January 22nd 2019, retrieved from Elektronikkbransjen.no (Ottemo, 2019):

When asked how the development of products carrying the company's own brands have been doing, Alme responds that it is an ongoing venture for Power, as it has been for years. The reasons behind expanding on products carrying their own brands are the ability to generate generous profit margins and have stable prices as they are the only retail company selling those products, and price match guarantees will therefore not affect said products. He then adds that the biggest challenge in the near foreseen future is competition from abroad, more specifically from Amazon entering the Nordics. To compete with Amazon, they need profitable stores and

a competitive product range. Developing a product range that includes Power's own brands will help with this. Alme says that products carrying their own brands will become an even larger part of their product range in the years to come. However, they will mostly focus on product segments where brand names do not matter to a large extent to what product the customer choose to buy. This applies to for instance toasters, water boilers, and so forth.

Excerpt from an interview with CEO of Power Norge AS, Anders Nilsen, at Elektronikkbransjen.no on September 4th, 2020 (Sønsteng, 2020)⁴:

When asked about his thoughts on Amazon's future entrance into the Nordic markets, Nilsen responds that they have been expecting this. He says they need to constantly develop themselves, and he believes that the Nordic markets in consumer electronics and home appliances for the last five years have been doing just that. He believes that the Nordic companies have a better starting point than the European and American companies had when Amazon entered these markets. Nilsen adds that product range, prices and speed will be imperative as always to win the customer, and he believes Power is on track to do just that by having stores across Norway, a functioning webstore, and motivated employees.

5.4 Relevant Elkjøp resources, customer offerings and services

The findings in this subsection suggest that Elkjøp has numerous valuable resources at their disposal, such as a new IT-system in-store; a customer club that provides the customer with additional value; repair and support services to aid the customer with his or her product both during and after the purchase; a sales team that strives to form lasting customer relationships; product guides, simplified product information and customer reviews at the Elkjøp webstore; Chat message board and video chat during open hours to assist the customer when shopping online; several delivery options such as "Click & Collect" that allows the customer to pick up the order only 30 minutes after the order has been placed; financing options for customers through a partnership with Santander Consumer Bank; extended customer guarantees and benefits; and lastly, Elkjøp Marketplace.

As mentioned, Elkjøp will be rolling out their new in-store systems in Norway in 2021 as part of their Next Generation Retail project. The purpose of this project is to create a seamless customer experience as well as to have *one* platform developed in-house that interconnects Elkjøp's webstore, physical stores, delivery and customer service. Previously, Elkjøp has been doing sales in-store at sales stations located around the store. Now, sales staff will be equipped

with a handheld device, called a “Blueberry”. The salesperson can then use this device during conversation with a customer to check up what the customer has been searching for at Elkjøp’s own website to get an idea of what he/she is interested in, and the customer can make the order together with the sales staff anywhere in the store, as opposed to before when the sale had to be closed at a sales station. The only time the customer has to go to the cashier is when the customer wants to pay with cash.

Elkjøp has also launched a customer club. By being a member of this customer club, the customer receives *exclusive club offers, regular discounts on certain products, VIP shopping, and benefits at Elkjøp’s partners*. The latter are mostly entry offers, such as a few months free subscription at streaming services, online bookstores, newsletters and so forth.

In terms of services, Elkjøp offers some support services such as mobile phone support, computer support, tablet support, TV & Sound services, home appliance services and kitchen services. Mobile phone support, computer support and tablet support are mostly to help the customer with securing their product, getting started by installing software and necessary updates, transferring of files from an old product to a new one, and 1-on-1 training if the customer needs it. TV & Sound services, as well as home appliances services, are offerings to help the customer getting their products installed at their homes, uninstalling and recycling of old products, optimization of products as well as giving the customer the option to purchase an insurance in the form of an extended warranty that covers accidents and other sudden damages. The kitchen service provides the customer with help to measure their kitchen, sketching a new one, limited free consultation, providing financing options, delivery and installing of the new kitchen and providing extended warranties on the products. All these services come with different price tags attached to them.

To provide customer repair services, Elkjøp is reporting that it is building Norway’s largest repair service for home electronics and mobile phones. For products that are malfunctioning and are still covered by a valid product warranty, Elkjøp offers help at their stores or the customer can contact customer service. In case of products that cannot easily be transported to the store, Elkjøp offers home service.

In addition to the help offered by their sales staff in Elkjøp’s physical stores, they have also attempted to provide guidance and help on their website to the customer when they are looking at products. At the Elkjøp webstore, anyone can provide product reviews on any product, so that customers who consider buying this product will have access to customer experiences

related to that product. Customers can also assess whether the already given product reviews are useful or not, in addition to being able to comment on the product reviews themselves. In addition to customer reviews, Elkjøp provides links to third-party product reviews where they deem fit, such as product reviews carried out by Tek.no or LydOgBilde.no.

Furthermore, when choosing a product category, home appliances for instance, the customer can find articles related to that category, which provide general information about some of the products in that category. In the case of home appliances, it can be an article that informs the customer about certain digital smart functions that have become a part of many appliances these days, such as refrigerators with the option of looking inside it from your smart phone.

Some customers might perceive certain products to be more complex than others, such as computers used for gaming. To make it easier for the customer to choose which computer to buy, be it a stationary or a laptop, Elkjøp has provided additional performance information linked to each computer, based on what games the customer is going to play on it. All the customer needs to do is click on the computer they are interested in, choose which game they are going to play on it, and a performance score (typically how many frames per second the computer can achieve) will be shown based on the video settings the customer intend to use while playing. "

If the customer has any questions regarding a product while shopping online, he or she can choose to open either a text chat message board or open up a live video chat with sales staff working at a store.

Once the customer has chosen a product, they are presented with numerous options on how to proceed. Firstly, they can choose to either put the product in the shopping cart, or they can choose the "Click & Collect" option. If they choose the latter, they will be presented with the stores closes to the customer's location that have the product in storage. The customer can then choose at which store he or she wants to pick up the product. Once the store has been chosen, the customer enters his or her name, e-mail address and phone number. The customer will then (most likely) receive a text message within 30 minutes telling the customer that the product is ready to be picked up.

If no stores nearby have the product in storage, the customer can add the product to the shopping cart. He or she can then choose to have the product sent to the store closest to their location from Elkjøp's central storage department, which usually takes 2-5 days, or they can choose home delivery or delivery to certain pick-up points usually located in various grocery stores.

In terms of payment, the customer can pay either by cash, debit card, credit card, or electronically via Vipps. Elkjøp also provides financing options from Santander Consumer Bank if the customer wish to delay payment and has an eligible credit score. Financing options usually come at an extra cost.

When purchasing a product at Elkjøp, the customer will be provided with certain guarantees and benefits. Firstly, Elkjøp offers price match, which is the promise to match the price of a select few of its competitors if certain criteria are being met. Secondly, the customer has the right to return the purchased product within 50 days of the purchasing date if certain criteria have been met. Thirdly, Elkjøp offers an advertisement guarantee, meaning that the customer is promised to receive the advertised product for the entire period the product is being advertised.

