If we build it, will they come?

Online Sales Presence of a Medical Device Company Selling Directly to End-Users

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Online Sales Presence of a Medical Device Company

*Selling Directly to End-Users*

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Selling directly to end-users

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Preface

This thesis is a 30 ECTS unit thesis towards a master’s degree in strategic management at the School of Business Administration at the University of Iceland.

I would like to thank my academic advisor Runólfur Smári Steinþórss on for his guidance and support. I would especially like to thank my mother for her tremendous help at an important time as well as thanking my father, my husband’s parents, and our son’s kindergarten teachers for their support during the writing of this thesis. Additionally I would like to thank the participants in the research, for their insightful information and for taking the time to discuss the matter of online sales.

Last but certainly not least, I would like to thank my husband and our son for their patience, support and unconditional love.

Garðabær, January 5th 2016

Eyðís Sigurðardóttir
Abstract

Online sale is on the rise and many companies are trying to figure out a way to sell their products online. The online sales channel is however not suitable for every product and every company. Companies need to understand their customers and the online channel. It isn’t enough to open up an online store and hope for the best. The first part of this research sheds light on the online sales environment and explains why some customers want to shop online. The second part of the research introduces the medical device manufacturer Össur, which is in the stage of entering the online retail market. Strategic analyses are performed to better understand Össur’s situation and a conclusion of key factors that need to be in order for the market entry to become successful. This is a qualitative research and was conducted by interviewing eight Össur employees with the purpose to elucidate how Össur can form a successful online retail strategy. The conclusion of the qualitative research and the strategic analysis indicate that there is a considerable lack of human competencies in terms of carrying out an online strategy successfully. At the same time there is an absence of an online strategy as well as insufficient follow up on projects. The research findings also reveal that some of Össur’s competitors have their own online store as well as sell online through third-party sellers. The research further indicates that Össur’s product range is sufficient to compete in the market place. Össur needs to acquire competent people in this field and take advantage of the growing online market.
# Table Of Contents

List Of Figures .......................................................................................................................... 10

List Of Tables ............................................................................................................................. 10

1 Introduction ............................................................................................................................. 11

2 Literature Review ...................................................................................................................... 15

2.1 Part I: The Online Market and Customer Behavior ............................................................. 15

2.1.1 The Online Market in the U.S. and the U.K. .................................................................. 16

   Sales Behavior Changing Every 50 Years ................................................................. 16

   Statistical Overview of Internet Sales in General ....................................................... 17

2.1.2 What Drives Customers Online? .................................................................................. 18

   Demographic Elements and Personal Characteristics of Online Customers ... 20

   The Convenience Factor of Online Stores ................................................................. 21

2.1.3 Multi-Channel Strategy ............................................................................................... 22

   How to Manage a Multi-Channel Strategy ................................................................... 22

   Multi-Channel Integration ............................................................................................. 23

   Multi-Channel Marketing Challenges ........................................................................ 23

   What Drives Channel Choice ....................................................................................... 23

   The Difference Between Multi-Channel and Omni-channel Strategy ............. 24

2.1.4 Should Manufacturers Sell Products to the End-User? ............................................ 25

2.1.5 Coopetition – Cooperation Instead of Competition ................................................. 25

   Amazon’s Coopetition Model ....................................................................................... 26

2.1.6 Transaction Cost ........................................................................................................... 27

2.2 Part II: The Retail Market ................................................................................................... 28

2.2.1 The Injury Solution Retail Channel ............................................................................ 28

   Medical Segment ........................................................................................................... 28

   Medical Retail Segment .............................................................................................. 29
Retail Segment .................................................................................................................. 29

2.2.2 Retail Market in the U.S. and U.K. ........................................................................ 29
Major Pharmacies & Multi-Stores .................................................................................... 30
Sporting Goods Stores .................................................................................................... 30
Independent Pharmacies ................................................................................................. 31
Internet ............................................................................................................................ 31

2.2.3 Requirements for Entering the Retail Market ....................................................... 32
Independent Pharmacies ................................................................................................. 32
Sporting Goods Stores .................................................................................................... 32
Major Pharmacies & Multi-Stores .................................................................................... 32
Internet ............................................................................................................................ 33

2.2.4 What is a Successful Online Retail Strategy? ......................................................... 33

2.3 PART III: Strategic Analysis ..................................................................................... 34

2.3.1 Strategic Analysis ................................................................................................ 34
External Assessment ........................................................................................................ 34
PESTLE Analysis ............................................................................................................ 35
Porter’s Five-Force Industry Analysis ............................................................................. 35
Internal Assessment ....................................................................................................... 35
Value Chain .................................................................................................................... 36
Value System .................................................................................................................. 37

Conclusion from the Internal and External Analyses .................................................... 37
Key Success Factors ........................................................................................................ 37
SWOT Analysis ............................................................................................................... 38
Forming of the Strategy .................................................................................................. 38
Decision Performance Matrix ........................................................................................ 39
Ansoff’s Matrix ............................................................................................................... 40
Porter’s Generic Strategy Matrix ..................................................................................... 41

