My Linh Truong

Improving service quality through value proposition

A descriptive single case study: Company BK

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ABSTRACT:

This research investigates the current value proposition and service quality challenges at the bookstore chain BK in Vietnam. The study result assists the case firm in increasing its value proposition within the scope of its business model. This research aims to examine the present situation of the case firm, compare customer value from a management and customer perspectives, and propose ways to improve BK's service quality through the improvement of a value proposition.

The literature review addresses relevant topics in business model, customer preference and business environment analyses to provide a solid background and a wide range of tools for analysis. Then, the study presents an integrated theoretical framework on the relationship between customer needs, firm's competitive advantage (through business model), perceived value and service quality.

The research employs a descriptive single-case study approach. One semi-structured interview, four focus groups and desk research are used to collect data, which is then analyzed using thematic analysis. To strengthen the reliability and validity of the study, focus groups were conducted in a standardized environment with participants selected from various client categories. The research was conducted in accordance with Vaasa University's ethical practices.

The findings of the study demonstrate that the case company has misjudged the complexity and multidimensionality of client values. Inadequate infrastructure, limited data and the psychology of the customers all present obstacles in determining service quality. Customers are not yet participating in the process of value co-creation due to communication barriers, complex procedures and customer-centric activities. The research also indicates that the company's potential resources are misaligned with its business objectives, resulting in inadequate responses to the external business environment. The PESTLE study highlights the difficulty of implementing digitalization in practice and the emergence of indirect competitors in the online and digital book sectors. Regular competitor analysis is necessary for proactive market responses.

The study result assists the organization in improving service quality by engaging consumers in the value co-creation process and appropriately reallocating resources. The proposed new value proposition emphasizes the company's core value, target consumers and social impacts. The result gives recommendations for implementing the new value proposition and business model accordingly. It also assesses the relevancy and applicability of the integrated theoretical framework in practice.

KEYWORDS: customer value, service quality, value proposition, perceived value, value co-creation

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1 Introduction

1.1 Motivation

Books are consumed by all ages and socioeconomic backgrounds. With the development of the internet, customers are progressively converting to electronic books, newspapers, and magazines instead of physical publications for convenience. Book marketplaces may not provide much economic value, but they are extremely important in terms of social and moral significance. With over 90 million people, Vietnam is a vast and potentially lucrative market, yet the typical Vietnamese reader barely reads four novels each year (including 2.8 textbooks). This is a little number when compared to overseas peers (Singapore 14 books per year, Malaysia 10 books per year, Japan and France 20 books per year). The author was intrigued by the book cake industry.

BK is one of the bookstore chains with the most branches in Vietnam. The motto that BK bookshop frequently attaches is *"Leveraging Knowledge"*. The author recognizes that their message to customers does not adequately express the benefits of visiting their bookstore. Bookstores are having difficulty expressing their finest values to customers. The bookshop is also a firm with a value proposition. In a market saturated with competing service providers, the value proposition acts as an invitation to new clients and service quality keeps customers returning and using the service. Customer demands are inexhaustible and hardly any firm can satisfy them all. Nevertheless, acknowledging the needs of customers and satisfying those needs will be beneficial to firms.

This caught the author's interest: do the ideals a corporation claims to be seeking always align with the values that customers demand from a service? Is the value proposition based on the firm's capability or the customer's need? How can a business truly understand its consumers' needs? How can they tell if they are succeeding or failing? Have consumers ever added value to the firm in addition to sales? A sequence of inquiries inspired the author to do research on customer value, value proposition and service quality.

1.2   Research purpose and objectives

This study investigates the relationship between value proposition, service quality and customer value. It is possible to help firms improve service quality by understanding customer needs and self-adjusting the value proposition (core values) accordingly. In the study, we have seen the relationship between customer value and perceived value, but the relationship between value proposition and service quality is not there. Conducting this research is vital for two reasons: the research results can be brought forward for constructive discussion with the case company and the research process enhances the author's problem-solving and critical thinking. The research result is critical for the case company to improve service quality by closing customer perception gaps, engaging customers in value co-creation and reallocating resources accordingly.

With the contextual gap in mind, the research is conducted with the following purpose:
- Carry an analysis of the firm's current situation
- Compare customer value from management and customer viewpoint
- Suggest adjusting the value proposition to better suit the company
- Evaluate the relevancy and applicability of the theoretical framework on service quality in practice

The research questions are as follows:

RQ 1: What is the current value proposition of BK?

RQ 2: In the business model context, how can the value proposition be improved?

To address these two questions, the study will start by explicitly identifying the current value proposition through observations and interviews with the company. On the one hand, the study analyses how the company's resources are integrated and what is their business model. On the other hand, the research explores what customers appreciate when using a bookstore's services and evaluate whether the company's current resources can meet these expectations. With the given analysis, the study will suggest redefining the value proposition to best represent the values firms can provide and discuss how their business model may be modified to support the new value proposition.

1.3   Thesis structure

The research begins with Chapter 1 to describe the research motivation and present the research question and purpose. Chapter 2 is a literature review section, in which the study presents theories around concepts that are expected to help answer the research question, including business models, customer value-related concepts and environmental analyses. A theoretical framework will be developed by summarizing and integrating the various theories that have been explored. Chapter 3 will describe the research methodology and data collection and analysis techniques.

In Chapter 4, the audience will get a brief overview of the case company BK, including its present value proposition and business model. The research then combines description and data analysis to evaluate the company's client preferences and business environment before providing recommendations to enhance the company's value proposition. Chapter 5 will finish by answering research questions and assessing the relevance and application of the theoretical framework. The final section of the study discusses managerial implications, research limitation and suggestions for further studies.

2 Literature Review

Literature review is meant to build a solid theoretical background for researchers. Conducting a literature review provides knowledge and comprehension of current research and allows researchers to learn about the previous study and identify what is unknown about the chosen topic (University of Edinburgh, 2022). In this literature review chapter, the author will cover three issues, including (a) business model, (b) customer behavior and (c) business environment. These three topics are selected based on the relevance and importance of concepts to analyze the case firm.

First, Chapter 2.1 provides an understanding of the core of any business and the structure of how a firm makes money, what is behind a business model and why value creation is crucial. Then Chapter 2.2 introduced multidimensional, subjective thoughts of customers on certain products, what factors affect customers' perceived service quality and explores the relationship between the promising "value proposition" and satisfaction. Chapter 2.3 discusses some tools for executives to analyze the internal and external business environment, covering PESTEL analysis, competitor analysis and strategic group.

2.1 Business model

2.1.1 Definition & significance

"Business model" is not a new concept in the business world, but it does not have a universal definition till now. For over three decades, scholars have dug into the idea through different lenses and industries, making it hard to give a widely accepted definition for the term. A comprehensive academic literature review studying 103 publications in the period 1995 to 2009 by Zott et al. (2011) has found that scholars referred to a business model as a statement (Stewart & Zhao, 2000, cited in Zott et al., 2011), a representation (Morris et al., 2005, cited in Zott et al., 2011), an architecture

(Dubosson-Torbay et al., 2002; Timmers, 1998, cited in Zott et al., 2011) a conceptual tool or model (George & Bock, 2011; Osterwalder, 2004; Osterwalder et al., 2005, cited in Zott et al., 2011). Later in 2017, a critical assessment of management literature has classified three groups of interpretations for the meaning and functions of business models: as "attributes of real firms", as "cognitive/linguistic schemas", and as "formal conceptual representations of how a business function" (Massa et al., 2017). While disagreeing with a business model's definition, most scholars agree on what a business model is not but frequently being confused with: a strategy. In the light of this study, a business model is a description of a firm's fundamental core logic and strategic decisions to produce and capture value within their value network (Shafer et al., 2005).

In corporate management, the business model helps executives visualize ideas, support consistent operation, and help managers make strategic decisions. First and foremost, by visualizing activities, executives get a chance to enhance their understanding of varied aspects of business, such as its position in the value chain and how internal resources can be combined. In detail, a business model configures combinations of variables, resources and capabilities (Provance et al., 2011), address changes and innovation opportunities (Demil & Lecocq, 2010), structure value chains (Casadesus-Masanell & Ricart, 2010), draws upstream/downstream relationships (Boons & Lüdeke-Freund, 2013) or reflects operational and output system of a company (Wirtz et al., 2010). Additionally, some authors agreed that business models ensure consistency, either in the internal approach to business growth (Provance et al., 2011) or in companies' resources and their way of generating revenues and profits (Yunus et al., 2010), thanks to a holistic and systematic picture provided by a business model (Zott et al., 2011). More importantly, it advances the process of making strategic choices. In fast-moving environments full of uncertainty, strategists can utilize the fresh way provided by business models to examine their options (McGrath, 2010). Business model's process (analysis, test, validation) aids in reflecting management's assumption about consumers' demands, firm's strategic decisions and operational implications (Shafer et al., 2005).

2.1.2 Emergence & development

Despite numerous science-approved benefits mentioned above, the business model concept remains ambiguous in executives' understanding and only emerged in the academic field in the mid-1990s. On the scientific hand, Teece (2010) acknowledged the lack of theoretical underpinning in economics and business studies for the business model concept, which can be explained by the limited development of economic assumptions at that time (equilibrium model, perfect competition, non-existence of innovation, etc.). On the practice hand, a few components of business model concepts have existed, yet acknowledged, in both traditional and internet industries since the beginning of the 19th century, Teece claimed. His evidence is that big names in various industries such as Swift, Adidas, Apple's iTunes, Netflix and Flickr thrived their business success by changing how their core value is created and delivered to customers. Earlier, an Accenture study of 70 executives by Linder & Cantrell (2000) also revealed that two-thirds of executives face difficulty describing their firm's revenue model, which is only a business model component nowadays. In other words, the notion of the business model has existed in corporate life without recognition or clear understanding among executives.

Over the last three decades, executives and scholars have contributed to the development of the business model concept over time. The emergence of business model concept emerged in mid-1990; as studied conducted via ABI/INFORM databases for the period 1975-2000 by Ghaziani & Ventresca (2005), only 166 articles out of 1 729 articles mentioned were published in 1975-1994 and the remaining (approx. 90 %) were published from 1994 onwards. Other longitudinal analyses on the concepts, conducted by Massa et al. (2017), Osterwalder et al. (2005) and Zott et al. (2011), also showed consistent results on the development of the concept. A chronological study focusing on business model literature by Osterwalder et al. (2005) recognized five phases of development, in which scholars start with definition and classifications of business models, their components, descriptions of each component, its ontologies and the applications and conceptual tools (Figure 1). Osterwalder acknowledged that while

certain development can be observed as said, researchers seem not to depend extensively on each other's work and findings. A recent cross-sectional study on broader applications of business model research by Ritter & Lettl (2018) concluded on five critical perspectives of business model concept: business-model activities, business-model logics, business-model archetypes, business-model elements, and business-model alignment. Ritter & Lettl claim these viewpoints may coexist but must be "explicitly applied" and differentiated to prevent ambiguity and confusion.
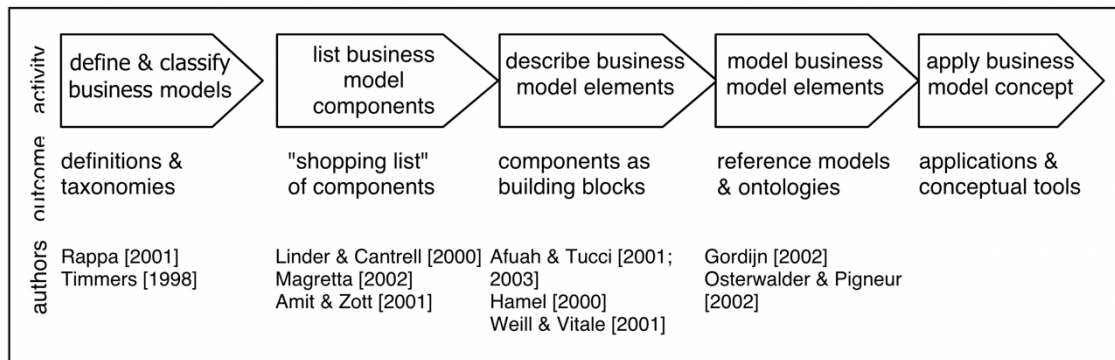
Figure 1. Evolution of the business model concept (Osterwalder et al., 2005)

Nowadays, the business model concept has become an unmissable part of corporate life and receives an up-to-date academic contribution. In practice, investors seek more information about how business is doing in a more comprehensive picture where all operational and strategic choices are put together rather than just a few separate pieces of information. This is true, especially when the topic has a strong link with a competitive advantage and sustainable development of any firm. Academically, numerous studies have been investigated the business model innovation concept cross-industries under the impacts of other emergent aspects such as blockchain technology (Morkunas et al., 2019; Zhang & Wen, 2017), sustainability (Evans et al., 2017; França et al., 2017; Geissdoerfer et al., 2018), circular business environment (Bocken et al., 2018; M. Linder & Williander, 2017), dynamic capabilities (Bocken & Geradts, 2020; Inigo et al., 2017; Teece, 2018). There are more aspects of the business model concept, yet it is difficult to imagine how ideas are put together without a framework.