As previously mentioned, Elkjøp has launched Elkjøp marketplace. Here is a translated excerpt from the website:

Elkjøp is cooperating with numerous Partners who offer their products through Elkjøp's website, so that you as a customer get access to a wider range of products. This is what we call Elkjøp Marketplace. We hope this vast selection of products will give you an even greater purchasing experience!

This is how it works. If you buy a product from one of our Partners, the transaction will be executed through Elkjøp's secure checkout. When the Partner has received your order, the product will be sent to your chosen point of delivery. If you have ordered products from several partners, you will then receive a shipment from each Partner.

If you have questions regarding your orders or if you wish to return a product, contact the partner(s) responsible for your order. Information regarding the responsible Partner is found next to the product on the product page, in your shopping basket, or at "Min Side" at Elkjøp.no

Our Partners have been carefully selected to ensure the offering of high-quality products and services. All Partners are required to act in accordance with the Norwegian Act relating to consumer purchases.

Elkjøp currently has very few partners offering a limited number of products on their website.

5.5 Relevant Power resources, customer offerings and services

The findings in this subsection suggests that Power also has numerous valuable resources at their disposal, such as a customer club with a lock-in effect; repair service as well as long-lasting support services to aid the customer both during a purchase and up to several years after; product guides and customer reviews in aiding the customer in deciding which product to buy; chat message board during open hours to assist customers shopping online; several delivery options presented to the customer, such as “Click & Collect” that allows the customer to pick up his or her order within 60 minutes of the order being placed; financing options for customers through a partnership with Santander Consumer Bank; and lastly, extended customer guarantees and benefits.

Power has launched a customer club called MyPOWER. When the customer purchases a product from Power, they receive purchasing points. Spending NOK 1,00 at a Power store or on its webstore gives the customer 1 point. Once the customer has received 5.000 points, he or she will receive a gift card of NOK 100 that can be used for any future purchase. In addition to receiving purchasing points, members of MyPOWER will also receive exclusive offers, invitations to in-store events, access to all their receipts and when the product warranties or insurances expire, access to tracing online orders, and more.

In terms of services, Power offers support services such as mobile phone support, computer support, tablet support, TV & Sound services, home appliance services and kitchen services. Mobile phone support, computer support and tablet support are mostly to help the customer with securing their product, getting started by installing software and necessary updates, and the transferring of files from an old product to a new one. In addition to this, customers can purchase support services that lasts up to four years on these types of products. This allows the customer to get help at any Power store in Norway, whether they need a dust cleaning of their computer, help to remove or install software, or simply help to learn how to use their devices. TV & Sound services, as well as home appliances services, are offerings to help the customer get their products installed at their homes, uninstalling and recycling old products, optimization of new products such as TV picture quality, as well as giving the customer the option to purchase an insurance in the form of an extended warranty that covers accidents and other sudden damages. The kitchen service provides the customer with help to measure their kitchen, sketching a new one, limited free consultation, providing financing options, delivery and installing of the new kitchen and providing extended warranties on the products. All these services come with different price tags attached to them.

Power also offers repair services. If the product warranty has not yet expired, the customer can deliver the product to a Power store if it is transportable. In the case of products that are not easily transported, such as washing machines and dishwashers, the customer is encouraged to contact the producer of their product, such as Samsung or Miele. In some cases the customer has to wait while the repair is being processed, while in some cases the customer can get a new product right there and then.

Power also provides guidance and product related articles at their website when the customer selects a given product category. For instance, when clicking on home appliances, the customer can access an article that informs the customer on what he or she needs to consider when buying a refrigerator, in order to increase the longevity of the food products inside. At the Power website, customers can also give reviews on any product listed, and assess whether current reviews are useful or not. However, customers cannot comment on reviews. Power also provides links to third-party product reviews where they deem fit, such as product reviews carried out by Tek.no. If the customer has any questions regarding a product while shopping online, he or she can open up a chat message board and a sales representative or someone from customer service will then assist the customer.

When shopping at the Power website, the customer are presented with numerous options on how to proceed, much in the same way as on the Elkjøp website. Firstly, they can choose to either put the product in the shopping cart, or they can choose the “Click & Collect” option. If they choose the latter, they will be presented with the stores closes to the customer’s location that have the product in storage. The customer can then choose at which store he or she wants to pick up the product. Once the store has been chosen, the customer enters his or her name, e-mail address and phone number. The customer will then (most likely) receive a text message within one hour, telling the customer that the product is ready to be picked up.

If no stores nearby have the product in storage, the customer can add the product to the shopping cart. He or she can then choose to have the product sent to the store closest to their location from Power’s central storage department, which usually takes 2-5 days, or they can choose home delivery or delivery to certain pick-up points usually located in various grocery stores.

In terms of payment, the customer can pay either by cash, debit card, credit card, or electronically via Vipps. Power also provides financing options from Santander Consumer Bank if the customer wish to delay payment and has an eligible credit score. Financing options usually come at an extra cost.

When purchasing a product at Power, the customer will be provided with certain guarantees and promises. Firstly, Power offers price match, which is the promise to match the price of a select few of its competitors if certain criteria are being met. Secondly, the customer has the right to return the purchased product within 60 days of the purchasing date if certain criteria have been met. Thirdly, Power offers an advertisement guarantee, meaning that the customer is promised to receive the advertised product for the entire period the product is being advertised, or a similar product. If the product is sold out, the customer might have to wait until it is back in stock, but the customer still only pays the advertised price. Lastly, Power has clarified some issues concerning its price advertising, such as if the advertisement says “Save NOK 1.000”, it means that the product price is NOK 1.000 lower than the lowest price of the same product found at price comparison websites such as Prisjakt.no, as long as the other retailers have the product in storage.

Power does not have a marketplace model that invites third party sellers, or “partners”, to operate on a joint platform.

5.6 Amazon as a multi-sided marketplace and its effect on retail in general

In this section I will be presenting relevant findings on the resources Amazon has at its disposal as well as customer offerings. It should be noted that these findings represent resources and offerings that apply in the US markets, and in some of the European markets where Amazon has developed a significant foothold. They do not to the same extent represent that which Amazon currently has access to in Sweden. However, that does not mean that all of Amazon’s resources and offerings will not apply to the Nordic markets at some point in the future. I would therefore make the argument that Amazon’s entire resource pool, regardless of demographics, is relevant to Amazon’s future actions and potential strategies in any market it has entered.

Overall, the findings in this subsection suggests that Amazon’s resources, services and offerings more often than not have lock-in effects attached to them, meaning that when the customer shops at Amazon, or subscribes to an Amazon service, the customer will be presented with additional value that (sometimes strongly) encourage him or her to continue shopping at Amazon or continue to use Amazon services. The findings also identify a snowballing effect that seems to arise from synergies between Amazon’s offerings and services, further strengthening this lock-in effect. Examples are when a customer subscribes to Amazon Prime; or when a customer adopts Amazon Alexa into their everyday life as well as other Amazon smart home

features; or when a customer use the Amazon Kindle that further encourage the customer to subscribe to Amazon Prime; or when a customer acquire the Amazon Store Card; or when a company develop their business on Amazon Web Services to avoid large up-front capital expenditures. All resources, services and product offerings mentioned in this section seem to create value for both the customer as well as for Amazon, and the accumulation of customer data and analytics play a big part in this.