3 Össur ............................................................................................................................ 42
3.1 Company Information ................................................................................. 42
  3.1.1 Össur’s Customers ............................................................................... 42
    Current Customers ..................................................................................... 43
    End-Users ................................................................................................ 43
  3.1.2 Injury Solution Products ..................................................................... 43
3.2 Össur’s Online Pilot Project .................................................................... 44
3.3 Competitors .............................................................................................. 45
  3.3.1 DonJoy ................................................................................................. 45
  3.3.2 Breg / Bledsoe .................................................................................. 46
  3.3.3 Bauerfeind ......................................................................................... 46
  3.3.4 McDavid ............................................................................................ 47
  3.3.5 3M ..................................................................................................... 47
3.4 Comparison between Össur and the Competitors .................................. 48
4 Methodology and Data Collection.................................................................. 50
  4.1 Qualitative Method ................................................................................ 50
  4.2 Design of the Study ................................................................................ 50
  4.3 Sample Selection .................................................................................... 51
  4.4 Data Collection ....................................................................................... 52
  4.5 Data Analysis ......................................................................................... 53
  4.6 Validity and Reliability .......................................................................... 53
  4.7 Researcher Bias and Assumptions .......................................................... 54
5 Interviews conducted at Össur .................................................................... 55
  5.1 New Online Store in the U.K., Benelux, and Nordic ......................... 55
    5.1.1 What is Done Well? ......................................................................... 56
    5.1.2 What is Not Done so Well? .............................................................. 57
    5.1.3 What Could Have Been Done Differently? ..................................... 59
  5.2 Össur’s Customers ................................................................................. 59
    5.2.1 Current Customers ......................................................................... 60
6.2 Strategic Analysis of the Internal Environment ........................................... 75
   6.2.1 Össur’s Value Chains ........................................................................... 75
   Össur’s Current Value Chain ...................................................................... 76
   Recommended Changes to Improve Össur’s Value Chain .............................. 77
   6.2.2 Össur’s Value System ......................................................................... 78
6.3 Conclusions from Internal and External Analyses ........................................ 79
   6.3.1 Key Success Factors of Össur’s Online Strategy .................................... 79
      What do the Customers Want? .................................................................. 79
      How will Össur Survive the Competition? ................................................. 79
      Key Success Factors of Össur’s Online Strategy ....................................... 79
   6.3.2 SWOT Analysis .................................................................................. 80
      Strengths Identified at Össur ..................................................................... 80
      Weaknesses Identified at Össur ................................................................. 81
      Opportunities within the Injury Solution Market ...................................... 81
      Threats within the Injury Solution Market ............................................... 81
6.4 Forming of Össur’s Online Strategy ............................................................. 82
   6.4.1 Ansoff’s Matrix .................................................................................. 82
   6.4.2 Porter’s Generic Strategy ..................................................................... 83
   6.4.3 Decision Performance Matrix .............................................................. 84
7 Conclusion and Discussion .............................................................................. 85
   Theoretical .................................................................................................... 87
   Practical ........................................................................................................ 87
   Personal ......................................................................................................... 87
Bibliography ...................................................................................................... 89
Appendix ............................................................................................................ 94
List Of Figures

Figure 1: Internet Sales in the U.S. and U.K. in 2014 and 2015 .................................................. 17
Figure 2: Difference Between Multi-Channel and Omni-Channel Strategies ............................. 25
Figure 3: U.S. Market Overview for 2014 ...................................................................................... 30
Figure 4: Value Chain .................................................................................................................. 36
Figure 5: Porter’s Value System .................................................................................................. 37
Figure 6: Decision Performance Matrix ..................................................................................... 40
Figure 7: Ansoff’s Matrix ............................................................................................................ 41
Figure 8: Porter’s Generic Strategy ............................................................................................ 42
Figure 9: Porter’s Five-Force Analysis ....................................................................................... 73
Figure 10: Össur’s Current Value Chain .................................................................................... 75
Figure 11: Össur’s Improved Value Chain .................................................................................. 77
Figure 12: Porter’s Value System ............................................................................................... 78
Figure 13: SWOT Analysis ......................................................................................................... 80
Figure 14: Ansoff’s Matrix: Market Development ................................................................... 82
Figure 15: Porter’s Generic Strategy: Cost or Differentiation Focus ........................................ 83
Figure 16: Decision Performance Matrix: Some or Very Successful Decisions ....................... 84

List Of Tables

Table 1: Definitions of Online Customer Clusters ................................................................. 19
Table 2: Product Range Comparison ....................................................................................... 48
Table 3: Price Comparison ........................................................................................................ 49
Table 4: PESTLE Analysis ....................................................................................................... 71
1 Introduction

In today’s competitive market it is essential for large-scale manufacturers to effectively reach their potential clients using the sales channels available. With many different options on hand it is crucial that companies know their customers and their products, to find the best solution to take products to market. Online sales could be one of those important sales channels. By uncovering the best online solution, market share could be increased substantially. Since online sales are a fairly recent phenomenon, and the sales channels are diverse, there aren’t many researches that compare the possible online options. Due to that it is important to explore the possible online sales channels to better understand them.

One of the companies that would benefit from having an online market strategy implemented is the Icelandic prosthetic and orthopedic manufacturer Össur. Össur is one of the biggest companies in Iceland, with international presence and more than 2,500 employees. In the recent years, sales of orthopedic products on the Internet have grown substantially and it is essential for Össur to compete in that flourishing market. Össur has limited online sales history. With a current online presence only in the United Kingdom, the Netherlands, and the Nordic, it has limited knowledge of the competitive world of online sales.

In the process of this master’s thesis, online sales are researched as well as the characteristics and affinity of online customers discussed. The possible reasons that Össur hasn’t delved deep into the online market might be that medical devices are traditionally sold through medical professionals, hence the slow transition to end-user sales. Another probable reason is that Össur has fairly recently acquired orthopedic products that can be sold directly to users, without an intermediary, thus the lack of in-house experience in online sales. Yet another reason might be that Össur is originally a prosthetic company and prosthesis are evidently not sold directly to end-users. Consequently the marketing efforts in Össur are traditionally business-to-business (B2B). It is apparent that Össur has great potential in the online market. The best way to enter the market is however unknown.
The author started working at Össur in the beginning of June 2004, and worked during the summertime for the nine following years. The author gained valuable experience while working in manufacturing, research and development and the marketing departments, both in Eindhoven in the Netherlands, and the global marketing department in Iceland. Every summer the author learned something new and exciting and the experience gave a different perspective of the workplace, the company and the products. It was therefore easily attainable to contact Mr. Ólafur Gyfason, Executive Vice President of Sales and Marketing, to inquire a project suitable for a master’s thesis. With the author’s background in sales and marketing it was an ideal idea to explore Össur’s online sales presence.