2.1.3 Business model canvas

The business model canvas was first developed in the book "Business model generation" by Osterwalder & Pigneur (2010) and has since become a well-known, widely used framework among executives. It is a business model that defines how a company produces, distributes, and collects value using nine basic blocks: customer segments, value propositions, channels, customer relationships, revenue streams, essential resources, key activities, key partnerships & cost structure. Categorized into four big groups, it describes the organization's customers, offering, infrastructure and financial aspects. The business model canvas functioned as a common language, a tangible tool that promotes knowledge, discussion, innovation and analysis. It provides a comprehensive, holistic view of how several organization departments interact. (Osterwalder & Pigneur, 2010)

According to (Osterwalder et al., 2014), an explanation of 9 components is as follows:

- Customer segments: group of customers that the company solves problems for, classified as mass-market, niche, segmented, diversified and multi-sided markets.

- Value proposition: the core value of the company provided and different from other competitors. This is the value solution solved through products and services. E.g., reduce risk, increase flexibility, improve quality/efficiency, etc.

- Channels: the bridge to bring solutions to customers. They can be a company-owned channel, a partner channel, or a combination.

- Customer relationships: how businesses establish and build their relationships with customers. The company can combine different ways of keeping each customer relationship, depending on the personality or importance of different customer segments. E.g., transactional, self-service, community, co-creation, etc.

- Revenue streams: the ways and amounts of money that companies make money on the products and services. In addition to selling goods and services to customers, companies may charge fees (user fees, registration fees, brokerage fees), let product or advertise placement.

- Key activities: the main activities to keep the business running and create value.

- Essential resources: necessary or available assets that bring value to the company — e.g., financial, human, physical and intellectual resources.

- Key partnerships: partners that will work together to help increase the efficiency of the company through, e.g., strategic alliances, joint ventures, etc. They can be suppliers, warranties, etc.

- Cost structure: the cost structure required to operate the business model. Depending on the company, they may want to focus on reducing costs or adding value to the product/service. (Osterwalder et al., 2014)
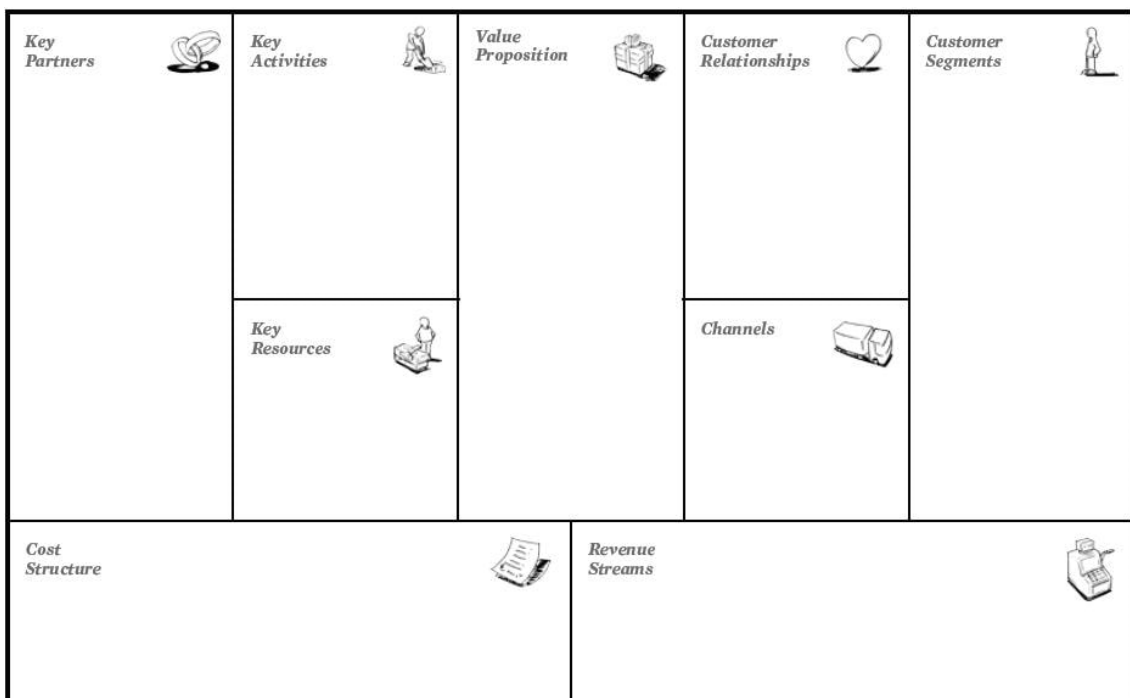
Figure 2. Business model canvas (Osterwalder & Pigneur, 2010)

A good business model requires a careful design process and should be hard to replicate (Magretta, 2002). In other words, companies with similar resources but many possibilities to combine strategic choices in these nine blocks. Most scholars agree that the design should be adaptive, tested and adjusted accordingly. A strategy expert critiques the traditional business model canvas for its confusing order, failure to explain the profit mechanism, and lack of connectedness between blocks and rivalry tension

(Book, 2020). Nevertheless, these drawbacks are acceptable, since the business model was designed to give a brief explorative view of how a business is making money, so its drawbacks can be tackled with additional analysis of the business environment (which will be presented in Chapter 3).

In a fast-changing business environment nowadays, sustainable development and innovation are a kind of demand. Designing an innovative business model does not necessarily mean adding new activities in response to customers' perceived value yet linking current activities innovatively or changing the party performing certain activities (Amit & Zott, 1983). In other words, Amit and Zott's thinking opens a new perspective on how to design an innovative business model: it could be content innovation, structure innovation, or governance innovation; thus, there are more and more possibilities to bring innovation into business life without changing value proposition. Considering society and the environment along with profit, the "triple business model canvas" concept was invented to support the creative exploration of "sustainability-oriented innovations" in products and processes (Joyce & Paquin, 2015). Because values in each layer are horizontally and vertically linked, the triple business model canvas supports creating integrated economic, social and environmental values, providing organizations with a better understanding of their value creation (Lozano, 2008).

2.2 Customer value

2.2.1 Perceived value

Perceived value, according to Zeithaml (1988), is the consumer's total assessment of a product's (or service's) utility based on their perceptions of what is received and delivered. His research discovers that customers define value in four ways: (1) value as low price (e.g., special deals, coupons, discount), (2) value as whatever a customer wants for specific products (e.g., convenience, solution, benefit), (3) value as quality a customer gets for the price they pay, and (4) value as what a customer gets for what they give.

Although Zeithaml's description is commonly used and aids strategies in understanding the notion on a basic level, it has the disadvantage of being unidimensional.

Among other attributes, perceived value is proven to have a strong relationship with customer satisfaction. It positively affects customers' behavior intention (Sweeney & Soutar, 2001), customer satisfaction and customer loyalty (Chang & Wang, 2011). Perceived value is the "key predictor of consumer choice", significant in relationship marketing (Ulaga & Chacour, 2001). From an online shopping perspective, perceived value, along with other factors such as a firm's reputation, trust, reliability, and so on, has a strong relationship with the purchase and repurchase intention (Chen et al., 2017; Hu, 2011; Lien et al., 2011; Ndubisi et al., 2011). Interestingly, a quantitative study by Pham et al. (2018) shows that customer repurchase intention is positively raised by enhancing online purchasing convenience (access, search, evaluation, transaction, and possession/post-purchase convenience) and lowering non-monetary value (such as time and effort of consumers).

Through its development, some characteristics of perceived value are developed. First, the idea of consumer perceived value is subjective and personal (Holbrook, 1996), meaning it is determined by consumers rather than the seller (Zauner et al., 2015). As this fact promotes the significance of understanding customers' perceived value, Woodruff (1997) found a way to leverage customer value insights by combining different sources (Figure 3). He highlights that translating the customer value into internal processes and requirements is as essential as implementing a strategy or tracking its performance. Secondly, perceived value happens in both pre- and post-purchase action. It should be viewed as a continuous feedback loop in customers' decision-making process and a relationship factor that needed frequently evaluated; assumedly, previous purchase experience would shape new perceived value of customers (Sweeney & Soutar, 2001).

Macroenvironmental data

Customer value determination research data

Customer complaints data

Customer targeting data

Customer Value Determination Process

Salesperson call reports data

Customer visits data

Competitors offer data
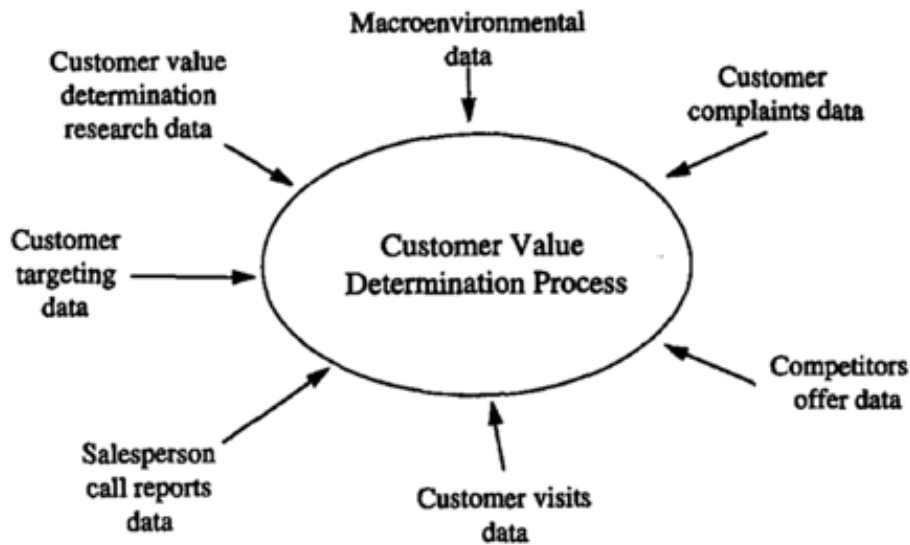
Figure 3. Integrating customer value data (Woodruff, 1997)

Thirdly, perceived value is multidimensional hence business managers must not and should not pressure on lowering prices to gain a competitive advantage. Unidimensional characteristic is true in early research, whereas only "economic and cognitive aspects" are considered (Zauner et al., 2015). These studies found that customers' only concern were radiationally about price, trade-offs or some types of sacrifice (Zeithaml, 1988). Later, most researchers agree that the concept is a multidimensional construct. For example, Sweeney & Soutar (2001) argued the existence of emotional value and social value along with price and quality. They believed that, by exploring different dimensions carefully, strategists can develop "sophisticated positioning strategies" along with a suitable market approach. Aulia et al. (2016) studied existing research in a non-service context and categorized customer value into three groups, product-related value (incl. functional value, experience value, etc.), social-related value (incl. acceptance value, impression value) and personal-related value (incl. congruity value, meaning value). To elaborate, these scholars pointed out six needs associated with the three grouped values mentioned: product function need, pleasure need, acceptance need, compliment need, being-own-self need and doing-the-good-thing need. Acknowledging the close

relationship between multi-dimensions of customer value and their underlying categorized needs opens doors of options for innovative strategic decisions. Despite it, Sánchez-Fernández & Iniesta-Bonillo (2007) criticizes that this multidimensional construct is conceptually ambiguous and the relationships between the dimensions are still cofounded. Nevertheless, the subject still has some theory gaps to be explored. For example, existing studies lack a longitudinal method or ignored perceived value antecedents in offline and online contexts (Zauner et al., 2015).