By referring to Amazon as a multi-sided marketplace, it implies that the services and products provided by Amazon are immense in numbers and they stretch far and wide across numerous product and service categories. Therefore, only a handful will be presented in this section that are relevant to the consumer electronics and home appliances industry; but it should be noted, however, that services not specifically relevant to the customer when shopping products in the consumer electronics and home appliances market, might still be relevant to the customer when shopping products in other markets accessible on the Amazon platform.

Earlier studies have provided valuable insights in their efforts to examine the characteristics (Rysman, 2009) of multi-sided marketplaces such as Amazon, as well as their effect on retailing (see Hänninen, Smedlund & Mitronen, 2017; Hänninen, Mitronen & Kwan, 2019). One of the more important characteristics of a multi-sided platform or marketplace as mentioned by (Rysman, 2009), is when the increase of participants on one side of the platform results in an increase of participants on the other side of the platform, facilitating strong network effects. Strictly speaking, the more users on a social media platform for instance, the more lucrative it is for content creators to develop new content on said platform. This relationship usually goes both ways, as in this instance where more users tend to join a platform that provides more content. In the case of Amazon, the more customers using the platform, the more suppliers and third-party sellers the platform attracts, and vice versa. By attracting third-party sellers responsible for their own inventory, Amazon can also provide a wider range of products without increased inventory risk, and the wider product range will then attract more customers, which in turn attracts more suppliers, and so on.

5.6.1 Amazon Prime

Furthermore, Amazon has a service called Amazon Prime. This is a large bundle of benefits that the customer can access by either paying a monthly subscription fee or an annual subscription fee. In the US, the subscription fee is \$12,99/month or \$119/year. The customer can choose to cancel their subscription at any time. Students can get a discount, sometimes as much as 50 percent off. The Prime bundle mainly consists of shopping benefits and access to

entertainment services. By subscribing to Amazon Prime, the customer gets a one-day delivery option on more than 10 million items at no additional cost. The customer also gets a same-day delivery option, but this is currently limited to major demographic areas and only applies to orders of at least \$35. Lastly, in terms of delivery, a Prime membership includes 2-hour grocery delivery free of charge depending on the order amount, in addition to in-garage and in-home delivery. In-garage and in-home delivery require key smart kits that allow the person delivering the order to enter the garage or the customer's home, while a video feed is enabled for security reasons. By subscribing to Amazon Prime, the customer also gets discounts and exclusive deals, as well as 5 percent cash backs on certain purchases when using an Amazon Prime Rewards Visa Card.

The entertainment part of the Prime bundle consists mainly of access to video streaming services, gaming services as well as personal streaming services, music streaming services and online reading services. Amazon's Prime Video service offers access to award-winning movies and TV-shows, some exclusive to Prime Video. Amazon also creates its own content the same way Netflix does, and has recently entered a deal of purchasing the MGM Hollywood studio for \$8,45 billion. In terms of its gaming services, Amazon Prime membership provides access to numerous games for free as well as some free in-game items that would otherwise cost money. Additionally, Amazon Prime members get a free subscription to the live streaming channel service Twitch. In recent years, more people have started to put up live streams of themselves playing video games, and some have managed to do this for a living. Amazon Music allows access to over two million songs without the presence of advertisement, much like the Spotify music service, only that Spotify gives the subscriber access to more than 70 million tracks. Lastly, Amazon Prime membership gives the customer access to thousands of e-books, as well as online magazines, comics, and some additional reading material.

5.6.2 Digital services

In terms of digital services, Amazon seems to have been at the driver's seat of pushing innovation. Take the company's smart home features for instance, with its cloud-based voice service Alexa that also works hand in hand with several smart home devices such as Amazon Echo speakers, Amazon Fire TV, and many other electronic devices. Alexa allows the user to control a number of electronic devices through voice activation. Furthermore, the Amazon invites developers to provide content on the Alexa platform by using the "Alexa Skills Kit". This adds new functionalities to the platform that any user can access, much in the same way an android smart phone user can access any applications found in Google store created by third-

party developers. Alexa on its own is an example of a multi-sided platform, and as of March 5th, 2020, more than a 100 million smart home devices had been connected to Alexa (Amazon.com, Inc., 2021).

Furthermore, in 2006, Amazon launched Amazon Web Services (AWS), which started out as a web-based IT infrastructure service, which today is known as cloud computing. As presented by Amazon on their AWS website, AWS “*provides a highly reliable, scalable, low-cost infrastructure platform in the cloud that powers hundreds of thousands of businesses in 190 countries around the world*”. By utilizing the Amazon Web Service, a company can save a lot on up-front capital costs as they do not have to get IT infrastructure equipment and necessary hardware such as the procurement of servers. Companies can use AWS to host their website, store data and create backup solutions, as well as distribute content to end users, and much more. According to Amazon’s 2020 annual report, AWS sales revenues reached a total of \$45,370 billion, a 29,5 percent increase from the year before; whereas AWS *operating income* – the measure of realized profit after the deduction of operating expenses (Hayes, 2021) – reached a total of \$13,531 billion. Taken into consideration that total operating income, excluding AWS, reached a total of \$9,368 billion, and that net sales revenues excluding AWS reached a total of \$340,694 billion, it seems rational to presume that AWS is the far more profitable venture when looking at the ratios between operating incomes and their respective revenue streams.

In August 2020, Amazon announced that it will be launching Halo, a fitness band that includes features such as an accelerometer, temperature sensor, heart rate monitor and microphones. In addition to these standard fitness band features, Halo also comes with a smart phone application that allows the user to 3D-scan their body composition, as well as to record the tone of their voice to evaluate the user’s emotional state throughout the day. According to Amazon, the voice recordings are not uploaded anywhere and are deleted immediately after it has been analyzed. In other words, none of the input data for the analysis will be accessible for anyone else but the user. The question is, however, what happens to the processed analysis data, which can hypothetically be used for statistical purposes or to generally get a better understanding of the population in different demographic areas.

In September 2020, Amazon also announced the release of its online cloud gaming platform, Amazon Luna, allowing subscribers to access various games that can be played in the cloud. This means that the user does not need to download and install any of the games he or she wish to play, all the games can be accessed on any device as long as the user has a sufficiently fast

internet connection. This, in turn, reduces the requirement of hardware specifications needed to play new games. For instance, you don't need a console such as the PlayStation or the Xbox to play games on your television, all you need is Amazon's Fire TV stick. Amazon Luna will give access to many popular games that are accessible on other platforms as well, but in addition Amazon Luna will provide access to games developed by Amazon exclusively for Luna.