The purpose of this master’s thesis is to better understand the online market and find the answer to the following research question:

*What are the key factors for Össur to be successful in the online retail market?*

With these two supporting questions to examine the subject in more detail:

- *What are the characteristics of online customers and what drives their online channel choice?*
- *What are Össur’s strengths and weaknesses when it comes to online sales and what are the opportunities and threats of the online sales environment?*

The scope of this research is limited to the U.S. and U.K. but takes into consideration Össur’s pilot project online, which is currently being executed in three countries in Europe. The practical contribution of this project is extensive but first and foremost does it aid Össur’s managers in better understanding of the market, its customers, and competitors, and makes them confident in forming an online strategy. This research is an important link in Össur’s online sales development. The Internet has great sales opportunities and Össur should utilize every aspect available. The online market is ill defined and the information is certainly overflowing. This research illuminates the field of online marketing strategy and furthers its readers’ knowledge on the subject of online marketing strategies.

The theoretical contribution of this research project is a better understanding of the online customer and the available online sales options. The project congregates information from different sources; printed articles, interviews and business cases from
Össur. As a result the project assists individuals who want to learn more about the topic.

The author uses qualitative methods of research to examine these questions, employing in-depth interviews and utilizing written articles and case studies. To gain more information on the subject, the author conducted research on online sales in general, gain information on Össur the company, its competitors, and the competitors’ sales paths. Many of these sources come from scholarly articles and some are obtained from marketing and strategy books. Other sources originate at Össur and are a part of their business cases. Those resources are both primary and secondary researches and are referenced where applicable.

The author will also use in-depth-interviews with Össur employees, conducted in Össur in California, Iceland, the U.K., and the Netherlands. These interviews give a good understanding of the current online project, in-house knowledge of the online and retail market, and realistic goals that employees believe they can achieve. The interviews further explain the lack of competencies within the company, both technical and human.

It is the belief of the author that this research will aid in the forming of an online retail strategy. It will however leave decision making to the strategy professionals at Össur for the reason that the author is not in the position of making a complete strategy in accordance to other projects that the company is executing. It is the view of the author that decisions and strategies that develop within a company, prove to be more rewarding because employees are more in control of the strategy forming process.

This master’s thesis is divided into seven chapters. It is based on theoretical research as well as in-depth interviews. The strategic analysis framework connects the two components together. After this first chapter of introduction comes the second chapter, which is a literature review. The literature review is divided into three parts, part one analyzes what has been researched in this field before and what is known about the subject; part two evaluates the retail market and the third part considers the strategic analyses that can be utilized to evaluate the external and internal environment of the company. Chapter three focuses on Össur, its customers, competitors, and the online pilot project in the U.K., Benelux, and Nordic. The fourth chapter addresses the
methodology of the research, the analyzing tools, and methods used when conducting the research. The fifth chapter analyzes the interviews conducted and contains six categories, which were contracted from the interviews. The sixth chapter is a strategy analysis, which evaluates external and internal factors of the company and its competitive environment. Chapter seven is a conclusion from the author, as well as a discussion of further research topics.
2 Literature Review

The literature review is divided into three parts, a total of ten chapters. The first part analyzes what has been researched in this field before and what is known about the subject. The first chapter in part one gives an overview of the online market with a focus on the trends in shopping behavior and basic statistical overview. The second chapter focuses on the online customers, what their characteristics are and what their shopping behavior is like? To better understand who the customers are, two methods of customer comparisons are introduced. Situational aspects such as convenience are touched upon and the chapter is summarized with a review of characteristics of online customers. The third chapter addresses the multi-channel strategy, discussing the main challenges to that strategy, channel integration, and management of a multi-channel strategy. The omni-channel strategy is also introduced. The fourth chapter concentrates on coopetition, a new term combining cooperation and competition and an example of Amazon’s coopetition is discussed. The fifth chapter covers the theory of transaction cost in terms of outsourcing and the core-competency approach. Part two of the literature review evaluates the retail market and gives a better understanding of what retail is and an analysis of the retail market in the U.S. and the U.K. It also suggests a method on how to enter a retail market and how to form a successful online retail strategy. The third part of the literature review considers the strategic analyses that can be utilized in evaluating the external and internal environment of the company.

2.1 Part I: The Online Market and Customer Behavior

Part one of the literature analysis evaluates what has been researched in this field before and what is known about the subject. The online retail environment is introduced; statistical data is presented along with an overview of the online customers, their characteristics and situational factors. The concept of multi-channel strategies is addressed and how to manage and integrate it, as well as discussing the coopetition model. At last there is a brief overview of transaction cost in the context of outsourcing.
2.1.1 The Online Market in the U.S. and the U.K.
The Internet is flourishing and the growth of the market is tremendous (Dan, Xu and Liu, 2012). It is widely accepted that companies in the online market have the opportunity to transform the shopping experiences of its customers (Doherty and Ellis-Chadwick, 2009). Retailers are now able to improve communication with their customers and improve cost-efficiency by eliminating the middleman, broadening the target market, and extend product lines (Srinivasan, Anderson and Ponnavolu, 2002). Online shopping has been on the rise since the early 2000’s and was rightly predicted in 2003 to be the fastest growing area of Internet usage (Forsythe and Shi, 2003).