2.2.2 Service quality

In service marketing, service quality (SQ) is the difference between perceived expectations (E) and perceived performance (P) towards a service (Parasuraman et al., 1988). Perceived performance is strongly related to customers' experience with the product/service. Customers' perceptions strongly determine the nature of service quality. In detail, service quality is determined by customers, not service providers (Bertrand, 1989; Boothe, 1990). Perceived quality is heavily affected by previous customer expectation/image (including personal needs, experience, word of mouth, market communications, image, and price), process quality and outcome quality (Ghobadian et al., 1994; Gronroos, 1984). A study carried out and validated by Sureshchandar et al. (2002) acknowledges five critical factors of customer-perceived service quality, including core service/service product, human element of service delivery, and systematization of service delivery, service-servicescapes and social responsibility (Table 1). The service quality concept goes beyond the service/product itself and covers tangible and intangible "responsibilities". Zeithaml et al. (1988) urged managers to "close the quality perception gap" through comprehensive market research, market segmentation, product development, promotion, and strategy. The key takeaway is that customers' requirements are needed so quality delivery and outcome are designed accordingly (Ghobadian et al., 1994).

Table 1. Factors of customers-perceived service quality (Sureshchandar et al., 2002)

Sl. no.	Critical factors	Explanation of the critical factors
1	Core service or service product	The core service portrays the "content" of a service. It portrays the "what" of a service, i.e. the service product is whatever features that are offered in a service
2	Human element of service delivery	This factor refers to all aspects (reliability, responsiveness, assurance, empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery
3	Systematization of service delivery: non-human element	The processes, procedures, systems and technology that would make a service a seamless one. Customers would always like and expect the service delivery processes to be perfectly standardized, streamlined, and simplified so that they could receive the service without any hassles, hiccups or undesired/inordinate questioning by the service providers
4	Tangibles of service – servicescapes	The tangible facets of the service facility (equipment, machinery, signage, employee appearance, etc.) or the man-made physical environment, popularly known as the "servicescapes"
5	Social responsibility	Social responsibility helps an organization to lead as a corporate citizen in encouraging ethical behaviour in everything it does. These subtle, but nevertheless forceful, elements send strong signals towards improving the organization's image and goodwill and consequently influence the customers' overall evaluation of service quality and their loyalty to the organization

To structurally evaluate service quality, SERVQUAL is a well-known approach based on the expectancy-disconfirmation paradigm by Parasuraman et al. (1988). Those five dimensions– including tangibles (e.g., facilities, personnel), reliability (e.g., accuracy), responsiveness (e.g., helpfulness, promptness), assurance (e.g., courtesy, creditability), and empathy (e.g., access, communication), were concluded to represent service quality across industries and business contexts. By conducting surveys asking customers how service is implemented and delivered according to the five mentioned dimensions, firms get to know the gap between customer perception and expectation.

There are some key takeaways for marketers and business strategies. When talking about purchase intention, total customer satisfaction programs are more important than strategies solely to improve service quality (Cronin & Taylor, 1992). Additionally, marketers should acknowledge the dynamic changes in customers' perceptions and alter products and promotions along with it; information provided by the firm (in advertising, packaging, etc.) is also a valuable tool to educate customers on ways to quality evaluation (Zeithaml et al., 1988). This requires service marketers to deliver knowledgeable campaign information and provide exactly what was promised.

2.2.3   Value creation

Value creation has not been explicitly defined and is usually treated as value co-creation in literature (Grönroos & Voima, 2013). Nevertheless, scholars agree that creating value is the bone of business in which firms input resources and efforts to obtain a "value" for customers since customers only pay for what they value. As discussed earlier, value is objective and usually defined and determined by customers. It is widely accepted that creating value is a joint effort of service providers and customers (Parasuraman et al., 1985). Despite it, the value creation process can happen intentionally or unintentionally between customers and service providers, leading to the division of 4 types of value creation (see Figure 4), as Grönroos et al. (2015) claimed to be mutually agreed upon three logics: service-dominant logic, service logic and customer-dominant logic.

Unaware	Customer-driven value creation	Spontaneous value creation
Service Provider **Intentional**	Intentional value co-creation	Provider-driven value creation
	Intentional	**Unaware**
	Customer	

Figure 4. Four types of value creation (Grönroos et al., 2015)

Part of the value creation process was highlighted as changeable. Grönroos & Voima (2013) stated that, in earlier production-oriented studies, value delivery or value-in-exchange was emphasized (in which value is embedded in products in exchange for money). Nevertheless, in recent service-oriented studies, scholars focus on the value-in-use aspect (Vandermerwe, 1996; Wikström, 2010). Value-in-use perspective points out that users create value while resources are used, and this usage could be a "physical, virtual, mental process" or a merged position (Grönroos & Voima, 2013). This notion of value has a direct link to service quality.

According to the International Federation of Accountants (2020), value creation via the organization's goal, strategy, and business model involves the integration of resources, financial assets, and connections. Value creation must solve two problems: integrating resources and capital and balancing the values to be achieved and potential impacts. These two issues will specifically raise concerns for firms regarding customer segments, competing products, opportunities and threats, resources required for sustainable development, or strategic, financial, and operational indicators to measure. Making critical judgments about where the organization competes and understanding the primary possibilities and risks associated with the strategy and business model are necessary to guarantee that value is created over time. Value creation is enabled through the preservation of capital and the expansion of vital assets and competencies, such as staff, innovation, infrastructure, brand, and intellectual property. The allocation of capital and resources is a fundamental aspect of developing and sustaining value. (International Federation of Accountants, 2020)

O'Hern & Rindfleisch (2010) have classified four types of co-creation based on two factors: the level of customer contribution activity (limited to a scope or unlimited) and the audience. the act of choosing a new idea (the business or the customer plays the central role). (a) Collaborating: allows highly qualified customers to contribute features to the product continuously, (b) tinkering: similar to collaborating, but the new business plays a significant role in making decisions to change and update values, (c) co-designing:

allows a small group of customers to comment on what products or features should be offered in future products and (d) submitting: allows users to submit novel, practical ideas and then companies legalize ownership of that idea for future developments. (O'Hern & Rindfleisch, 2010)

The benefit of value co-creation is that companies can reduce workforce and effort while still capturing valuable contributions and customer insights from the insights and needs of the creators and consumers of the product (Bhalla, 2010). Also, the fact that companies allow co-creation through direct interaction (e.g., interactive marketing, conversation) has been shown to influence behavior consumption and future purchase positively (Grönroos & Voima, 2013). The challenge of this process is to require customer expertise and co-creation to be simple, accessible, and rewarding.

2.2.4 Value proposition

Value proposition could be viewed as a promise and a statement by a firm to provide a solution to its customers. In a study by McKinsey in which the term "value proposition" was first introduced, Lanning & Michaels (1988) defined the notion as a clear, concise declaration of the company's tangible/intangible benefits and the estimated price it will charge each client group for those benefits. Webster (1984) described it as a statement outlining how a company intends to provide superior value to clients and differentiate itself from rivals. Grönroos & Voima (2013) proposed that a value proposition be treated as a commitment that customers could derive some benefit from the service.

The value proposition has important implications for different target groups. We often talk about the value proposition in the eyes of the customer the most. For the customer, the value proposition acts as a means of communicating the most different, more valuable solutions about the company's product compared to others on the market. A value proposition bridges business and brand strategies (Thomson, 2013), so these statements must be clear, simple, yet viable on features and benefits that the products

and services can explicitly offer to customers (Lanning & Michaels, 1988). For stakeholders, the value proposition acts as a guideline for co-creating values among multiple stakeholders. The development of value propositions in the "multiple stakeholder domain" is expected to provide a critical method for value alignment within a marketing system (Frow & Payne, 2011). Investors might ask about the value proposition of start-ups to decide if they are interested in specific projects.

There is an indirect connection between the value proposition and customer satisfaction. Scholars often point to customer satisfaction when comparing service quality with perceived value, as discussed in the previous two chapters. However, because the company's value proposition is a promise to the customer about the product's values and solutions that most differentiated it from the competition, it acts as a driver and a determining factor. These "promise" influences the perceived value of customers. Therefore, indirectly, if promises are not kept, it is understandable that customer satisfaction will drop.

So, what is a good value proposition? Content speaking, they should mention the exact, unambiguous benefits, pricing, well-defined target consumers and how this value offer is preferable for the target sector (Lanning & Michaels, 1988). Presence speaking, the value proposition should be clearly stated in places that are easy to see. A great message could be missed if it is not viable enough for its target audience. Studies focusing on social networks by Agnihotri et al. (2016) suggest that the value proposition can be expressed through success stories on social networks such as Facebook. These scholars conclude that, in the B2B context, a salesperson's use of social networks works as a positive influencer. Social media is believed to be a communication channel between firms (salespersons) and prospects, so if information relayed is essential, it can positively improve customer satisfaction (Agnihotri et al., 2016).

A value proposition canvas is an instrument for executives to brainstorm, design and test the value proposition. First designed by Osterwalder et al. (2014), the value proposition

canvas became a valuable tool to provide executives better understanding of the characteristics and functionalities that a product should possess to suit certain group of users' needs. Note that companies with many different customer segments need several canvases. On one side, the "customer profile" contains customer jobs, pains and gains, asking entrepreneurs to identify customer needs, expectations, positive and negative experiences. On the other side, the "value map" describes products/services, gain creators and pain relievers, describing suitable features, functions or benefits a product can bring. Overall, these characteristics of the products/services on the value map must meet and match the "customer profile" requirements. Even though the canvas is a great tool, Thomson (2013) criticized its lack of fundamental ground in marketing/branding and behavioral psychology.

2.3   Business environment analysis

Internal and external environments surround businesses. The internal business environment often includes internal capabilities, tangible resources (e.g., financial resources, human resources, and technology) and intangible ones (e.g., organizational culture). The external environments consist of anything beyond the firm's control (e.g., politics, COVID-19 pandemic). Scholars argue that the business environment is dynamic in nature. Therefore, it is imperative for company executives to stay up with the fast-moving world.

This study will elaborate on four areas: international environment analysis, PESTLE analysis, competition analysis and strategic group analysis. The goal of this chapter is to give a variety of analytical methodologies and frameworks that can aid business leaders in acquiring a comprehensive and complete view of the business environment in which they operate, from the inside and outside, and at the company, market, and industry levels.

2.3.1 Internal environment

From an organizational perspective, the internal environment is about the management system, people, facilities, etc. Nevertheless, the research-based view focuses on more conceptual areas such as resources, capabilities and competencies when analyzing a firm's internal environment.

Despite the difference in research approach, the internal environment of a business is widely accepted as a strategic internal force to strengthen the competitive advantage of a firm (Gandellini et al., 2012). An inside-out approach study by Wernerfelt (1984) emphasized the deployment of internal resources to achieve competitive advantage rather than other factors. Wernerfelt concluded that heterogeneity of the firms' resources results in inter-firm differences and how difficult competitors' matters can duplicate these resource barriers. Barney (1986) supplemented that while choosing resources, firms must acknowledge and get accurate expectations of "the future value" of chosen strategies for new resources. Hardly can firms obtain a competitive advantage only with competitive environment analysis but determining what strategies to implement by exploiting controllable (internal) resources may do so, Barney suggested.