In 2007, Amazon launched their own e-reader device series called Amazon Kindle, which has since then been developed through ten generations of updated and improved devices. This is another example of an intermediary multi-sided platform connecting readers with content creators. Through the Kindle device, the user can access Amazon's Kindle Store, an online e-commerce bookstore operated by Amazon. Here the user can find more than six million titles available. The user can also choose to subscribe to Kindle Unlimited, a subscription service which offers unlimited access to more than 1,5 million of these titles, for a monthly fee of \$9,99. This service is not to be confused with Prime Reading, which is a service provided to Amazon Prime members free of charge, but with *very* limited content compared to Amazon Kindle. Authors who seek to publish their work on Kindle, can choose to be enrolled in Amazon's unlimited reading subscription program, which makes their work exclusive to Amazon Kindle Unlimited for 90 days. This also provides the authors with additional royalties based on how much their content is being read by subscribers to Kindle Unlimited; authors who put their work up on Kindle Unlimited generally only get paid by Amazon based on how many pages of their content is being read.

In addition to the e-book platform Kindle, Amazon also has a subsidiary audible book company called Audible. This is a subscription service, with a monthly fee of \$7,99. The user will get 1 credit each month which he or she can use to buy an audiobook in the Audible store; podcast series are free of charge, but still require a membership. If the user wishes to cancel his or her subscription, the user will still keep his or her previous purchases in the Audible app which are still accessible. Prime members can pick two audiobooks for free at the start of their subscription period.

5.6.3 Payment services

Amazon has their own payment card called Amazon Store Card, and it offers several payment options to the customer. When applying to receive an Amazon Store Card, the customer will also receive a \$10 gift card that automatically gets added to the store card's credit balance.

There is no annual fee to own the card, Amazon promises that the customer is protected from any unauthorized charges and fraud, and Amazon Prime members can earn 5 percent cashback when using the Amazon Store Card on certain purchases. In addition to this, the Amazon Store Card provides the customer with the option of splitting up or delaying payment. For instance, if the customer puts in an order at Amazon's webstore of more than \$150, he or she can choose to split up the payment into six equal monthly payments over the next six months. He or she can also choose to delay the entire payment for up to six months without any interests being charged as, long as the payment is finalized before its due date. If the order adds up to more than \$600, the payment plan gets extended to 12 months, and 24 months on a few select purchases. The Amazon Store Card also enables automatic payment when shopping at any type of Amazon Go stores. The Amazon Store Card can be used on almost all products and services offered by Amazon.

Through their webstore and numerous services, Amazon has access to an immense number of informational sources compiling huge amounts of data that Amazon can utilize to get a better understanding of each and every customer. This allow Amazon to launch targeted marketing campaigns, create algorithms that individualize what each shopper is presented with when entering the webstore, or identify and create new trends, which can all be used in Amazon's decision-making processes and as basis for innovation projects. In this way, the customers themselves also become a valuable resource to Amazon as sources to Big Data analytics (also mentioned by Hänninen, Smedlund & Mitronen, 2017).

5.6.4 Amazon physical stores

Amazon has several different physical store concepts, and these are Amazon Books, Amazon 4-Star, Amazon Go, Amazon Go Grocery (named Amazon Fresh in the UK), and Amazon Pop-Up. Amazon Books offer books that are either labeled a *bestseller*, are new releases, or have an average score of 4 or higher from customer reviews. Amazon 4-Star offers a wide range of products that have received an average score of 4 or higher from customer reviews. This product range includes everything from books to consumer electronics, games, toys, and kitchen products. However, it does not include any foods. Some products with an average score less than 4 can also be found on Amazon 4-Star if they are trending, and/or labeled as a "top seller". Amazon Go is a food catering store that offers prepared foods such as breakfast and lunch meals, as well as snacks, ready to eat on the go. There is no checkout line, the customer will be automatically charged from their Amazon Store Card credit balance, as a combination of computer algorithms and sensors inside the store can identify what the customer picks. All the

customer needs to do is to get a so-called *Dash Cart* in which he or she puts their chosen products, in order for the sensors to identify what they pick. Amazon Go Grocery provides the same experience as Amazon Go, but at Amazon Go Grocery the customer will find way more produce and non-prepared food products, the same as in a regular grocery store. Customer can also choose to get same-day delivery or have staff members prepare their order which the customer can then pick up at the store, all free of charge for Amazon Prime members. Lastly, Amazon Pop-Up are small concept stores strategically located in places such as just inside the entrance of a mall, in order to intercept customers going in and out. The Pop-Up stores are usually smaller stores, focusing on a singular theme, which for instance can be “comfort”, where the customer will find products such as blankets, bedroom accessories, bathroom accessories, scented candles and so forth. It can also be a video theme, where the customer finds products such as video cameras, camera accessories, TVs, and so forth.

5.6.5 Amazon webstore

When shopping on the Amazon webstore, you can see who you buy the product from, whether it is from Amazon directly or from a third-party seller. It should be noted that third-party sellers must comply to Amazon’s strict rules of delivery, and in many cases third-party sellers are forced to use Amazon’s distribution network and delivery service in order to do so.

When trying to figure out which product you should choose, the available product information varies a great deal from one product to another. Some products listed on the webstore come with very little product information that can help the customer reviewing the product before purchasing, such as a full list of specifications and technical details. Others come with very detailed product descriptions, specifications list and even a list showing the product in comparison to other products. I assume that the party selling the listed item is also responsible for putting up a description of the product but can also choose to not provide a detailed list if they personally do not see the value in doing so. However, if the customer chooses a category, laptops for instance, or say dishwashers for that matter, they can choose to see the top 100 bestsellers. From what I have found, most – if not all – of these top 100 bestsellers are listed with detailed product descriptions. The reason might simply be that people tend to make decisions based on sufficient information, and these products sell more than similar products that lack sufficient product descriptions, amongst other factors.

However, customer reviews play an important role in aiding the customer in choosing which product he or she should buy. Due to the size of Amazon’s operations, many products have thousands of customer reviews, making these reviews far more statistically representative on

behalf of a larger population than for instance 10 or 20 customer reviews. Customers can also vote on whether they found a customer review helpful. Additionally, customers can also post questions that sellers and manufacturer representatives will answer. These questions and answers will become accessible on the product's website in Amazon's webstore the same way customer reviews are. For instance, when clicking on the Lenovo Flex 5 14-inches two-in-one laptop, the customer can scroll down on the product page to find 436 questions posed by previous customers regarding the product, as well as answers to all these questions. Such questions are for instance whether the laptop comes with a fingerprint sensor, whether it is normal for the computer to become warmer on the left side of it, whether its memory run in dual channel mode, or if you can add an extra internal storage device to the computer. In other words, customer reviews and customer questions alone provide substantial information to the customer on which he or she can then make a decision whether to buy the product or not.

When adding a product to the shopping cart, the customer will often be presented with the option to buy an extended warranty in the form of a protection plan. For instance, if you buy the Lenovo laptop mentioned earlier, you will be asked whether you wish to also purchase a 4-year laptop accident protection plan for a single fee of \$124,99; the laptop alone costs \$624,99. This protection plan covers "drops, spills, and cracked screens due to normal use covered from day one". The customer will also gain access to 24/7 tech-support, in case he or she needs help with setting up the device, has connectivity issues, needs help to troubleshoot device, and more. If an accident were to occur, Amazon will also provide shipping, repairs, and necessary replacement parts free of charge. Should the product turn out not to be repairable, Amazon will send an Amazon gift-card for the purchase price of the covered product. This protection plan is very similar to the ones Elkjøp and Power offer, apart from tech-support that is a separate service at Elkjøp and Power. Protection plans seem to only be presented when adding products sold by Amazon to the shopping cart, and not when adding products sold by third-party sellers. The customer can, however, buy a third-party protection plan separately, but this is not to be confused with the protection plans offered by Amazon itself.