Sales Behavior Changing Every 50 Years
Darrel Rigby (2011) speculates that retailing changes tremendously every 50 years. The first change was about 150 years ago when department stores were founded. Next change, roughly fifty years later, happened due to the increased car ownership, which made the shopping malls in the suburbs popular. Fifty years after that the large discount stores such as Wal-Mart entered the stage and altered the retailing business. Now 50 years after the last change, people are faced with the new online market. Rigby notes that despite of all this change, each new phenomenon hasn’t eliminate the older ones, it is just added to the mix. Same goes for the online market, more options are available so the consumer can choose its preferred buying method. Rigby further suggests that companies have to “redesign shopping from scratch” since “technologies will get faster, cheaper, and more versatile” (Rigby, 2011, p. 67).
Statistical Overview of Internet Sales in General

In a study prepared by Centre for Retail Research in January of 2015, Internet sales in the United States in 2014 accounted for $306 billion and are predicted to grow by 13.8% in 2015 and be around $349 billion. Internet sales in the United Kingdom were nearly $67 billion in 2014 and are anticipated to grow by 16.2% in 2015 and account for roughly $77 billion. In 2014 the U.S. online market share of all retail sales was 11.9% and is anticipated to rise to 12.7% in 2015 compared with 13.5% online market share in 2014 in the U.K., which is estimated to rise to a staggering 15.2% in 2015.¹

With nearly 322 million inhabitants in 2015, the U.S. measured out to close to $1,100 in online sales per person compared to $1,200 per person in the U.K. In January of 2015, there were roughly 182 million online customers in the U.S., so the online sales per person are in fact closer to $1,700. The average money spent in one transaction is $115. Transactions made on mobile devices are speculated to rise from 18.7% of all transactions online, in 2014, to a staggering 26.8% in 2015. In-store sales are speculated to fall by 1.9% in 2015 due to an increase in online sales. Around 57% of the U.S. population have used or frequently use online stores, that adds up to around 178

¹ Retail sales exclude vacation, gas, auto, and ticket sales.
million possible online customers (Online Retailing: Britain, Europe, U.S. and Canada, 2015). Rigby (2011) predicts that as much as 50% of all sales are influenced by digital information such as online stores and websites.

The average online sale is 1.8 items per order and retailers can expect to receive around 25-30% of the purchases back as returns (Schoenbachler and Gordon, 2002). Rigby (2011) estimates in his study The Future of Shopping that in 2014 “almost every mobile phone in the United States will be a smart phone connected to the Internet”, he also estimated that almost 40% of Americans would have access to a tablet such as the iPad. Rigby states, “...half of all online purchases are delivered free to U.S. consumers”. He also notes that returns are often free as well. (Rigby, 2011, p. 65)

2.1.2 What Drives Customers Online?
What are the characteristics of online customers? It is important to understand who is buying online, what they are buying and why they are using the online sales channel. To better understand this. Hamilton (2000) reviews a study by Media Metrix and McKinsey, which states that online customers can be divided into six groups. These groups are simplifiers, surfers, connectors, bargain customers, routine followers, and sportsters. The simplifiers spend little time online but account for quite a lot of internet transactions; the surfers spend a lot of time online and compare products but don’t buy in according to their time spent online; the connectors prefer shopping in a store and are not very familiar with online shopping; bargain customers enjoy good deals, in-store or online; the routine followers look for information online without buying the products; and the sportsters who enjoy sports and are frequent online customers. An older method has also been adapted to characterize online customers by dividing them up in clusters (Milligan and Cooper, 1985; Reynolds and Beatty, 1999).
The clusters can be better understood from the following table:

<table>
<thead>
<tr>
<th>Name</th>
<th>Characteristics</th>
<th>Shop online</th>
<th>Deal hunter</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-off customer</td>
<td>Information seeking</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Comparison customer</td>
<td>Comparison shopping</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Traditional customer</td>
<td>Do not use the internet for shopping</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Dual customer</td>
<td>Comparison shopping, information gathering</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>e-Laggard</td>
<td>Low navigation knowledge, low interest in information</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>Information surfer</td>
<td>Like banner ads, experienced in online shopping</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 1: Definitions of Online Customer Clusters

An interesting fact mentioned by Kau, Tang and Ghose (2003) is that all, except one, of these customers do look online for one or more reasons. Companies have to cater to all of them in order to succeed in a multi-channel environment. The purpose is to increase the sales of customers who are already on the website and minimize “time wasters” (Kau et al., 2003: p. 156). Hirschman and Holbrook (1982) identify two kinds of customers: “problem solvers” and “fun, fantasy, arousal, sensory stimulation, and enjoyment” (Monsuwé, Dellaert and de Ruyter, 2004. p. 106) customers. The problem solvers are mainly finding a solution to a problem that needs to be solved or a job that needs to be done (Babin, Darden and Griffin, 1994) but the ‘fun’ customers are merely shopping for entertainment purposes (Monsuwé et al. 2004, p. 106). Customers have gained power in the marketplace and are not at the mercy of retailers anymore. Customers can look for information on their own in databases online and can easily compare product information and prices (Schoenbachler, 2002). “Online customers
today expect real-time inventory and shipping information on orders” (Schoenbachler, 2002, p. 45). But what are the basic demographic factors that determine if someone is likely to buy online? Raymond Burke (2002) claims that there are both demographic elements and personality characteristics that affect online customers. The following chapter examines those aspects.

**Demographic Elements and Personal Characteristics of Online Customers**

Age, income, gender, and education are a few of the demographics that have an effect on the attitude customers have towards online shopping, its ease of use, usefulness and enjoyment. Burke (2002) and Li, Kuo and Russell (1999) gave an example that men are more likely to be interested in technology, thus being more prone to buy online but women who are accustomed to shopping online buy more frequently than men who have similar online experience.

The personal characteristics that affect online shopping are “expertise”, “self-efficacy”, and “the need for interaction” (Monsuwé et al. 2004, p. 111). If a person has a high expert level in using the Internet, he or she is more likely to buy online than a person that has a low expert level. A person with a high self-efficacy level feels he or she is capable to buy the product and is more likely to buy online than a person with a low self-efficacy level. Persons that need human interaction when they buy products are more inclined to go to a brick-and-mortar store than shopping online; online stores are however trying to accommodate this problem by offering online services such as an online chat or a phone number to reach a store associate.

Lee and Turban (2001) suggest two main reasons why customers doubt the online shopping process: Lack of trust and high level of risk. Both can be improved by reassuring the buyer. Everything in the buying process has to earn the trust of the buyer, reassure him or her that the webpage, paying method, shipment information etc. are trustworthy. Lack of trust is in essence the result of high-risk level.
The Convenience Factor of Online Stores

Another factor that shines light on what it is that drives customers to online stores is the person’s situational aspects. Examples of situational aspects are for instance time pressure, lack of mobility (Avery, 1996), geographical distance, need for special items, and attractiveness of alternatives but the most influential aspects are convenience and accessibility (Wolfinbarger and Gilly, 2001).