The internal business environment (resources, capabilities and competences) may assist obtain a competitive advantage if correctly studied and used, and if the company plan and individual components align and complement each other. Corporates use the word "strategic fit" to describe how a selected strategy should work for their firm, either by utilizing existing resources or by being appropriate for the purpose of their business at a certain period. Executives acknowledge that their resources, management system, and organizational capabilities should align with the enterprise's purpose yet strive to make these individual components align with each other (Trevor & Varcoe, 2017). According to that idea, a strategically aligned enterprise should have a resource architecture that enables the organization's capability development. That organizational capability should support the delivery of the firm's strategy, just as how the business strategy fulfills the firm's purpose.

2.3.2 PESTLE analysis

PESTLE framework is a situational analysis tool, which is used to evaluate macroeconomic factors and trends that a business operates in, including political, economic, social, technological, legal and environmental factors. The analysis lenses can be short to mid-term (1-5 years), or long-term (6-15 years), and while some elements can be found as threats, some others can become opportunities (Newsum, 2021). Taking into consideration critical external aspects as a comprehensive outlook, the model reflects the industry attractiveness, market potential and performance, as well as predicts market an industry's success factors and future growth direction (Perera, 2017) and captures potential risks and issues (Rastogi & Trivedi, 2016). Consequently, it supports the design of multiple scenarios, enabling managers to better foresee the strategic decisions required to ensure the organization's optimal development and sustainability (Marmol, 2016).
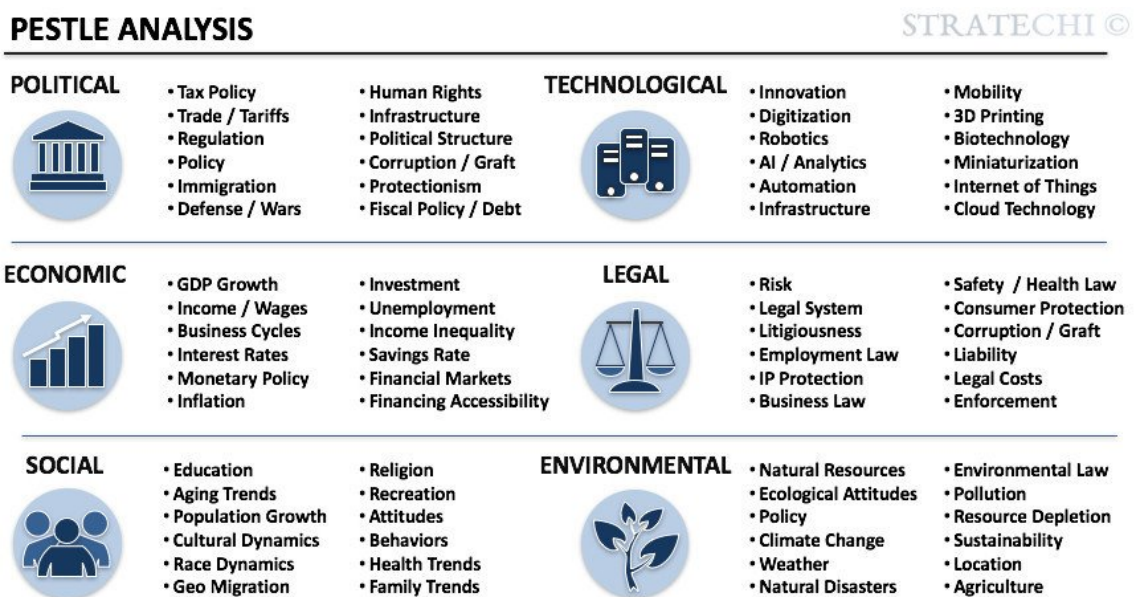

Figure 5. Suggested example factors to consider in PESTLE analysis (Newsum, 2021)

Some factors of PESTLE analysis can be eliminated, added, or replaced, depending on firms' objectives. Hence, some other variation forms or PESTLE analysis are PESTLE

analysis (L for Labour), PESTLIED analysis (I for International, D for Demographic), and STEEPLE analysis (E for Ethical), etc. Under each component, or each aspect of the microeconomic environment as presented, businesses are expected to evaluate the situation in comparison with their core competencies and resources. Consultant Newsum (2021) recommends using a diagram (Figure 5) to brainstorm ideas by focusing on only the most critical three trends in each category, then thinking through the implications of these prioritized trends in a selected business. It is worth mentioning that the ideas in Figure 5 are not exhaustive and is meant for references only.

The application of the PESTLE framework is wide and depends on the nature of industries and, importantly, the business purposes. Some research examples are sustainable development of biofield industry in Europe (Achinas et al., 2019), reconstructing water intake structure system in Serbia (Srdjevic et al., 2012), assessments of barriers to solar home systems in refugee camps (Thomas et al., 2021), transforming the military, defense management in Turkey (Akman, 2020), growth and adoption of cryptocurrency (Li, 2018).

Rastogi & Trivedi (2016) emphasized the usefulness of PESTLE enhances business environment understanding by levering up strategic thinking, allowing strategists to take proper actions to lessen future threats and maximize golden opportunities. Meanwhile, the scholars noted that PESTLE must be conducted regularly as the business environment changes drastically. It is best to conduct with combined opinions from different perspectives and departments (Rastogi & Trivedi, 2016). Perera (2017) also suggested that to enhance comprehensive evaluation, analysts can combine other analyses with the PESTEL, competitor analysis, industry/market predictions, industry resources and competencies audit, market structure analysis, etc. Scholars agreed on two complementary strategic tools to be used along with PESTLE analysis: SWOT and Porter's five forces model (Grundy, 2006; Sammut-Bonnici & Galea, 2014; Perera, 2017).

2.3.3 Competitor analysis

Competitor analysis is the analysis of competitors' performance in the competitive environment. Scholars have studied competition at the industry level (Porter, 1979a, 1979b), strategic group methods (Barney & Hoskisson, 1990), at the business level (Chen, 1996) and at the individual market level.

While conducting a competitor analysis is crucial in strategic management, the underlying purpose of conductors is highly contextual to industry and firm (Hatzijordanou et al., 2019). In research streams, Hatzijordanou et al. (2019) concluded in comprehensive systematic literature, which studied over 78 researches from the year 1964 to the year 2014, that the primary purposes of competitor analysis are studied for (a) understanding of the current situation (including defining market and competitors, benchmarking, identifying competitive advantage, assessing SWOT), (b) defining strategy (including exploiting and reacting to SWOT, concreting strategy), (c) legitimation and communication (including resource allocation, legitimation) and (d) inspiration and learning.

Scholars have offered several approaches and methods/processes to competitor analysis since is no widely acknowledged competitive analysis system (Zahra & Chaples, 1993) and competitor analysis' purpose is highly contextual (as mentioned earlier). However, listing all the processes and approaches to conduct a competitor analysis will be out of the scope of this research. Hatzijordanou et al. (2019) believe that the competitor process includes planning, implementation, implication for action and dissemination, analysis session, and information collection. In detail, their study suggests that firms should carefully define (a) proper market with consideration of demand-side, supply-side based and (b) proper objects – direct, indirect, potential and historical competitors. All information sources, types and collection methods should be chosen accordingly (Hatzijordanou et al., 2019). Competitors could be selected based on corporate identity similarity (Mohammed et al., 2014). Earlier, the 5-step execution framework proposed by Fletcher & Donaghy (1993) stresses data evaluation and communication steps after

data analysis. Scholars are skeptical about the data selection, its validity/correctness, and proper analysis methods. The information needed most seems to be competitor profiles, yet the researcher/conductor needs to define what information is required.

Aside from that, Zahra & Chaples (1993) critiques that competitive analysis is time-consuming and flawed: the blind spot of a competitive analysis lies in misjudging industry borders and inaccurate assumptions about the competition. They observed that inadequate management cognition and industry change also contributed to inaccurate competitor analysis. It is also worth mentioning that managerial identification of competitors itself has many flaws. As competitor analysis is often conducted by and is more meaningful for executives than customers, how managers set boundaries for competitors affects analysis results. Two qualitative and quantitative studies by Clark & Montgomery (1999) concluded that managers might consider fewer competitors than they are, and managers should frequently revise their competitors. When identifying competitors, managers should simultaneously consider the supply and demand attributes, which means identifying based on the substitutability of their products with others, from firms' competency, infrastructure and production capabilities.

2.3.4   Strategic groups analysis

Strategic group analysis is a widely used concept in strategic management to analyze the competitive structure of an industry. The first time the term "strategic group" appeared was in Hunt's doctoral thesis (Hunt, 1972) when he noticed that groups of enterprises in the same industry perform differently. A "strategic group", according to Hunt, is a group of businesses in the same industry that have similar cost structures, vertical integration, and product differentiation, mainstream organization, and system differentiation, systems of control, reward and punishment mechanisms, and personal views and preferences for output. Built on the ground of Porter (1979a, 1979b), Faulkner & Campbell (2006) defined a strategic group as a collection of businesses within an industry that are similar to one another but differs from enterprises outside the groups

on one or more fundamental elements of their strategy. Similarities across the definitions of strategic groups include the presence of competing enterprises with comparable competitive strategies and market positions. (McGee, 2014).

A careful study of corporate strategy by Porter (1979b) has shown that strategic group analysis plays a vital role because it helps businesses accurately assess the competitive situation in any industry through the analysis and classification of enterprises into strategic groups according to the strategy implemented. He further explained that, unlike the general strategy of an enterprise, the strategic group reflects the diversity in the types of strategies of different enterprises in the same industry. Through this, strategic analysts can study the effectiveness of a (sequence) of strategies or even assess which of the industry's most successful strategies are (Hatten & Hatten, 1987). By illustrating the firm's market position compared to others, the technique is essential for the external environment scanning process (Ross, 2018). With skepticism about its usefulness, the concept of strategic groups remained controversial in the 1990s. Nevertheless, Curto (1998) argued that no alternative had been proposed despite scholars recognizing these shortcomings. He further explained that only the concept of a strategic group could help address critical issues in the most comprehensive way for strategy researcher, including:

1. the relationship between strategies and performance;

2. the significance of similarities across companies in a competitive market;

3. strategy stability and change over time;

4. managers' views of the competitive environment; and

5. the existence of asymmetries in businesses' industry positions and their impact on the dynamics of firms' strategies. (Curto, 1998, 3)

The size of the circles approximates revenues
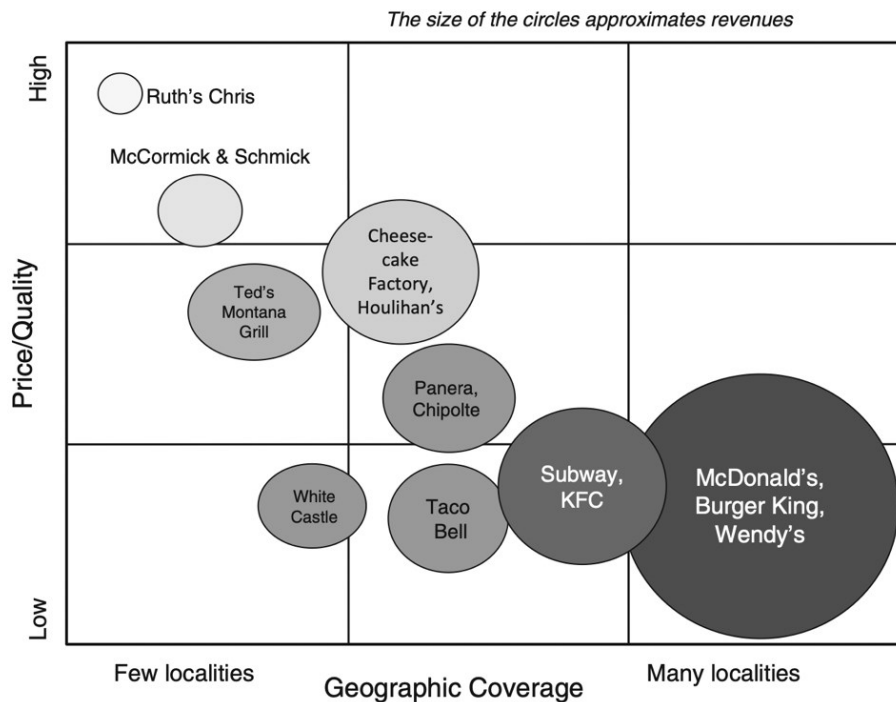
Figure 6. Example of a strategic group map in the fast-food industry (Ross, 2018)