If the customer buys a product, or a set of products, from Amazon on a regular basis, the customer can acquire a so-called *Dash Button*; a small wireless device connected to the customer's Wi-Fi at home. The customer can pre-select which products he or she wish to order by pressing the button. This can be hygiene products for instance, and the customer can put the Dash button with these pre-selected items on their bathroom wall. When they run out of product, they just press the button, and an order will be automatically placed. The customer can also put

a separate Dash button in their kitchen, with pre-selected groceries that will be ordered when the button is pushed. The customer can also create virtual Dash buttons with the same functionality in the Amazon mobile app if he or she does not want to have physical devices on display.

5.6.6 After having purchased a product

In terms of returns and refunds services, Amazon will at minimum have to abide by Norwegian law, more specifically the Act relating to consumer purchases. Amazon currently do not provide shipments of returns free of charge, unless the return is a result of an error made by Amazon. Returns are, however, free of charge if personally delivered to Amazon return centers, much in the same way as returning a product bought from Elkjøp or Power is free of charge if returned personally to one of their stores.

If the customer needs help with a purchased product, he or she is presented with several support service options from Amazon. The customer can get help from an expert to get the product set up, and if the customer has a broken but still repairable product that is no longer covered by a warranty, the customer can order replacement parts for free at Amazon. Amazon claims that they will “still have your back after your purchase” by offering “fast and free product support on select items”.

As mentioned in the previous subsection, Amazon support services such as tech-support are often bundled up in protection plans and extended warranties offered by Amazon. To provide repair services to all customer markets in which Amazon operates, the company teams up with local third-party repair services. These repair service institutions are vetted by Amazon, and they must have a strong track record of service quality; they must also pass a so-called 6-point criminal background check; they must be licensed and insured; and they must be proven performers by meeting “ongoing performance targets including responsiveness, quality and ratings”. Customer reviews on all third-party repair services are also accessible by customers at the Amazon webstore.

5.6.7 Amazon Staff Training

Amazon seems to recognize the impact of having a well-educated workforce, as the company requires that employees have necessary training (Amazon.com, Inc., 2021) and offers upskilling programs to help employees advance in their careers (Galetti, 2020). In this report (Galetti, 2020), Amazon pledges “to provide free skills training to 29 million people globally by 2025”, and in the US alone Amazon plans to invest \$700 million in free skills training to 100.000 of

its American employees. Such programs include AWS-specific training programs, computer engineering programs, operational network training programs, machine learning programs, apprenticeship programs, and more. In terms of employee satisfaction, 94 percent of Amazon's workforce reports that it would recommend Amazon to a friend as a place to work (Amazon.com, Inc., 2021). Coaching is also provided to all Amazon employees, whether they need help to improve their results or help to further excel in their career. Amazon reports that 82 percent of all coaching is positive (Amazon.com, Inc., 2021). Furthermore, Jeff Bezos reports that in his new role as Executive Chair, he will focus on new initiatives that will make Amazon "Earth's Best Employer" (Amazon.com, Inc., 2021).

5.6.8 Excerpts shareholder letters and interviews

To end the findings section, I will present a transcribed excerpt from an interview between Mathias Döphner, the CEO of Business Insider's parent company Axel Springer, and CEO of Amazon, Jeff Bezos, seen on Youtube.com (Business Insider, 2018).

When talking about the launch of Barnes and Noble's online bookstore in 1997, Jeff Bezos recalls an all-hands-on-deck meeting with his 125 employees where he told them "... *it's okay to be afraid, but don't be afraid of our competitors, because they're never going to send us any money. Be afraid of our customers. And if we just stay focused on them, instead of obsessing over this big competitor we just got, we'll be fine.*". He then goes ahead and adds "*And I really do believe that. I think that if you stay focused, then the more drama there is and everything else, no matter what the drama is, whatever the external distraction is, your response to it should be to double down on the customer, satisfying them – not just satisfying them, delighting them.*"

Later in the interview when talking about customer relations, Bezos states that "*The reason customers have been receptive in large part to our new initiatives is because we have worked hard to earn trust with them. Earning trust with customers is a valuable business asset, and if you mistreat their data they will know, they will figure it out. Customers are very smart. You should never underestimate customers.*"

6. Discussion

6.1 The Impact of Covid-19 on Elkjøp and Power

The findings suggest that 2020 has been a very prosperous year, in terms of growth, for the two major Norwegian omni-channel retailers in the consumer electronics and home appliances industry. As previously mentioned, Power experienced a 21,2 percent growth in total during 2020, whereas Elkjøp reported a 26 percent growth during the first half of its fiscal year 2020/2021. This growth is likely a result of consumers spending far less on services in the service sector. Governmental encouragement to avoid domestic travel and locked borders effectively prohibiting international travel have led to significant decline in consumer spending on air travel services. Periodically closing of restaurants and shutting down alcohol serving are measures likely to have reduced overall spending in these service areas as well. The decline in cross border trade could also have affected retail growth, but to what extent is hard to tell.

In any case, in-store retail sales of consumer electronics and home appliances experienced a 15 percent growth in 2020, where the biggest growth was in home appliances – 18,4 percent to be exact – and a 1,9 percent growth in in-store retail sales of consumer electronics. Online retail sales of consumer electronics experienced an 18,4 percent growth from 2019 to 2020. Unfortunately, I have not been able to obtain data sources separating online retail sales of consumer electronics from online sales of home appliances. Looking at the different growth rates from 2019 to 2020 and comparing them with their respective yearly average growth rates from 2012/2014 to 2019, we see that the biggest growth increase was in in-store retail sales of home appliances. The growths in the different parts of the consumer electronics and home appliances industry are likely due to people having invested more in things rather than experiences. Due to Covid-19 and restrictions imposed, people have spent more time at home, which is also seen in the 22,9 percent increase in growth from 2019 to 2020 in online retail sales of ICT equipment, indicating that many needed additional equipment to set up their home offices. People have also spent more time doing other activities at home, such as cooking and playing video games; thus many have invested in the refurbishment of certain parts of their houses, such as getting a new kitchen, kitchen appliances or equipment; and sales of video games and gaming consoles have seen a large increase in 2020 compared to previous years.

Focusing on “Click & Collect” and drive-through services has arguably played an important role in facilitating these results, as Elkjøp also has emphasized, and Power also seems to have

acknowledged. From a rational perspective, when a large appliance breaks down, such as a refrigerator, a freezer, dishwasher or washing machine, people tend to want a replacement as fast as possible. Ordering such products online incurs a waiting period, where in the meantime the customer needs to find a temporary solution to storing their foods and to washing their clothes or dishes, which can become a huge inconvenience. Also, being told that you must set up a home office as soon as possible increases the likelihood of purchasing equipment that can quickly be picked up. Some of the increased growth can perhaps also be accredited to the stores enhanced focus in conveying to the public that they offer such services, as some people might not be familiar with them even though they have existed for quite some time.