Convenience is one of the leading reasons why people shop online (Jayawardhena, Wright and Dennis, 2007). One study points out that the key driving force for online retailers is “sustaining a high level of online shopping convenience in addition to offering competitive prices” (Jiang, Yang and Jun, 2013, p. 207). Webster’s Dictionary’s definition of convenience is “anything that adds to one’s comfort or saves work; useful, handy or helpful device, article, service, etc.” (Merriam-Webster’s, 2015). That is to say convenience means timesaving and effort minimization (Kotler and Zaltman, 1971). Convenience however has a very diverse meaning among different set of people (Jiang et al., 2013).

Shopping online is convenient because it is accessible every day, 24/7, the whole selection of products can be viewed at once, products that are not available in stores due to specificity or tailoring are available online, price and quality comparison can easily be performed, and information about the seller can be effortlessly accessed (Grewal, Iyer and Levy, 2004). It is therefore important for companies to cater to those who are shopping online due to these conditions. Companies should make products easily comparable, provide quality shipping, make sure the website is easily navigated, offer other languages that the customers might prefer, and list the whole product range on the webpage. All of these items can help with consumers’ perception of online buying.

Jiang et al. (2013) argue for five dimensions of online shopping convenience: search-, post-purchase-, evaluation-, access-, and transaction convenience. Koo, Kim and Lee (2008) and Yang, Cai, Zhou, and Zhou (2005) add to that list and mention visual design-, information quality-, and delivery service convenience. To increase search convenience Jiang et al. (2013) suggest user-friendly websites and better search navigation. By guaranteeing timely delivery, price accuracy, and simple and smooth returns, post-purchase convenience can be greatly enhanced. Evaluation convenience can be gained
with a good website offering extensive product information as well as graphic media to further promote the products. Moreover, have many online sellers added a customer review feature to better address the evaluation convenience. Even though the website is great and covers all products in details it isn’t convenient if it isn’t easily accessible. Therefore to increase access convenience websites have to be accessible wherever and whenever the customer wants to use them. The last dimension of online shopping convenience is transaction convenience that can be increased by simplifying transaction processes and by offering flexible payments (Jiang et al., 2013). To summarize, people are not necessarily choosing the online channel over another channel but instead using the channel that is most convenient to use at the time.

2.1.3 Multi-Channel Strategy

Multi-channel strategy “enables customers to examine goods at one channel, buy them at another channel, and finally pick them up at the third channel” (Berman and Thelen, 2004, p. 147). Multi-channel companies use their online channel to offer highly specialized products that are not sold in-store. (Berman and Thelen, 2004)

How to Manage a Multi-Channel Strategy

Berman admits that managing a well-integrated multi-channel strategy is not simple and effortless. It requires a highly developed infrastructure as well as comprehensive outlining of tasks and activities (Berman and Thelen, 2004). Baiden (2000, in Schoenbachler et al., 2002) emphasizes five items for multi-channel retailers to become successful: brand promotion, knowledge of the customer, targeted advertising, full integration, and balancing the books. “Investment in logistics and fulfillment represents a crucial aspect of developing multi-channel marketing” (Schoenbachler et al., 2002, p. 53). If companies follow through with the multi-channel strategy without investing in the infrastructure systems the new channel becomes a liability instead of an asset (Schoenbachler et al., 2002). Berman and Thelen (2004) note that successful multi-channel strategies have integrated promotions, product consistency, and that price, inventory and information should be the same across all channels. There are several steps that companies taking the multi-channel route have to ask themselves; What are the possible channels for the business?; How can the product offering be adapted to the new channels?; What is the pricing strategy?; How can the company adjust its image to
fit the new multi-channel strategy?; What part does each channel play in the whole shopping experience?; and Are there any legal boundaries that restrict the company when entering other channels? (Berman and Thelen, 2004). Berman and Thelen add that it is important for customers to see the company as a unified whole rather than many small units competing against each other. He emphasizes that channels have to be well integrated, but how are they integrated successfully?

**Multi-Channel Integration**

The customer should be able to change channels easily. The brand, interface, and customer service should be consistent between channels. Marketing efforts should be integrated to maximize brand recognition and should always focus on the customer. By integrated marketing material, Baiden explained that the website has to support and promote the catalog and vice versa. The goal of the multi-channel marketer is to reach a diverse set of customers by utilizing all channels to the fullest extent (Baiden, 2000 in Schoenbachler et al, 2002).

**Multi-Channel Marketing Challenges**

There are several issues that multi-channel marketers need to face, such as conflict between channels, retention of customers, and high implementation cost. These issues arise when the marketers are focusing on the channel, when they should be focusing on the customer. Marketers should be designing the channel to fit the needs of the customer rather than adjusting the customer to the channel. Having the customer at the center encourages marketers to synergize channels instead of competing for customers (Schoenbachler, 2002). A critical part of having the customer at the center and focusing on their needs is understanding what it is he or she needs. That leads to the questions: What types of customers use which channel and what drives them to those channels?

**What Drives Channel Choice**

Schoenbachler et al. (2002) suggest that the process of implementing a multi-channel strategy can be simplified by understanding what drives customers to a certain channel. Marketers can then comprehend what customers are looking for and can better predict if new channels are cannibalizing existing channels. They further suggest that companies with a multi-channel presence are more enticing for customers, because
they have gained the trust of the customer by keeping their personal information secure, offer a safe purchasing environment, with a dependable website, up-to-date content, and good delivery (Schoenbachler et al., 2002). The multi-channel customer is more likely to spend more because of the multi-channel arrangement, feeling confident in the company, being able to return easily and so on (Baiden, 2000, in Schoenbachler et al., 2002).