According to the research by Ross (2018), strategic group analysis starts with a strategic group mapping, in which firms identify the two most critical competitive attributes corresponding to the two vertical and horizontal axes of the map. Then, locate yourself and rival companies according to their respective positions. Companies with similar characteristics (and similar positions) are circled based on total revenue, market share, etc. Once completing the map, strategists need to analyze (a) the strengths and weaknesses of each strategic group, (b) which groups are gaining favor from the market (c) the depth of competition (through the distance of groups to each other). (Ross, 2018)

The study by McGee and Thomas (1986) draws to the problems of strategic group mapping. First, researchers fail to agree on factors to divide strategic groups: is it product lines (Hunt, 1972), relative firm size (Caves & Pugel, 1980; Porter, 1974), vertical integration financial strategy (Ryans & Wittink, 1985) or investment behavior (Primeaux, 1983)? Ross (2018) suggests that the two variables/factors (corresponding to the two axes of the map) should be the top two "competitive attributes". Other suggests there

should be no correlation between these variables. Variables could be pricing policy, geographic reach, number of product lines, differences in quality or level of technology, and so on. Secondly, the strategy map is only a "snapshot" at a given time and cannot be used to predict future industry revolutions (McGee and Thomas, 1986) . They recognized that most of the studies ignore the time factor. To tackle that weakness, business executives should regularly redo strategic group analysis to reshape businesses' industry structure and position to provide timely solutions to problems or market changes.

2.4 Summary of literature review

The literature review discussed three main themes that are closely related and support the solution for the research questions: business model, customer behavior analysis and business environment analysis. This chapter will sum up with a conceptual framework.

The business model is a strong concrete foundation for corporate operations representing operational and strategic decisions. The business model canvas is a tool for visualizing company decisions regarding values, customers, facilities, and profit mechanisms, allowing businesses to comprehend how value is created and delivered. The increased market pressure for innovation and sustainable development requires the adaptation of the business model. The triple-layered business model canvas is a tool that can assist businesses in creatively enhancing social and environmental values besides financial value. Because customers only pay for what they receive, creating value is a survival task to gain a competitive advantage. The most critical perspective for service-oriented businesses is value-in-use (not value-in-exchange as originally defined by marketing). The presence of consumers in co-creating values opens endless possibilities for value creation. Nonetheless, the essential lessons for firms are integrating all available resources and balancing the value to obtain with possible consequences.

Research on customer behaviour will help companies find ways to improve customer satisfaction, which decides customer loyalty and repurchase tension. Concerning customer satisfaction, the author has discussed perceived value, service quality and value proposition. First, perceived value is the customer's evaluation and expectation of the value of a product. We discussed just above that creating value is the core mission of a business, so it would be meaningless if the values (co)created were not like what is expected. These values are multi-dimensional (e.g., functional, emotional, social) and change over time. Interestingly, perceived value is subjective and personal; through value proposition, firms can educate customers on the created value but only customers can decide what they want. Similarly, service quality is also determined by the customer. Service quality is closely related to customer experience. The logic here is that firms can create and deliver the value accordingly if the company knows the real customer gap between the desired value and the received value. SERVQUAL is just one approach to finding that gap. The value proposition is a business model component and represents the firm's commitment to its most outstanding values.

Furthermore, the author has discussed several means to analyze business environments. The variety of analysis tools has shown us that a comprehensive understanding requires combined analysis. Companies can evaluate the environment it is operating in through the inside-out, outside-in perspectives or at company, industry and market levels. While the internal environment – which is closely related to resources, represents the ability to create competitive advantages, the external environment – such as uncontrollable PESTLE factors, opens the arising opportunities and challenges. Besides, competition analysis – through competitor analysis and strategic groups also provides a deeper understanding of the market severity.
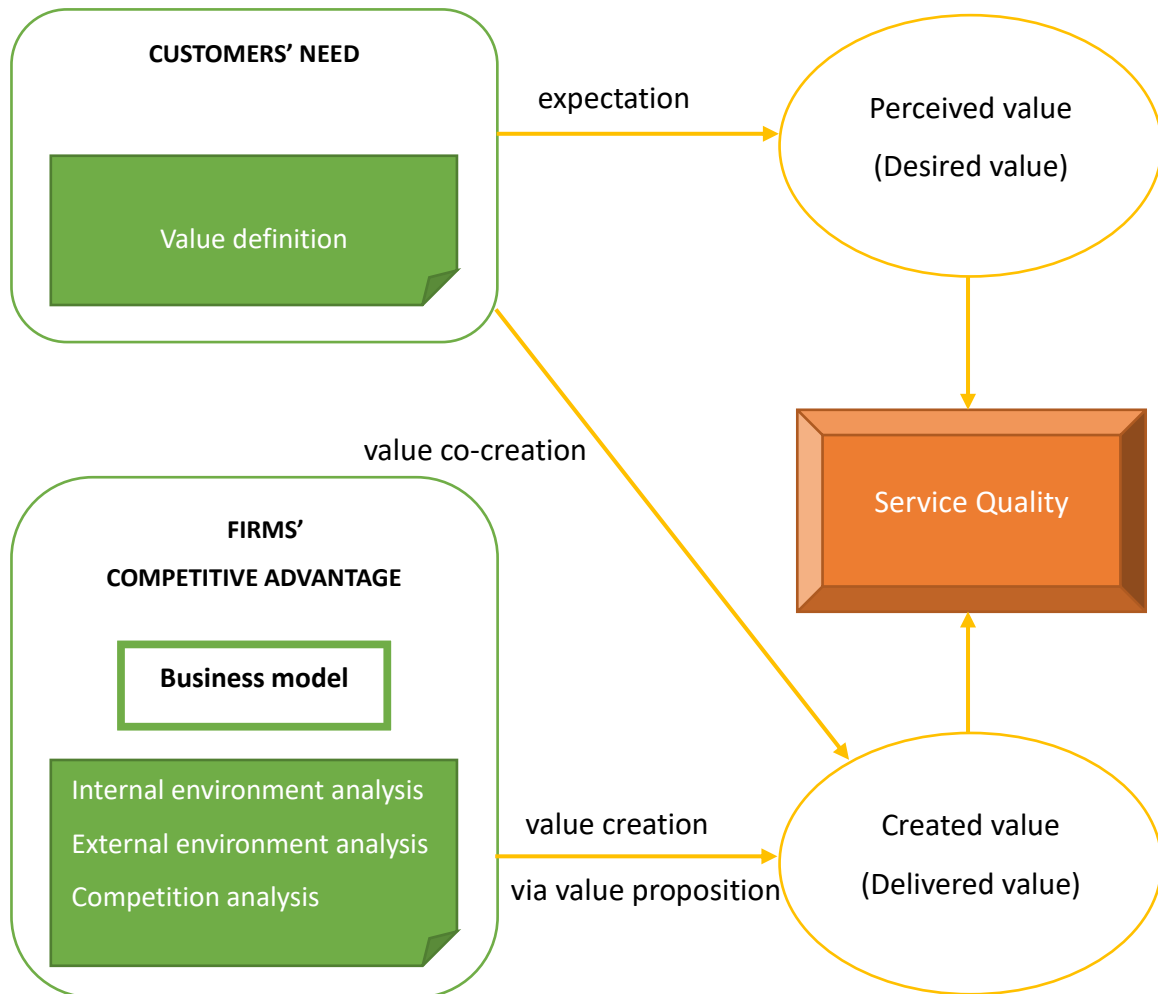
Figure 7. Integrated framework summary

In summary, Figure 7 illustrates an integrated framework of the relationship between the concepts: Service quality is influenced by customers' perceived value and created value. The supporting tool to find gaps and improve service quality is SERVQUAL. From the customers' side, it is vital to acknowledge customer value. These values are multidimensional (e.g., functional, emotional and social values). Customer's value shapes their expectations and contributes to the value co-creation process. From the firms' side, business environment analysis helps them determine the business model (i.e., operational/strategic choices to maximize integrated resource allocation) to make a competitive advantage. Business environment analysis could cover such analysis in resource-capability-competency PESTEL, competitor and strategic groups. The business model takes a role in creating value and expresses it in the value proposition.

3 Methodology

The selected methodological approach is a descriptive single-case study. In this chapter, the author argues and demonstrates why the chosen methodological approach and approaches aid in answering the research issue. This chapter also discusses the process of data collection and analysis. In addition, it addresses the paper's validity, reliability and ethical considerations.

The author follows some principles to justify the research method by acknowledging available or commonly used methods for this research question. Simultaneously, the author also consulted relevant sources to evaluate the strengths and weaknesses of each choice to answer questions:

- Why choose this approach but not another?
- The chosen approach has certain flaws, but whether its strengths overweight its shortcomings?
- Is this approach fit the research objectives?

Thereby, the selected methods and techniques are guaranteed to be the most suitable approach to support solving the research questions.

3.1 Research methods

The purpose of choosing a research method is to assist in answering the research question. To reiterate, the research questions are:

RQ 1: What is the current value proposition of BK?

RQ 2: In the business model context, how can the value proposition be improved?

In general, the chosen research method is the descriptive single case study.

Regarding research design, there are qualitative and quantitative approaches. The *qualitative approach* is more appropriate since the research question requires in-depth data and concepts that cannot be expressed quantitatively. Especially in social sciences,

the qualitative approach is beneficial in finding out the reason behind human behavior (Kothari, 2004), which can help the author explain why customers value something more than others.

Descriptive research is the most suitable method because it can honestly describe the case company's actual situation. Descriptive research aims to adequately portray what happened in a practical case (Yin, 2009) or describe features of a particular individual, event, or group (Kothari, 2004). The study was not approached in a *hypothesis-testing* or *exploratory* method because the author did not intend to examine the relationships between variables, try to become familiar with a concept or seek new insights (Kothari, 2004). It is also not *explanatory research* because it does not try to find out the *why* and *how* things happened (Yin, 2009). The *action research* method was initially considered because the author wanted to be deeply involved with the information provider in the problem-solving approach. However, it was rejected due to the researcher's lack of participatory and practical action (Coughlan & Coghlan, 2002).

Case study is useful for social science research, particularly when a comprehensive understanding of social behavior is needed (Zainal, 2007). Scholars criticized the drawbacks of case studies due to inadequate evidence, researcher bias and inability to generalize results for scientific purposes (Tellis, 1997; Yin, 2009). Nevertheless, it can describe the complexity of real-life problems, which experimental or survey methods cannot capture (Zainal, 2007). Since the research question focuses on a BK company and is not interested in learning about the industry or the development of the case company over time, so the single case study method is the most appropriate.

3.2 Data collection

This study collected qualitative data, combining primary data (interview, focus groups) and secondary data (desk research), which are popular techniques in qualitative case studies. The combination of various information collection methods allows the author

to understand the topic (value proposition, customer preference) from different perspectives and assist in answering the research question. The descriptive data approach was used because it focused on description without changing the nature of the data. In contrast, other methods, such as experimental data, required researchers to control and manipulate variables.