When customers go to the Elkjøp or Power website to buy a product, both websites offer help in form of chat message boards, and in Elkjøp's case also video chat. As reported by Power, many of their employees have been put so such a task, instead of putting them on paid leave. If the customer seeks guidance, and then decide on a product, in many cases it is possible that the employee creates the order on behalf of the customer, as the system has put the customer in contact with an employee at the store closest to their location. As the order was handled by the store, the customer ended up purchasing an in-store product rather than a product online. In effect, having in-store employees aiding the customer could thus have been a large contributor to the increase of in-store sales; but also overall sales, as easy access to help when shopping online can be a contributor to the customer deciding to buy a product rather than not due to hesitancy and indecisiveness. It is difficult to say whether Elkjøp managed to utilize their employees in the same way Power did, considering they put some of their employees on paid leave, but this thesis believes it could have been the case, as they put in-store employees on video chats, and thus it seems reasonable to assume they also put them on chat message boards.

The way Power built their own TV-studio to ensure continued training of their staff also synergizes well with their utilization of said staff while giving them a larger presence online. Being able to meet and greet the customer wherever the customer chooses to shop arguably establishes a closer and more trusted relationship between the customer and the company, something many customers value. In addition, by helping the customer find the right product suited to his or her needs, arguably reduces the number of products returned due to dissatisfied purchases.

There is no doubt that in some demographic locations, during certain time periods when Covid-19 restrictions were at their highest level, a discontinuity occurred in many parts of the Norwegian retail industry as shops and stores had to close. In the consumer electronics and

home appliances industry, many resources were at risk of quickly becoming obsolete. This could be products on display inside the closed stores; sales teams working at the closed stores; drivers no longer supplying the stores with products, as storage departments exceeded their capacities; supplier relations being strained as stores were no longer able to accept the shipments planned to come in due to storage capacity issues; and so forth. When faced with such a shock, having real options and/or alternative uses for company resources can secure necessary flexibility; and in turn, capabilities needed to adapt to changing circumstances (Sirmon, Hitt & Ireland, 2007). As discussed so far in this section, that seems to be exactly what Elkjøp and Power managed, though they might not have predicted it necessary to face a pandemic. They utilized their most valued resources – their employees – in alternative and innovative uses of these resources, they managed to meet the customer wherever the customer chose to shop, in an effort to continuously provide as seamless customer experiences as possible. The fact that these resources were developed internally through continuous training and making them a part of the companies' innovative cultures, arguably made them less context dependent (as compared to for instance outsourced resources) (Miller & Shamsie, 1996), and thus more flexible in terms of use; in turn, their level of social complexity also increased. Part of their success still seems somewhat ambiguous as it is difficult to pinpoint *exactly* how Elkjøp, and especially Power, managed to utilize these resources in such an efficient way, but that is often the result of isolating ones resources and keeping them internally (Dierickx & Cool, 1989; Peteraf, 1993; Sirmon, Hitt & Ireland, 2007).

To answer the research question more specifically, Elkjøp and Power were positively affected by the Covid-19 pandemic. This can be accredited to several contributing events, such as consumer spending transitioning away from the service sector and into many parts of the retail sector that experienced new trends; Elkjøp and Power being able to meet, help and guide the customer online by utilizing their employees in alternative ways; and by emphasizing the use of “Click & Collect” and drive-through services to provide the customer with their product(s) within the hour.

6.2 The impact of Amazon entering the Norwegian market

Elkjøp and Power were without doubt successful in their response to Covid-19 and its effect on the Norwegian markets in consumer electronics and home appliances. Being successful omni-channel retailers when consumers show a tendency to transition away from physical stores and onto online stores, can be interpreted by some as an indication that this automatically translates

into Elkjøp and Power being successful in competing against Amazon once they establish a presence in the Norwegian markets; and that those resources that made Elkjøp and Power successful during Covid-19 will make them successful in the event that Amazon enters their market. In the following I will argue that such arguments and conclusions merely scratch the surface of understanding how this event will turn out. This discussion will emphasize the importance of having or securing valuable, rare, imperfectly imitable and non-substitutable resources to sustain a competitive advantage (Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993)

6.2.1 The imitability of human capital resources and assets

Both Elkjøp and Power believe that their respective workforce and culture are some of their most valuable resources. As mentioned, the cultures at Elkjøp and Power are socially complex. The interdependencies between the employees, their leaders, and their day-to-day business adds to the level of causal ambiguity related to their success (Dierickx & Cool, 1989). In turn, their cultures can be regarded as imperfectly imitable and as a source of sustained competitive advantage (Barney, 1991). Furthermore, the concept of time compression diseconomies (Dierickx & Cool, 1989) suggests that the accumulation of knowledge these two companies have in the Norwegian consumer electronics and home appliances industry adds to the inability of imitating their cultures and human capital resources. As mentioned, these resources are valuable, and due to their internal development, they are not easily acquired at any strategic factor market. This makes them also rare and imperfectly mobile, as a result of being tailored to firm-specific needs (Peteraf, 1993). But are they non-substitutable? Does Amazon have *strategically equivalent valuable* (Barney, 1991) resources to these human capital resources and assets possessed by Elkjøp and Power?

Amazon employs more than 1,3 million people around the world, and in addition they have 1,9 million businesses selling products and services on their platform directly to customers. These employees receive necessary training, and many are offered career opportunities at Amazon; this goes to show that Amazon seeks to invest in increasing its level of human capital asset stocks (Dierickx & Cool, 1989). 94 percent of these employees report a satisfactory work environment. The third-party sellers also receive necessary training to get started on the Amazon platform and must abide by Amazon's rules of conduct. In sum, the interdependencies between Amazon and its employees, as well as Amazon and third-party sellers, are immense due to the sheer size of the two groups and the continuously internal development of both. Continuous training and potential career choices offered by Amazon to their employees give

rise to time compression diseconomies (Dierickx & Cool, 1989), solidified by the encouragement of employees committing to Amazon for the long haul.

With regards to asset mass efficiencies, Dierickx and Cool (1989) also suggest that the size of Amazon's workforce and number of third-party sellers in turn facilitate the incremental addition of more employees and third-party sellers, respectively. From a logical standpoint, this seems like a reasonable assumption. Amazon would likely not have such a large workforce if their employees were dissatisfied with their working environments, thus they would not recommend Amazon to their friends as a place to work. The fact that 94 percent reports that they would recommend Amazon to their friends proves the opposite. The more people joining Amazon's workforce, the more reach Amazon gets; the more satisfied employees are, the more this reach will lead to additional people joining their workforce. In terms of third-party sellers, asset mass efficiencies become even more apparent, as the more third-party sellers join the Amazon platform, the more customers the platform will attract (Rysman, 2009), which in turn will attract even more third-party sellers.

There is also a clear interconnectedness between the employees at Amazon and third-party sellers on the Amazon platform. As more third-party sellers join the platform, the more workers Amazon needs to intermediate the sale between the third-party seller and the customer, whether it means more workers in fulfillment centers or more workers operating the websites and so forth. Likewise, more employees arguably increase the company's ability to provide good customer service by managing to respond to customers' requests; it also means that Amazon's capacity to fulfill orders increases and it increases the likelihood of smoother day-to-day operations. These events all contribute to the attraction of additional platform sellers.