To utilize the multiple channels, it is important that the customer knows how to access the channels, trust the information given, and that the channels are connected and can be interchanged. Reardon and McCorkle (2002) observed that a multi-channel company could better serve its customers with information, products and services, than its counterparts with a one-channel strategy. This is mainly due to the fact that different channels complement one another.

**The Difference Between Multi-Channel and Omni-channel Strategy**

Omni-channel selling means that companies are selling through multiple channels, in-store, online, call centers, catalogs, social media, television, home services etc. similar to the multi-channel but operated in unison (Rigby, 2011). Rigby implies that unless conventional merchants adapt to this new standard of omni-channel sales, “they are likely to be swept away” (Rigby, 2011, p. 65). Schoenbachler et al. (2002) further support Rigby’s theories that companies are risking becoming obsolete if they do not compete with a multi-channel strategy. Existing retailers have to keep up with the competitors by modifying their sales channels and create an omni-channel strategy (Rigby, 2011). The difference between omni-channel and multi-channel is that the omni-channel is completely integrated with well-informed managers and a seamless transition between platforms but the multi-channel is managed independently, of course in co-ordination with other channels, but not well integrated and often experience between channels is inconsistent.
2.1.4 Should Manufacturers Sell Products to the End-User?
In the late 90’s and well into the beginning of the 21st century, manufacturers were entering the online market with various results. Levi Strauss opened an online store but quickly closed it again due to criticism from retailers and distributors. Home Depot also experienced a similar situation but being on the other end of the spectrum. Home Depot threatened manufacturers to pull them off the shelves if they didn’t discontinue their online endeavor (Brooker, 1999).

Companies such as IBM, HP, Nike, Mattel, Dell and more (Chiang, Chhajed and Hess, 2003) have entered into a dual-channel distribution, which means they sell their products directly to the end-user along with other companies selling their products to the end-user (Takahashi, Aoi, Hirotani, and Morikawa, 2011). Selling directly to end-users results in a reduction of double marginalization, which is inevitably good for the customer (Dan et al., 2012). Yan and Pei (2009) imply that manufacturers can use the online market to drive the current sellers of the products forward.

2.1.5 Coopetition – Cooperation Instead of Competition
In their article, Coopetition-based business models: The case of Amazon.com, Ritala, Golnam and Wegmann (2014) explain that companies are cooperating with their competitors to reduce costs, time, and risks. This can give companies a great advantage in the industry. Bengtsson and Kock (2000) have renamed this concept coopetition. By joining other companies in coopetition, companies are increasing the market size so that instead of some receiving a larger size of the same pie, the pie has been enlarged.
(Ritala et al., 2014). Because of this, coopetition has been named a “positive-sum-game” instead of the standard competition zero-sum-game (Ritala et al., 2014: p. 238). For a successful coopetition, companies need to know their strengths and weaknesses; excel in their strengths and cooperate with firms to make up their weaknesses. Ritala et al. further suggest that by combining resources it is possible to build a better and more successful company.

In a coopetition based business model the emphasis is on “increasing the size of the current markets” (Ritala et al., 2014, p. 238). In the model, market expansion is the main focus and to expand, each company utilizes its competitive edge to create value. A good example of coopetition is Sony and Samsung’s manufacturing facility, which they share to lower costs (Gnyawali and Park, 2011). That coopetition directly delivers better production prices to manufactures and hopefully cheaper televisions to customers. The next chapter analyzes one of the most successful coopetition companies, Amazon.

**Amazon’s Coopetition Model**

Amazon was founded in 1995 and started by selling books online. Soon the company was selling for over $20,000 per week. In 1998, Amazon began selling other items, such as toys, electronics, videos and music. The main focus of Amazon was to grow big and fast. Amazon’s mission is “to be Earth’s most customer-centric company where people can find and discover anything they want to buy online” (Amazon.com, 2013). Jeff Bezos, the founder of Amazon, has said that coopetition is a part of their business plan because “there is room for many winners” (The Economist, 2012). What he means is that many companies can get a piece of the cake, since the cake only grows larger when companies cooperate. Amazon’s view is that it is in their best interest as well as their customer’s interest that the brand and infrastructure of Amazon is as widely used as possible (Ritala et al. 2014).

In 2000, Amazon established the Amazon Marketplace, a third-party market where companies could sell their own products on Amazon. In fact many companies were selling the same products on Amazon as Amazon themselves. Regarding this point of product cannibalization due to the Amazon’s Marketplace Jeff Bezos notes:

> We talked a lot about that before we did it. But when the intellectual conversation gets too hard because of these potential cannibalization issues, we take a simple-minded approach...Well, what’s better for the consumer? (Kirby and Stewart, 2007, p. 79).
Another Amazon.com manager adds that “Amazon makes money in both cases, commissions and subscriptions on the marketplace or direct sales on Amazon, it doesn’t really matter which item is sold” (Kirby and Stewart, 2007, p. 79).

Amazon’s coopetition began with an agreement with Borders, whereas Amazon were to manage Border’s website and e-commerce solutions, such as “technology services, inventory, fulfillment, site content, and customer service”. Amazon soon realized that other companies wanted in on the deal and saw an opportunity to establish Amazon’s Web Services in 2003, which dealt with companies wanting to cooperate and outsource their online sales to other companies such as Amazon (Levy, 2011). Target, Marks & Spencer, Sears Canada, and other companies, soon followed in Borders’ footsteps and set up a full coopetition agreement with Amazon’s Web Services which entailed technology services, order fulfillment, customer service and merchandising (Ritala et al., 2014). Due to many elements, one of them coopetition, Amazon has grown to “one of the world’s leading ecosystems in media and web services” (Ritala et al., 2014, p. 245). Perfectly explained by Brandenburg and Nalebuff “letting your competitors win too is ok, as long as you win yourself” (1996, in Ritala et al., 2014. p. 245).