Semi-structured interview

The researcher conducted an in-person, semi-structured interview with the CEO to get the perspectives of the company's management. Semi-structured is the most effective data collection method in this case and solves the disadvantages of structured and unstructured interviews. Semi-structured interviews allow the interviewer to partially lead the session with a prepared list of questions and topics to be covered while maintaining flexibility, allowing the interviewee to bring up other essentials (Bowling & Ebrahim, 2005). Since the questions are open-ended and semi-structured, the answer to the previous question can be the foundation for generating ideas.

An 1-hour offline interview was conducted at BK's headquarters. The list of questions was sent a few days in advance. Responses were recorded with notetaking and audio recording with the interviewee's oral consent. Any questions/answers that may cause misunderstanding were reconfirmed to avoid misunderstanding. The list of interview questions is in Appendix 1.

Focus groups

Focus groups were conducted with customers belonging to different customer segments. The participants discussed issues guided by the researcher (in this case, customer value and service quality). Although aimed at extracting data from a group of people, focus groups were chosen over group interviews because group interviews require participants to respond to questions in turn. In contrast, focus groups exploit the interactions between research participants, thereby highlighting similarities and

differences in opinions and thoughts within and across group sessions, allowing rich data to be collected relatively quickly (Bowling & Ebrahim, 2005).

Focus groups were done in three days, with four focus groups ranging from 6 to 8 people (the ideal number according to Bowling & Ebrahim (2005)). Each focus group lasts about 45-60 minutes. The location was in a cafe near the bookstore, ensuring a quiet and comfortable space for participants to discuss and exchange information. The researcher acts as a moderator during sessions. The list of interview questions is in Appendix 2.

Table 2. Information about focus group participants

No.	Group	No. of people	Characteristic	Date	Duration
1	Parents	8	Age 30+, buy for children/family	13/5	60 min
2	Adult	8	Age 30+, buy for self	13/5	56 min
3	Student A	7	Age 20-25	14/5	52 min
4	Student B	6	Age 16-19	15/5	48 min

Desk research

Desk research is used to find more information about customer behavior. The researcher searched online through existing public sources such as news and social media (reviews, interactions on Google/Facebook of both case company and rival bookstores). Exploring data focus on customers' compliments, complaints and suggestions for improvement. Through those "pain points", researchers could diversify data sources. This is beneficial in supplementing the customer behavior data warehouse, helping assess the service quality in some branches and supporting the value proposition map design.

Minimizing errors

Easton et al. (2000) have identified several "common pitfalls" in data collection and transcribing, such as equipment failure, environmental distractions and transcription errors (due to misinterpretation, language barriers and punctuation). Yin (2009) and other scholars also criticized that researcher bias could influence research direction and conclusions. The researcher ensured that the focus group environment was free from

unnecessary distractions. Recording devices and a list of questions were prepared and checked before meetings. The researcher conducted interviews and transcribed them. The written note was reviewed and compared with the audio recording to minimize incorrect idea interpretation.

3.3 Data analysis

Thematic analysis was performed. This approach focuses on identifying, evaluating, and interpreting meaning patterns of collecting qualitative data. This is one of the most popular and fundamental ways of qualitative analysis (Braun & Clarke, 2006). The thematic analysis offers true flexibility in data interpretation and enables the author to identify linkages between concepts (Alhojailan, 2012). The difficulty with thematic analysis is that data may be overlooked, and the results largely depend on the author's interpretation. To overcome that, the author examined the responses with an open mind and presented them objectively and impartially.

The following is the data analysis process: raw data (interview/focus group responses and consumer feedback from desk research) was evaluated, transcribed, and coded before patterns and significant themes were identified. The study conducted six phases of the thematic analysis process proposed by Braun & Clarke (2006) including data familiarization, coding, theme searching, theme reviewing, theme defining and reporting. The most critical step of the process is theming, in which codes from transcripts were assembled to present findings in a logical and comprehensible manner (Sutton & Austin, 2015).

3.4 Validity, reliability and research ethics

Scholars frequently use consistency and validity to assess the research quality (Middleton, 2022). Reliability is the degree to which the same results may be obtained

when the same study is reproduced under identical conditions. It may be evaluated by the consistency of findings through time, by different respondents, and across different study components. Validity refers to the degree to which the results accurately measure what they are intended to measure. It is assessed by comparing the findings to current theories and other metrics of the same concept. (Middleton, 2022)

Thus, the researcher has increased the reliability of the research by ensuring that the focus group sessions were performed under the same settings and that the questions were uniformly paraphrased throughout all groups. Diversifying interviewees improves study validity by ensuring that the opinions provided are representative of the population.

This research was conducted with a comprehensive knowledge of the University of Vaasa's research ethics rules. Participants were informed of the study's purpose and the duration of the interview. During the interview and focus group, participants have the option of refusing to answer any question or leaving the interview without explanation. The author has also assured that all responses and names were kept anonymous and that data were only recorded for the purposes of analysis. The CEO refuses to provide particular financial information about the firm. The discussion was conducted with politeness and respect.

4 Empirical analysis

This chapter will briefly outline the case company and its present business approach. Then, it gives an analysis of consumer preference, including the customer profile, the difference between customer value from the customers and managerial perspective and the relationship between firm's value proposition and business model. This chapter also assesses the case company's method of assessing service quality and customer satisfaction. It analyses the current role of customers in the value co-creation process. Then, the research evaluates the internal, external environment and competitive scenario to find out potential opportunities and risks for BK. Lastly, it outlines proposals to strengthen the firm's value proposition in the business model context.

4.1 Case description

4.1.1 Company BK

BK bookstore is a brand established in the mid-2000s, belonging to parent company Z operating in the printing, publishing and distribution field. Currently, the BK bookstore system has 20 branches across the country, with a total of about 300 employees. Most branches (14) are located in shopping malls. The geographical market is mainly in the capital (9 bookstores) and the rest is located in other provinces. The firm offers books in various areas, especially for children audience. The firm's current value proposition is "A large and stunning bookstore with various books and inspirational reading space".

The core value that BK is aiming for is *"building reading habits in the community"*, especially for young children and students. While other bookstores act as a place to display books, BK focuses on providing value to customers. They actively select and introduce themed book gift sets to save time for readers and organize talk shows to help build reading habits for students and children. They build reading spaces in bookstores and poor rural areas to give children free access to knowledge.

4.1.2 Business model

- Customer segments:
  - Parents & children
  - Adults with moderate/high income
  - Students
- Value proposition:
  - Large and stunning bookstore
  - Diverse book titles
  - Inspirational reading space
- Channels:
  - Directly at BK's retail system (i.e., bookstores)
  - Website and mobile application (from November 2021)
  - E-commerce channels (from April 2020)
- Customer relationships:
  - Personal assistance if customers need: for example, support and advice on books suitable for children's personality and development tendencies
  - Rewards program for members on mobile apps
- Revenue stream:
  - Selling books, stationery, toys (bookstore)
  - Selling drinks (cafes)
  - Selling entrance tickets (indoor playground)
- Key activities:
  - Publishing 300 titles/year (including translating, buying and selling international copyrighted books)
  - Building a complex indoor playground – bookstore – coffee shop
  - Organize book fairs and talk shows about reading culture (in cities, shopping centers, universities, primary schools, online)
  - Renovating and converting old cultural houses into community's reading space in rural areas for children

- Key resources:
    - o Financial resources: capital support from parent company Z
    - o Human resources: the CEO/Founder has 15+ years in the book industry; experienced human resources in departments of design, copyright, book publishing, business development, etc.
    - o Intellectual resources: copyrights for children-oriented characters such as Barbie, Pony, Hello Kitty, etc. in the Vietnam market; intellectual property rights for the "community's reading space" concept
- Key partnerships:
    - o Investors of shopping mall chain
    - o Book publishers in Europe, America, Korea, China
    - o Media sponsors
    - o Province's presidents in rural areas (for book fairs and community reading spaces)
- Cost structure:
    - o Focus on adding value to the service

4.2 Customer preferences

4.2.1 Customer's profile

From the managerial perspective, three target customer groups are parents of children aged 0-12, adults who want to expand their knowledge and students (16 – 25) who want to improve their knowledge. Here is the customer profile:

(1) Mrs. Chang (33 years old) is the mother of two children aged 7 and 3. She is currently very busy with a 9-5 office job with an average salary but always tries to arrange a time to raise the children well. She is very interested in educational events. She searches for children's books to nurture a 3-year-old child's soul and, at the same time, searches for science fiction books with the hope that the older child will enjoy reading.

(2) Mr. Kim (45 years old) is a deputy director at a telecommunications corporation and has relatively high living conditions. For him, the joy is spending a weekend at a coffee shop with groups of friends and colleagues to discuss interesting topics. Through friends, he is curious about emerging topics such as NFC, real estate, internet securities, etc. Therefore, every 1-2 months, he goes to bookstores to search for inspirational books.

(3) Ms. Liam (18 years old) is a freshman at a university. Previously, he lived in the countryside and is now studying in the city. He is aware that he must strive to develop both the knowledge and soft skills to prepare for job-seeking after graduation. Therefore, he often goes to the bookstore to search for many books on various topics such as networking skills, self-study programming and English. He spends a small but regular amount each month on buying books. He uses social networks and is interested in places that sell books on various topics and prioritize low cost. Before purchasing a book, he often read book reviews.

4.2.2　Customer value

There is a difference between the values that BK believes customers prefer and those that customers value. The firm assesses customer value based on personal views and lacks an effective way to collect insights from customers. **BK believes customers are interested in tangible, easily comparable values such as the main product, price or facilities**. In details:

> *"The three most important things that customers look for are: wide range of books and stationery/toys, reasonable prices and space for the whole family." (CEO, 2022)*

However, the focus group results show that, besides the functional value of the product, customers are interested in other values, such as emotional value, personal value, and social value. Focus group results divide customers into four groups with different characteristics and values:

(a) <u>Group I: Parents with children 0-12 years old, shopping for their children or the whole family</u>

The three values that this group is most interested in are convenience, added value and standard service delivery. First, convenience value is when they do not struggle to find a parking slot (compared to other bookstores located on the main road, finding a parking space is a headache since family usually transport with a car rather than motorbikes). Because the bookstores are located in shopping malls, customers save time and peace of mind by leaving their children in the bookstore and going shopping and doing other activities. Second, the added value means that the bookstore chain often organizes online/offline talk shows and book fairs to inspire children to read. For them, the children's book collection according to age save parents a lot of time and effort. Additionally, this group believes that they will receive the same service delivery in different branches. The next time they go to another BK branch in town, they know it has an indoor playground for children and a cafe for parents.

> *"My family needs a large, cool space with various children's books. I like that BK has an indoor playground next to the bookstore, so children can have fun and read books, or while the children play, I can select some books. This is our family's monthly destination. The location is excellent." (Customer 1, 2022)*

> *"BK also regularly organizes events, book fairs that inspire children to read, and even how mothers can help children read! It is an educational and entertainment destination for the whole family. The bookstore staff is quite knowledgeable about children's titles." (Customer 2, 2022)*

Emotional, social and personal value affect their purchase decision. The most different thing about this group is that customers are not necessarily product/service users. Most of the time, those customers will pay for the products for their children's usage. Therefore, how their child's feelings while in the bookstore, or being presented with an item in a bookstore, are more important than the books/gifts they receive. This group also feels that they (as parents) need to become a leading example for their children, and they can actively contribute to imparting good values to their children. This customer group also appreciates social responsibility when the bookstore recently

carried out activities such as renovating old cultural buildings to the community's reading space in rural areas. It is not the main reason they choose this bookstore, but it is the reason they continue supporting the bookstore because they feel they are supporting a sustainable society.