As Amazon continues to invest in increasing its levels of asset stocks, this in turn accelerates the accumulation of said asset stocks (Dierickx & Cool, 1989); this is even further enhanced by the asset mass efficiencies at play, in conjunction with the interconnectedness of the company's asset stocks as described in the previous paragraphs. In sum, the non-imitability of Amazon's human capital resources and assets mentioned so far is arguably close to perfect (Dierickx & Cool, 1989).

6.2.2 The imitability of service offerings

Elkj p believes the "Click & Collect" service to be one of the more important solutions Elkj p has to offer the customer to compete with Amazon. While "Click & Collect" is a valuable service offering that enables the customer to pick up his or her product almost immediately after

purchasing it online, it is not rare. Many different stores offer “Click & Collect” services, and the concept is easy to adapt; thus it is not imperfectly imitable. While it is considered a valuable asset to the Elkjøp’s and Power’s business model, while it grants them competitive parity, it *cannot* grant them a sustained competitive advantage as it is imitable (Barney, 1986; Dierickx & Cool, 1989; Barney, 1991; Peteraf, 1993; Miller & Shamsie, 1996). When Amazon eventually enters the Norwegian market in consumer electronics and home appliances, and if Amazon believes that the “Click & Collect” services provided by Elkjøp and Power are sufficiently valuable and necessary to compete (non-substitutable), Amazon will simply imitate these solutions as it has the means to do so. That said, it seems likely that such services will only serve major demographic areas in Norway, at least for the foreseeable future.

In terms of physical stores, Elkjøp and Power have a clear competitive advantage in attracting customers who wish to see the product(s) in person before buying. There are, however, substitute solutions in the works. For instance, Elkjøp launched the video chat service to accommodate these types of customers to the best of their abilities when stores were closed. Additionally, although not applicable to consumer electronics and home appliances *as of yet*, smart phone filters have been developed to see how clothing products would fit a person by taking a selfie with the clothing filters turned on. Combined with the Lidar-scanner of the new iPhone 12 pro series that can take measurements of objects using its camera, solutions to virtually being shown for instance how a new TV would look on your living room wall, or a new washing machine would look in your bathroom corner, no longer seems farfetched.

As pointed out in the Virke trade report 2020/2021, Norwegian consumers value trusted relationships and seek a sense of belonging in close communities. In times of crisis, people seek that which they trust and that which is familiar to them. Once Amazon enters the Norwegian markets, it is reasonable to assume that many consumers will be skeptical at first, putting Amazon off to a slow start. However, as Amazon offers similar support services, help and guidance as Elkjøp and Power does – given time – consumers might create new trusted relationships while familiarizing with the new entrant. Also, the Amazon Store Card can become an important contributor to Norwegian consumers trying out the Amazon website if it also comes with a \$10 gift card. A customer looking to buy a new washing machine will probably not be persuaded by a \$10 gift card; but seeing as the product range of Amazon extends all the way from clothing and foods to consumer electronics and decorations, at some point that same customer will likely find something at Amazon that is fully or partly covered by the \$10 gift card. In turn, a customer relationship has successfully been made.

Amazon's most important service in the US is arguably Amazon Prime. It offers value to many customers as they receive shopping benefits, but it also offers value to consumers in general as subscribing to Amazon Prime grants access to numerous entertainment services. Furthermore, should an establishment of a distribution network in the Nordics similar to the one Amazon operates in the US become a reality, the customer value of Prime will arguably become superseded by none. Such an extensive distribution network is, however, not very likely to be established in the foreseeable future; although it is likely that Amazon will develop some sort of distribution network to serve its Nordic customers, as confirmed by their acquisition of a warehouse in Eskilstuna. It seems reasonable to assume that Amazon Prime thus will become a popular service in Norway. Due to its annual fee being cheaper than subscribing for twelve months and paying the monthly fee, this has a potential to create a strong lock-in effect, especially if Amazon offers the annual subscription at reduced price as it enters the Norwegian markets. An argument to support would be the fact that should any customer subscribing to Amazon Prime choose to shop elsewhere, they have effectively paid, or are paying, for a service they end up not utilizing. In sum, Amazon Prime has the potential of being a valuable service to subscribers who shop at Amazon, as well as to subscribers who do not shop at Amazon.

As already mentioned, Amazon continues to invest in increasing its levels of assets stocks, and this is no different when it comes to Amazon Prime. The continuous development of its distribution network is providing an increasing number of customers and subscribers to Amazon Prime with fast deliveries. Amazon has also recently entered a deal to buy Metro-Goldwyn-Mayer Studios Inc., for \$8,45 billion, with the likely purpose of attracting new Prime subscribers and providing additional customer value to those already subscribing to Prime. CEO and founder of Amazon, Jeff Bezos, said it best: "When we win a Golden Globe, it helps us sell more shoes" (McAlone, 2016). This quote speaks volumes to the interconnectedness of asset stocks (Dierickx & Cool, 1989): as Amazon invests more in Prime Video content, Amazon attracts more subscribers to Amazon Prime, which in turn makes these subscribers more inclined to shop at Amazon due to shopping and delivery benefits included in the Prime membership. Asset mass efficiencies are also present (Dierickx & Cool, 1989), as Prime Video works as a multi-sided platform on its own (Rysman, 2009), connecting Prime members with content creators: the increase in subscribers will attract more content creators to the platform, in turn increasing the content value of Prime Video which will attract even more subscribers. The same reasoning applies to Amazon's gaming service, Luna. The asset mass efficiencies of Prime, in conjunction with the interconnectedness of Prime with several of Amazon's resources,

offerings and services, makes Amazon Prime – as an asset – as close to perfectly non-imitable as it arguably gets.

In terms of asset erosion, Amazon Prime can help sustain brand loyalty due to its lock-in effect, in turn decreasing necessary expenditures elsewhere to avoid brand erosion (Dierickx & Cool, 1989); as subscribers to Amazon Prime are already paying for shopping benefits and delivery services, they are arguably more inclined to shop at Amazon, without the need of commercials to persuade them.

As seen in many of Amazon's services and innovations, Amazon chooses to take the role of an intermediary agent. This holds true for parts of its Prime Video, Prime Music and Luna services, where Amazon connects viewers, listeners and gamers with content creators; it also holds true for their cloud-based voice service Alexa, which has been connected to more than 100 million smart home devices across the globe. As Alexa's functionalities are continuously being developed by third-party developers using the "Alexa Skills Kit", who in turn wish to sell these functionalities to end-users of the Alexa service, this multi-sided platform model – as well – is subject to asset mass efficiencies (Dierickx & Cool, 1989): the more and better functionalities available on the Alexa platform, the more users it will attract, which in turn makes it more lucrative to develop new functionalities on said platform.