With the knowledge of the online market and what it is that drives the customers online, companies are better equipped to cater their products to the right audiences. The multi-channel strategy is a good vision but it is difficult to accomplish for companies that are new to the market. When entering a new channel, it is important to be aware of the multi-channel factors, such as what drives channel choice, what the main challenges are, and how channels are integrated. The term coopetition is a new and interesting way of online sales, which Amazon has utilized to its advantage.

2.1.6 Transaction Cost
After reviewing the different approaches of online sales, one question arises: Should companies enter the market themselves or should they outsource the activity? When looking for the answer to this imposing question it might be helpful to examine the transaction cost. Looking at transaction cost is relevant when companies are making decisions and need to calculate the costs of acting out a strategy. According to the transaction cost theory, transaction cost increases when the complexity of the product, service or application increases. However the transaction cost is low when the product
or service has low specificity and is not considered a core competency (Arnold, 2000). According to the study performed by Ulli Arnold (2000), where he combined the transaction cost theory with the core competency approach, he claims that it is not wise to outsource company’s core competencies, since it becomes very costly for the company. Companies should only produce or perform the products or that are considered their core competencies. Managers should ask themselves: “Is the activity highly specific?”, “Is the activity strategically important?”, and “Is the activity a core competence, a central part of the competitive advantage?” (Arnold, 2000, p. 26-27). If the answer to any of these questions is no, outsourcing could be a viable path to take (Arnold, 2000). To know if outsourcing is the right path, the proposed market has to be well defined and widely understood by decision-making managers.

2.2 Part II: The Retail Market

Part two defines the retail market in relations to Össur’s retail options, as well as giving a statistical overview of the healthcare and consumer market. The different kinds of retail markets are addressed and the reason for choosing the online market is enlisted. The last chapter of part two focuses on what a successful online retail strategy has to entail.

2.2.1 The Injury Solution Retail Channel

For the purpose of this research it is important to define retail and since this research project is focusing on injury solution products within the orthopedic product market it is valuable to define the different retail segments. The retail market is divided into three segments: medical, medical retail, and retail.

**Medical Segment**

The medical segment consists of hospitals, medical institutions, and rehabilitation centers. The whole chain has to be convinced when buying a product from Össur since the prescriber, the provider, and the payer are all the same organization. Sales of bracing and supports to the whole medical segment are around $500 million per year and there are over 20,000 providers. Össur’s market share is around 5%. The key drivers of Össur’s success in this segment are medical sufficiency and cost efficiency (Össur hf., 2014).
**Medical Retail Segment**

Medical retail customers are Orthopedic and Prosthetic (O&P) shops and orthopedic clinics. The prescribers for this segment come from the medical specialists located in the medical segment, such as orthopedic surgeons or rehabilitation doctors. The provider, the O&P clinics, have a good relationship with their customers and assist them in reimbursement from health care systems, private insurance companies or the government. The size of the market is around $1,600 million and the providers are around 15,000. Össur’s market share of the medical retail segment is around 10%. The key drivers of Össur’s success in this segment are physician relationships and medical evidences (Össur hf., 2014).

**Retail Segment**

The retail segment can be defined by its purpose of selling to the end-user without the aid of a medical professional. Patients don’t need a prescription for the products and are not reimbursed for them. Products represent themselves in the shelves or online and the customer makes a choice based on product information and appearance. In some instances there are store employees, which influence the buyer’s behavior. The retail market size for bracing and supports products is roughly $1,200 million, with over 150,000 providers. Össur’s market share of the retail segment is currently zero. The key factors to be successful in the retail segment are having retail shelf space and the look and feel of the product is excellent. Retail, in this perspective, can then be further divided into independent pharmacies, sporting goods stores, major pharmacies and multi-stores, and online stores. These markets are thoroughly examined in the following chapter (Össur hf., 2014).

### 2.2.2 Retail Market in the U.S. and U.K.

In a report performed by Össur in 2014, the total market size for orthopedic products in the U.S. was $1.7 billion divided between the healthcare market with $1 billion and consumer market with $700 million. The consumer market is divided up into Internet sales, independent pharmacies, and traditional retail, which include major pharmacies & multi-stores, and sporting goods stores. Internet sales accounted for $55 million or nearly 8% of the consumer market (Össur hf., 2014). This information is further explained in figure 3.
Figure 3: U.S. Market Overview for 2014 (in millions of dollars)

The consumer market is growing and the Internet market is growing the fastest or by 9% between 2013 and 2014. Next to the Internet market in growth is traditional retail with a roughly 8% increase between years. A brief overview of the retail market is performed in the following chapter. The most important factors are drawn forth and the reason for choosing the online market over the other markets is supported. The following sections delve into the different retail segments (Össur hf., 2014).

**Major Pharmacies & Multi-Stores**
With a growing market at $430 million in 2014 and over 39,000 locations, major pharmacies and multi-stores are an attractive choice for a company like Össur. The dominant players in this market are Walgreens, CVS, Rite Aid and Wal-Mart. These stores cater to all ages and the medical product focus is on injury solutions. The advantages of the major pharmacies and multi-stores are convenient locations and purchases are characterized by impulse buys. The challenges of entering the market are high margins taken by the seller. The primary competitors in injury solutions that already have a presence in the major pharmacies or in multi-stores are 3M, Mueller Sports Medicine, and SAI Therapeutic Brands (Össur hf., 2014).

**Sporting Goods Stores**
The market of sporting goods stores is around $100 million and grew by 1% between the years 2013 and 2014. There are 5,000 locations that qualify as sporting goods stores. Key players in this market are Dick’s Sporting Goods, Sports Authority, Big 5, and Academy. Their target customers are people from teens to 50 year olds that play sports
and enjoy the outdoor. They are looking for injury prevention products. Sporting goods stores have a great advantage on other markets because they offer specialized goods and have different levels of support, such as in-store specialists. The challenges of entering the market and having Össur’s injury solution products sold in sporting goods stores is mainly the lack of store’s access, or in other words, having the products viewed and agreed on by the buyer department of each store is challenging. Another challenge, if the products are accepted into the store, is similar to the major pharmacies and is the high margins taken by the sporting goods stores. Key competitors in injury solutions in this market are Zamst, McDavid, Shock Doctor, Bauerfeind, Evoshield, and Cramer (Össur hf., 2014).