> *"As long as our kids are happy, we will return." (Customer 3, 2022)*

> *"I follow the CEO on Facebook and she is a great inspiration about how being a mother can teach children to read books and support their success. That forces me to be a responsible mother." (Customer 4, 2022)*

> *"BK has contributed thousands of books to libraries in poor rural areas [...]. It was a meaningful activity, and I always felt like I was playing a small part in making that miracle happen." (Customer 5, 2022)*

(b) Group II: Adults 30+, good average income

This group is interested in service quality and human factors; product cost is not a critical factor. They know that they can find a lovely space with a coffee shop whenever visiting any BK branch. They also want employees to be responsive to them when needed. This group believes that a bookstore does not necessarily have all the latest titles, but the staff should be able to advise customers on the best titles available.

> *"For example, when I want to learn about stocks, I need staff who can advise me which books are suitable for beginners or suitable for looking up. Books are nowhere to be found. [...] friendly and knowledgeable people is everything." (Customer 6, 2022)*

> *"I like it when BK introduces book collections according to themes. They have a wide selection of books on entrepreneurship, business, classic novels, etc. I just bought a set without a hassle." (Customer 7, 2022)*

(c) Group III: Students 20-25 years old

The values this group is most interested in are price, book variety and social responsibility. This group hardly cares much about the employee factor but is more interested in the core value of the products and services they receive. For example, they expect foreign titles to be constantly updated. To get a reduced price, they are

willing to go to book fairs or online to buy books cheaper than in the mall. They are very concerned about the social impact a company is making. So, if the company is making a green impact, they will be very supportive. In contrast to group II, group III did not care about the human factor of the bookstore. They come to bookstores for function value.

> *"I feel more comfortable if I am not "disturbed" by the staff. I knew what I needed to buy and wanted to evaluate the titles for myself. I feel like I lose my freedom if the staff is too welcoming during my shopping." (Customer 8, 2022)*

> *"They choose to use paper bags. I support such environmentally and socially thinking businesses." (Customer 9, 2022)*

(d) <u>Group IV: Students 16-20 years old</u>

This group believes that the price and variety of stationery are the most important, followed by the charming space and the staff attitude. This group is still not financially independent, so they are interested in discount programs. They love going to bookstores as a place to spend their free time to "waste time" or "entertain," so large, stunning bookstores attract them. **They are more concerned with social value than functional value.** Friend's opinion act as a catalyst in decision making. They can also "group boycott" if employees show inappropriate attitudes.

> *"I like to come here for a walk after school because it has free air conditioning and a spacious reading area. My friends and I could spend an afternoon playing without buying anything." (Customer 10, 2022)*

> *"My friends and I are most interested in the stationery area. They have adorable and limited items that you can hardly find anywhere else. I feel special going to school with a tote bag here and my friends asking where I bought it. [...] did my friends play a part in my choice to buy books here." (Customer 11, 2022)*

> *"I do not like it when some of the newest titles get wrapped. It looks like staff wants us to pay before previewing the content." (Customer 12, 2022)*

4.2.3   Value proposition

The analysis reflects that the firm's current value proposition is *"A large and stunning bookstore with various books and inspirational reading space"*. However, this value

proposition has not been clearly conveyed in the media. The frequently mentioned public slogans are "*Enhancing knowledge*" and "*Spreading reading culture*". The existing value proposition faces the following problems: it has not specified the target audience nor provided a solution. Later in Chapter 4.4., the author will re-state the value proposition accordingly and give some practical implications for the new value proposition.

All business model components are designed to serve the current value proposition. For example, BK does not use intermediaries in book printing and distributing to minimize the cost of each book. That helps BK reach a group of low-income students and adults. The firm also partners with media sponsors, helping them delivering the messages to a large audience.

The business model also helps BK achieve the competitive advantage of BK is the "3-in-1 complex containing bookstores, coffee shops and indoor playgrounds". Accordingly, this allows BK bookstore to attract diversified customer segments: customers can buy books and read instantly at the cafe inside the bookstore, or parents can select books when children play in the indoor playground next to the bookstore. The firm is building its branding around the ample, charming space and the variety of best-selling books.

4.2.4 Service quality & customer satisfaction

The company relies solely on sales figures to evaluate service quality and believes they are doing well. Managers believe that statistics speak for themselves, thus they evaluate the quality of their service based on the number of attendees at book fairs and sharing sessions. However, these figures do not indicate consumer satisfaction with the quality of service. Since book sales are rather stable, the company intuitively assumes that it is doing well, despite not understanding customer loyalty, purchasing frequency, shopping behavior, or customer relationships.

The company does not exploit data from other sources effectively nor has a standardized process to evaluate customer satisfaction. They have not had indicators to assess customer satisfaction, loyalty, shopping frequency, etc. The firm used to issue physical loyalty cards to customers, but the number of times customers used the card was not much, so BK abandoned that method. In September 2021, they launched the mobile application yet failed to make the most out of data. Customer data has not been fully exploited as data has not been appropriately registered. For example, customers do not use their membership cards all the time, so online and offline purchases are not integrated. Recently, the company launched a program to accumulate reward points. However, this feature's data and customer behavior are too little.

Customer expectation characteristics in service delivery are not necessarily used to evaluate service quality but understanding customer expectations is still essential to improving customer satisfaction. Customers are often quite comfortable expressing what they want from a service, but that does not mean they need a provider that meets all those criteria. For example, customers may prefer a business with social/environmental impacts, but these impacts are not used to judge the service quality. However, if customers expect friendly and responsive staff, then improving employee attitudes is necessary to improve customer satisfaction.

All customers report that they had never tried to separate the factors when evaluating the quality of any service. Based on the five factors outlined by Sureschandar et al. (2002), the top three factors most often mentioned by people are (1) core service/service product – books/stationery/toys, children's play area and book cafe, (2) human element of service delivery – employees' expressions and attitudes, (3) intangibles of service – inspirational, bright space with plenty of seats. Factor (4) social responsibility is sometimes mentioned, but not everyone uses them to evaluate service quality. The element (5) systematization of service delivery is not often mentioned in assessing service quality but is highly appreciated.

The process of assessing service quality is complicated due to tool shortages and customer psychology. When unsatisfied, customers are shy to discuss it directly with employees or managers. The company does not have an anonymous feedback box, so most choose not to return or leave bad reviews on Google. It was observed that complaints on social networks (except for e-commerce sites) did not receive any response from bookstores, showing that BK did not consider it a "room for improvement". The most complained problems at the physical stores were the lack of variety in some titles (e.g., Chinese), staff attitude (lack of friendliness and professionalism) and the price (no discount available). Online stores on e-commerce sites face complaints about quality (not commensurate with the price, thin paper, books have fallen spines), and poor packaging (resulting in torn, dented books).

4.2.5   Value co-creation

The company maintains a traditional "company-centric" attitude, resulting in the firm's operation is relatively one-sided and value co-creation does not exist. In other words, the construction of business activities and the decision to publish a new book are based solely on managerial perspectives. Interaction and information exchange between customers and bookstores are only for complaints. Customers rarely share personal opinions or reviews on the firm's website (which is far different from NNB, the bookstore famous for creating a community of 150,000 people reading and reviewing books and regularly interacting on the Facebook group).

There are a few reasons why value co-creation between BK and customers does not happen. First, the company has not regularly communicated with its customers to gather feedback and ideas regarding products/services. The customer is not yet involved in all stages of the decision-making process. To improve, the company can allow customers to request foreign titles they want to add to their shelves actively. Second, the company's social network has not been effectively harnessed for creative collaboration by consumers. There will always be collab campaigns with clients to create new content.

Third, the company's campaigns have not encouraged customers to give ideas and feedback. The mistake lies either in the not-so-interesting campaign, too complicated process or unattractive customer rewards.

4.3 Environmental analysis

The firm's internal resources have potential development yet require critical resource reallocation. The external business environment brings new market needs and challenges. Fortunately, the book market is fiercely competitive but fair and the firm has the opportunity to shine in its strategic group.

4.3.1 Internal environment

The case company possesses tangible resources such as human resources and facilities, yet competencies are relatively weak. For example, employees are incapable of proactively consulting/providing customer solutions. Even though salespeople play a critical frontline role, they are passive in building relationships with individual customers. Currently, the online website does not provide a proper shopping experience to customers and only Cash on Delivery payment method is available.

Additionally, internal resources are not yet aligned with the firm's purpose. For example, strategically, managers want to optimize customer data by creating a membership card and a phone-number-based loyalty program. However, in operation, staff do not constantly ask if customers already have a loyalty card or want to make a membership card. Another example is that since October 2021, the firm has set KPIs for book introductory articles on the website and Facebook to brief about the latest books for customers. However, most book reviews are written outsourced and non-employee salespeople review them. Hence, basically, frontline staff's knowledge of books is unchanged, leading to their inability to advise appropriate titles for customers.

4.3.2   External environment

External factors that affect business operation are social, technological, environmental and legal aspects. **Both economic and political aspects do not impact the book retail industry, except that the COVID-19 pandemic has caused heavy losses in revenue.** During the pandemic, the firm only published 70% of planned book titles and even had to owe premise rent, but this is the general situation.

Society speaking, people's awareness of reading books is still weak. On average, Vietnamese people only read 1.2 books a year (excluding textbooks) - a deficient number compared to the world average). This leads to people either buying fewer books or buying without reading However, the good news is that the government is focusing on building many activities to spread the reading culture, aiming to raise people's reading awareness.

In terms of technology, digitalization opens emerging online and e-books; Innovation and AI are concepts that can be abstract at present but create many opportunities and challenges in the application for traditional businesses. All businesses have been forced to adapt to this change in the past five years. The brick-and-mortar market is still highly valued. However, the online book and the e-book market offer lower prices with comparable quality. With the help of AI, two new businesses in the audiobook market have been founded. They offer copyrighted audiobooks with lower production costs while changing the consumption habits of book readers through the convenience provided. For example, buyers can save time waiting/traveling to listen to books passively, select books easily at their fingertips or quickly see other readers' reviews.

Analysis of environmental factors shows that only a few consumers are interested in sustainable development in Vietnam. For example, using plastic bags when purchasing has become part of transactions. **Talking about the legal aspect, the most impact on businesses that trade and distribute books is the widespread printing of pirated and uncopyrighted books at low prices.** This affects publishers and genuine bookstores

(because the price will undoubtedly be higher). Industry insight is that, especially for the publishing industry, overseas book publishers have the option of selling partial or complete copyright to a business. In the past, the firm made a severe mistake in signing a contract with the world-famous novel publisher Y, resulting in 5 000 books being translated, designed and printed but could not be on the shelves. The reason is that the partner signed an exclusive contract with the rival company at the last minute, resulting in BK not being allowed to print and circulate these titles in the future.

4.3.3 Competition analysis

Competitor analysis has not been performed regularly, and post-analysis activities have not been taken seriously. Competitor analysis is conducted twice a year, including data on competitor profiles, activities in the last six months, discounts, price benchmarks, events and branding activities. The firm often analyzes its strengths, weaknesses, similarities and differences among competitors. The firm defines direct competitors are those with a bookstore chain with at least four branches and have a relatively similar floor area to BK (>1 000m2), including NNB, FAB, CCB and PNB bookstores. The firm does not consider indirect competitors, even though emerging indirect competitors in audiobooks and e-books are likely to change customers' consumption behavior in the future. Competitor analysis focuses on learning from competitors' experiences, building the right strategy and finding market gaps. In 2020 & 2021, acknowledging the industry is "sleeping", the firm company opens four new branches, taking advantage of reduced rental costs and moving ahead of competitors. Although competitor analysis meetings were held with staff from various departments, the post-analysis activities were not innovative. They can collect data, analyze and plan to deal with the changes that have occurred but have not thought of future scenarios or stay ahead of the market.

Competitor analysis shows that only BK creates social impacts, so this value (and possibly environmental impacts) should be honored to make a difference from

competitors. Other firms on the market may organize book signings, book launches, or book fairs with the primary objective of increasing brand recognition and sales. Only BK is generating additional social efforts, such as visiting schools and shopping malls to host conversation programs to encourage young people to read books and building a communal reading room. Particularly when the company does not adhere to the cost leadership strategy, making a difference is extremely important. BK can provide even more environmental benefits in order to become the industry leader in sustainable development. This must be executed immediately before other book companies imitate the concept.