6.3 Amazon versus Covid-19

As previously discussed, the Covid-19 pandemic led to the closing of stores, changes in consumer behavior and new shopping trends, forcing Elkjøp and Power to be quick on their feet in order to sustain their business; and they did so successfully. Where the "Click & Collect" and drive-through services played an important part in facing the Covid-19 pandemic and its challenges, these services – as far as this researcher can tell – will not be sources of a sustained competitive advantage when facing Amazon. They can, however, continue to be sources of competitive parity, as they are today. Physical stores, on the other hand, can greatly contribute to the survival of omni-channel retailers as long as customers value the opportunity to see the product in-person before purchasing it; but as our world becomes ever more digitalized, substitute solutions such as virtual reality can have the ability to change such preferences. It is likely, however, that physical stores will be a short- to medium term competitive advantage to Elkjøp and Power, as the imitation of their store network is both costly and time consuming.

Long term customer relations, customer support, and helping the customer both before, during and after the purchase, are all assets and customer offerings that can be viewed as socially

complex as they involve the customer's trust. Thus they are imperfectly imitable, but they are not perfectly non-imitable (Barney, 1991). Trust can be earned given time, and as Amazon has several means to encourage customers to try shopping at their platform, they have the chance to earn this trust and establish their own customer relations, as they also provide customer support and customer service. Elkjøp and Power will therefore likely have a short-term competitive advantage from their long-term customer relations, but this advantage can fade away as time passes.

When discussing earlier the imitability of human capital resources and assets, the question was raised whether the human capital resources and assets at Elkjøp and Power are non-substitutable. From an isolated perspective, I would say they are not; they *are substitutable*. I would argue that Amazon's human capital resources and assets far exceed those at Elkjøp and Power, based on Amazon's continuous investments which fuels the asset mass efficiencies and interconnectedness of their human capital asset stocks as already discussed. I see no need for Amazon having to imitate the human capital resources and assets of Elkjøp and Power, because, as this section has sought to present, Amazon have their own resources and assets serving as perfect substitutes for the ones Elkjøp and Power possess.

In sum, customer lock-in effects; the general accumulation of assets through asset mass efficiencies; the interdependencies and interconnectedness of close to all Amazon assets and resources; the immense product range provided by both Amazon and third-party sellers; as well as the services and customer offerings already mentioned; they are all valuable, rare, imperfectly imitable and non-substitutable assets and resources; they are all contributing to Amazon's sustained competitive advantage. In the short to medium term, Elkjøp and Power will likely be able to stay competitive. In the long term, they will likely not, based on matters discussed in this section.

However, who manages to survive is ultimately for the customers to decide. As Jeff Bezos himself said: *"it's okay to be afraid, but don't be afraid of our competitors, because they're never going to send us any money. Be afraid of our customers. And if we just stay focused on them, instead of obsessing over this big competitor we just got, we'll be fine"*.

7. Conclusion

The purpose of this study was to explain *“to what extent were the two major Norwegian omnichannel retailers in the Norwegian market for consumer electronics and home appliances, Elkjøp and Power, positively or negatively impacted by the Covid-19 pandemic?”*, and to explore the question *“how do these impacts compare to how Elkjøp and Power will be affected by the establishment of Amazon in said market?”*

To answer these questions, I gathered large amounts of secondary data that included domestic trade reports, national statistics, excerpts from publicly accessible news articles and interviews, annual reports and information found at the websites of the three companies. Literature from Resource Based Theory and theory on resource management during shocks was used in the analysis of the findings. Understanding discontinuities in industries and how real options could improve resource management during environmental uncertainty was decided as useful to analyze the responses of Elkjøp and Power to the Covid-19 pandemic. Theory on the sustainability of competitive advantages was determined to be most suitable in researching the effect of the establishment of Amazon in Norwegian retail markets. This allowed for the understanding of what constitutes a sustained competitive advantage, what contributes to sustaining a competitive advantage, and what sustained competitive advantages, if any, do Elkjøp, Power and Amazon exhibit.

The findings show that both Elkjøp and Power were successful in their response to the Covid-19 pandemic and were positively affected by the change in consumer purchasing habits and trends resulting from Covid-19 restrictions. The findings also show that when comparing the impact of Covid-19 to the impact of Amazon entering the retail markets in which Elkjøp and Power operates, the lack of valuable, rare, imperfectly imitable and non-substitutable resources and assets on the incumbents' parts will, in the long term, allow Amazon to capture large shares of the Norwegian markets for consumer electronics and home appliances.

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9. Appendix A

This Appendix serves as a guide to the relevant categories at Statistics Norway that comprise “consumer electronics” and “home appliances”. This list in its entirety has been retrieved from Statistics Norway and should not be recognized as part of this author’s independent work.

Both consumer electronics and home appliances, when looking at statistics from Statistics Norway, fall into category 47 – Retail trade, except of motor vehicles and motorcycles. Consumer electronics, more specifically, then fall into subcategory 47.4 – Retail sale of information and communication equipment in specialized stores. This further includes:

- 47.41 – Retail sale of computers, peripheral units and software in specialized stores
- 47.42 – Retail sale of telecommunications equipment in specialized stores
- 47.43 – Retail sale of audio and video equipment in specialized stores

No other subcategories fall into 47.4 than the ones mentioned here. When referring to *consumer electronics*, I will be referring to sales in brick-and-mortar stores that fall into category 47.4.

Home appliances fall into subcategory 47.5 – Retail sale of other household equipment in specialized stores; more specifically, subcategory 47.54 – Retail sale of electrical household appliances in specialized stores.

Subcategory 47.5 also includes the following subcategories:

- 47.51 – Retail sale of textiles in specialized stores
- 47.52 - Retail sale of hardware, paints and glass in specialized stores
- 47.53 – Retail sale of carpets, rugs, wall and floor coverings in specialized stores
- 47.54 – Retail sale of electrical household appliances in specialized stores
- 47.59 – Retail sale of furniture, lighting equipment and other household articles in specialized stores

47.54 is the only one providing relevant information to this thesis. However, as can be seen here, statistical data on category 47.5 as a whole will not give explicit and detailed information about subcategory 47.54, as it also includes numerous other non-relevant sub-categories. Therefore, data on 47.5 as a whole cannot give a reliable representation of subcategory 47.54.

When referring to *home appliances*, I will be referring to sales in brick-and-mortar stores that fall into category 47.54.

All e-commerce retailing falls into subcategory 47.9 – Retail trade not in stores, stalls and markets. Here we find subcategory 47.91 – Retail sale via mail order houses or via internet. In this subcategory, we have the following subcategories:

- 47.911 – Retail sale of variety of goods via mail order houses or via internet
- 47.912 – Retail sale of textiles, clothes, footwear, travel accessories and leather goods via mail order houses or via internet
- 47.913 – Retail sale of lighting equipment, china and glass, furniture and non-electrical household articles via mail order houses or via internet
- 47.914 – Retail sale of electrical household appliances, radio, television, gramophone records, tapes, CD's and musical instruments via mail order houses or via internet
- 47.915 – Retail sale of books, newspapers and magazines via mail order houses or via internet
- 47.916 – Retail sale of ICT (Information and Computer Technology) equipment in specialized stores or via internet
- 47.917 – Retail sale of health foods in specialized stores or via internet
- 47.919 – Other retail sale of specialized assortment of goods via mail order houses or via internet

In subcategory 47.91, subcategories 47.914 and 47.916 are the ones most relevant to this thesis.