4.4   Suggestions on the value proposition

The new value proposition should be *"A knowledge space for your family and a book for the community"*, along with the explanation *"BK provides thousands of titles, with a complex of indoor playground - café - bookstores for the whole family to learn, play, and share at the same time. Together with you, we join hands to provide access to books for thousands of Vietnamese children."*

This value proposition identifies the target customer and the solution provided. The first part of the value proposition emphasizes the diversity of customers that BK targets, from children to adults, at any age. Significantly, the phrase family hits the psychology of parents. The latter part of the value proposition also highlights what sets BK apart from other bookstore brands: they create a positive social impact. The affirmation of "joining hands" also brings a sense of cohesion and value co-creation between customers and bookstores.

The implementation of the new value proposition also needs attention. Content speaking, BK can build interactive content such as videos and minigames to reiterate the value proposition. The firm needs consistency across all BK channels and corporate activities in delivering the message. The brand image should be designed with its value

proposition in focus. The value proposition needs to be reevaluated regularly based on changes in the market and customer preference. Value maps and Customer profiles are tools to support value proposition design.

The business model should be adjusted accordingly to maximize the new value proposition, focusing more on children, which is the firm's strength. This calls for more strategic partnerships in improving the reading culture for children in many rural areas across the country, for example, by working with children's newspapers, primary and secondary school presidents to popularize the book's brand image with children. Activities such as book camps (one week of camping, no phone, only books) or launching creative and writing contests to arouse children's love of knowledge can also be implemented. BK should soon launch periodic book club meetings or create a community of book readers with privileges such as reviews and recommending good books to readers, but only in a private Facebook group or mobile app for its customers. Customers can always provide feedback and request updates on the demanding titles through specific platforms or surveys. SERVQUAL surveys or another evaluation form should be implemented to measure service quality. Through the above activities, the client is more involved in the firm's value co-creation process. Relationships with customers also need to be strengthened to exploit more customer data, such as in-app shopping behavior, number of re-purchases, etc. Staff should get training on customer relationships as well as the capability to consult customers on suitable book titles. The online book sales channel (via the firm's website) can be focused more so that the market can be expanded to other cities that do not yet have BK bookstores. The website sales could be invested so that the UX/UI is improved. Nevertheless, this can only happen if BK solves customers' difficulties in buying books online: inability to assess book quality, inability to preview content and the return and exchange issues.

5 Conclusion & discussion

This chapter will answer two research questions and assess the relevance and applicability of the theoretical framework to the case company BK. The chapter also presents managerial implications, research limitations and suggestions for future research directions.

5.1 Conclusions

This research was conducted to address the contextual gap at the case company BK on improving service quality by enhancing the value proposition. This study has achieved the four purposes set earlier, including analyzing the firm's current situation, comparing customer value from management and customer viewpoints, suggesting adjustments to the value proposition to better suit the company and evaluating the theoretical framework's applicability to service quality practice.

The study has uncovered impressive results. There is a misalignment between values among customer preferences and the company's offering. First, customers' values are diverse, broader and multifaced than the company values. Different customer groups have different value preferences. Secondly, relying solely on revenue to assess service quality and customer satisfaction is an inappropriate practice. The company should approach suitable means for customers to evaluate their service and take complaints as an opportunity to improve service quality. Third, value co-creation is currently non-existent in the case company because of communication channel difficulties, inappropriate policies and weak customer relationships. Involving customers in the value co-creation process is beneficial so this practice should be implemented as soon as possible. Fourth, the case company has neglected the significance of conducting business environment. Macroenvironment, microenvironment and competition analysis should be conducted frequently and the post-analysis activities should be taken seriously.

RQ 1: What is the current value proposition of BK?

The company's current value proposition is *"A large and stunning bookstore with various books and inspirational reading spaces"*. Overall, this is an improbable value proposition. The value proposition has somewhat expressed BK's unique feature to its competitors (reading spaces within bookstores) yet failed to define target customers and the problems they are trying to solve decide. Moreover, the company's most important customer group is family customers, which has not been clarified in this value proposition. The firm has not highlighted the benefits to the family customer segments. This content has not been fully and uniformly conveyed in newspapers and media.

RQ 2: How can the value proposition be improved in the business model context?

A company's value proposition can be improved from content and execution perspectives. First, content speaking, the new value proposition could be changed to: *"A knowledge space for your family, a book for the community."* with explaination *"BK provides thousands of titles, with a complex of indoor playground-café-bookstores for the whole family to learn, play, and share at the same time. Together with you, we join hands to provide access to books for thousands of Vietnamese children."* This value proposition is brief, succinct, and simple to grasp. It also depicts the company's three most prominent and distinctive features as a bookstore with a reading space, a destination for the entire family and a business with social impact. The explanation goes through each core value in further detail.

Regarding implementation, the new value proposition must be associated with brand awareness by consistent communication through channels and activities. Furthermore, business model components such as partnerships, activities, customer relationships and channels need tailoring to emphasize the new value proposition. The new business model needs to be redesigned to integrate resources effectively. Additionally, value co-creation process should be considered in interactive campaigns.

5.2 Theoretical framework assessment

The nature of this practical study type calls into question its relevancy and capability in business life. The theoretical framework in literature reviews indicates that companies must define their customers' needs and the firm's competitive advantage to evaluate service quality. The business model and environmental analysis serve as the foundation for determining a firm's competitive advantage. The framework also addresses the critical role of customers: reshaping desired value and co-creating value with the company. This means that the customer generates perceived value and can help create actual results. In contrast, the value may be produced not just by the firm (through the value proposition) but also by the clients (through involvement in value co-creation).

The first point that the theoretical framework correctly emphasizes is that the business model and firm's competitive advantages support the value creation process. The case company's analysis results validated this, as indicated by the company's integrated resources being deployed to assist generate the desired competitive advantage and values. Given the firm's current situation, although competition and internal environment analysis were not conducted properly, these studies will assist the organization produces more value if taken seriously. As evidence, the research recommended a few solutions in which the organization might develop new value by analyzing the competitors, and internal and external business environment.

The theoretical framework also correctly predicted that consumers' perceived value and delivered value influence service quality. Customers evaluate service quality by comparing what they anticipate about service to what they actually experience. If these two categories share a considerable number of characteristics, service quality will be appreciated and customer satisfaction will be obtained. The study's findings are consistent with prior research findings.

However, adopting perceived value as a measure of service quality may not always be practical and reliable. Value perception and service quality are both multidimensional.

The study indicates that clients may specify as many values as they desire (e.g., product function, emotion, social status). However, they do not judge service quality based on all these qualities. Practically speaking, even if a firm understands what is valued in the eyes of the client, it is not necessary to provide a service with all those qualities to fulfill customer satisfaction because not every desire is of equal importance. This rationale of customer psychology and behavior has not been explained by this research.

This theoretical paradigm is inadequate for company-centric organizations. Knowing customer demands does not ensure value co-creation for company-centric firms. The rationale for this is that value co-creation can only occur when the firm enables and the client is eager to participate. In the instance of the example company, the value co-creation process did not exist since the firm's current activities and campaigns had not encouraged consumers to contribute value and the organization eventually failed to listen to customers. However, if the firm shifts its focus to the customer's voice and the consumer is sufficiently motivated and eager to engage in the value co-creation process, this framework will be appropriate.

5.3   Managerial implications

The notion of value and service quality is multidimensional, which means that customers might anticipate a product or service to have numerous values in a variety of ways. That implies businesses may develop their services in novel ways rather than competing on the two traditional parameters of pricing and difference. Since core service is only one of the variables used to evaluate service quality, businesses can place greater emphasis on other aspects, such as people, systematization of service delivery, intangibles, and social responsibility. Companies must use numerous data sources to get consumer insights, such as macroenvironmental data, complaints, competition promotions, internal data from purchase history, customer satisfaction surveys or SERVQUAL.

Environmental research is vital for gaining a competitive edge, where macro variables enable new markets and competitor analysis investigates any profitable gaps in the industry mechanism. Examining the firm's internal business environments enables the company to determine if its capabilities can engage in the fierce competition and, if so, in what sector. The company's resource is also not yet aligned with one another and its objective. Negligence in environmental analysis or misjudgment of rivals' boundaries can have dire consequences, such as the loss of market share to indirect competitors. In studying the business environment, the organization would face obstacles such as inadequate data, erroneous data, a company culture that discourages collaborations, inexperienced staff, and cumbersome processes. Management must acknowledge these difficulties to guarantee accurate and regular business environment assessments.

Customers may also get involved and co-create value with the firm. This fosters innovation, enhances interactions with clients and guarantees that the developed values correspond to customer preferences. To promote user participation, however, the organization must actively listen to customer feedback and provide fair regulations and incentives. Not all clients have the required knowledge and abilities, therefore businesses must also assess whether they should be chosen, in what sectors and at what level of penetration. Co-created values must be seriously studied and included to increase product diversity, features and quality.

5.4   Limitations

This study has certain limitations considering the limited sample size (31 in the focus group and one for managerial interviews). Cultural considerations may prevent respondents from delivering what they really think. The study cannot rule out the possibility of customers being prejudiced since sampling has not reached a condition of total randomness. In addition, desk research data on quality is only relative since consumers are more likely to complain about poor service than to commend outstanding items and services.

The descriptive case study research approach was employed in this study. However, because the author has trouble accessing internal data or strategic knowledge, the assessment of internal business environment elements and competition analysis is not entirely credible. In addition, the study is limited in scope and time, rendering it insufficient. Focus groups are conducted in two branches in the capital (the city where the firm has more than ten bookshop branches), therefore it is not feasible to obtain the opinions of all regional customers regarding the service quality of other branches.

5.5 Further research

A comparable analysis might be used to see how the company's value proposition could be reassessed and adapted to the current scenario. If corporate personnel conduct action research in the future, further information regarding the firm's internal financial accounts and SERVQUAL results could aid better degree of accuracy, validity and practical application.

The company may also conduct research with other branches (in other provinces) to compare customers' service quality in different facilities to standardize service in all bookshops. Research into the experiences of each person in the family group could also lead to interesting results. Also, the question of whether customers are willing to co-create value is an interesting one that can be looked into further in the future. Alternatively, the study might be conducted in another field to analyze the differences in the order of service quality elements when a client uses a service.

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Appendices

Appendix 1. Interview questions: managerial perspectives

Customers' preferences:

1. Do you know the main target group of the bookstore? Could you describe your customer profiles?

2. Are you measuring customer satisfaction or the quality of your service? If yes, please describe. If not, why?

3. What do customers value most when visiting your bookstores? How do you know?

Value proposition and value co-creation:

4. How different is your bookstore? What is the most distinct core value that BK was built for? Has this message been successfully delivered to customers?

5. What are you offering to customers? What is your value proposition?

6. What leads to the current business model and value proposition?

7. What are the roles of customers in operational activities and strategic decisions?

Business environment:

8. What do you think about your internal resources (e.g., staff, facilities, management, firm culture)?

9. How do you consider social and environmental values?

10. Is the competition fierce? Who are the main competitors?

11. What are the internal factors that lead to your competitive advantage?

12. How do external factors (PESTLE) affect the business?

Appendix 2. Interview questions: focus group

1. What do you look for when shopping at this bookstore? In addition to physical, there can be emotional, human, etc. reasons.

2. Is this bookstore different from other bookstores? Why use the service here (2 reasons)?

3. Besides owning a book, is there anything else you would like to experience at a bookstore?

4. Who will experience the main service? You or someone else?

5. Would you rate yourself as a loyal customer? Frequency? If not, where else do you shop?

6. What factor do you appreciate the most here?

7. Do you often buy books online?

8. What is preventing/promoting you to buy this store's books online?

9. If you could pick two reasons why you would not visit any bookstore, what would they be?

10. Would you like something to be improved?