**Independent Pharmacies**

Similar to sporting goods stores, independent pharmacies grew only by 1% between the years 2013 and 2014 even though the number of locations are far more or around 22,000. Independent pharmacies are not scattered around the U.S. but are primarily in the mid-west. Their primary customers’ characteristics are people over forty, looking for injury solutions. Their biggest asset is the personal service aspect from a knowledgeable sales representative, which the other markets cannot compete with. The major challenges of entering the market are insurance reimbursement issues and the fact that the form of stores, that independent pharmacies are, is slowly dying. Another factor, which affects the independent pharmacies, is the customer’s choice of buying online or in multi-stores. The major competitors in the independent pharmacies are FLA Orthopedics, 3M, Jobst, Scott Specialties, SAI Therapeutic Brands, and Bell Horn (Össur hf., 2014).

**Internet**

Sales on the Internet grew by $5 million or roughly 9% between the years 2013 and 2014. The Internet has endless locations since people can review and purchase products from their homes. The target customer online is an athlete looking for preventative products and people looking for injury solutions. The Internet market offers purchase convenience since stores are open 24/7 with information available anytime. Additionally, products and prices can be easily compared online. The primary challenge of the online market is the highly competitive environment since customers can
compare products and prices before purchasing. The dominant players online are DonJoyPerformance.com, Walgreens.com, and Amazon.com (Össur hf., 2014).

2.2.3 Requirements for Entering the Retail Market
Several requirements need to be met to enter a new retail market. The following sections articulates what the company requires in order to enter specific markets in terms of product portfolio, packaging design, logistics, sales and marketing, and human resources.

Independent Pharmacies
In a report done by Össur’s marketing department it is concluded that if Össur entered the market of independent pharmacies it could do so with their current product portfolio and with an addition of soft support products. Packaging would be acceptable but updated packaging would be considered a positive shift. Shipment of products would be made to individual stores and Össur employees need to prepare more marketing material and provide sales support (Össur hf., 2014).

Sporting Goods Stores
If Össur entered the sporting goods market, the product portfolio would have to be updated and broadened to better accommodate the athletic customers. Packaging would have to be redesigned to offer more flexibility and so that the products would look unified. Delivery of products is most often directly to a distribution center instead of the individual stores. Merchandising options should be increased and the vendors have to be thoroughly set up for selling the products (Össur hf., 2014).

Major Pharmacies & Multi-Stores
If Össur’s injury solution products entered the major pharmacies and multi-stores the product portfolio would have to be extended extensively with a focus on enhancing the soft supports such as knee sleeves. The packaging and delivery requirements, the same as in the sporting goods stores, have to have an updated packaging and deliveries to the distribution centers. Distribution has to be on time and complete. Major pharmacies and multi-stores offer co-op advertising options but require merchandising options for the products and a thorough vendor setup (Össur hf., 2014).
When entering the online market, current product portfolio is acceptable and does not have to be extended unless there is a demand for it. Current packaging is not considered sufficient and has to be updated. The delivery is directly to the customer’s address. Necessary actions before entering the online market are a web search optimization and a pricing management team (Össur hf., 2014).

### 2.2.4 What is a Successful Online Retail Strategy?

When a strategy is set, certain questions must be answered: “Where are we going?”, “What businesses are we in and why?”, “How are we going to succeed?”, and “How do we know it will work?” (McGee, Thomas and Wilson, 2010. p.31). This means that there has to be a clear vision and attainable objectives, along with a plan to achieve a competitive advantage. The success of an online retail strategy is highly correlated with the management’s support of the strategy and the obtainable resources and competencies within the company (Doherty and Ellis-Chadwick, 2009). It is not sufficient to gain high web traffic because that alone, does not convert to a successful online store with increased profitability (Phan, 2003). According to a study done by Doherty and Ellis-Chadwick (2009) management’s support and customer relations are the variables of most significance when it comes to online stores. It is implied in their research that companies do not commence on an online strategy without the support and devotion from senior managers. The online venture has to be competent with the corporate strategy and be given financial security. The researchers suggest that no online venture is successful without “an appropriate mix of human, financial and physical resources” (Doherty and Ellis-Chadwick, 2009: p. 1257). The research suggests that the most successful online stores are the ones who have developed outstanding websites for their store. It is further implied that online stores need to be done whole-hearted and with a full force strategy for them to become successful. (Doherty and Ellis-Chadwick, 2009). Success is defined as attaining set goals in a given time. To be successful companies need to have a goal-oriented strategy. Several strategic tools can be used to identify the factors that aid companies in being successful and they are discussed in the following chapter.
2.3 PART III: Strategic Analysis

The third part of the literature review considers the strategic analyses that can be utilized to evaluate the external and internal environments of the company. The key success factor analysis and the SWOT analysis are introduced. As well as a definition of models that benefit strategy forming is described.

2.3.1 Strategic Analysis

The purpose of this research is to generate probable advices for a medical company when entering the online retail market. Because the future is uncertain and the decisions waiting to be made are both complex and high-risk it is better to be well informed on the company’s current situation. As a result, the author conducted a strategic analysis of the company, the industry and the business environment. This was done with several different approaches. First an external analysis of the industry and the environment is conducted by performing the PESTLE analysis and Porter’s Five-Force analysis. The internal assessment of the company is performed by constructing a value chain of the existing situation and a potential value chain that needs to be in place for the online sales channel to be successful. Followed by an outline of the value system. The factors from the external and the internal assessments are then merged into the SWOT analysis where strengths and weaknesses of the company are explored as well as the opportunities and threats of the company’s environment are identified. The key success factors are also outlined. Taking into account the performance matrix, the Ansoff’s matrix and Porter’s generic strategy to help construct and implement a new strategy in online sales.

**External Assessment**

When an external assessment is performed all factors of the environment are taken into account. This includes information from the government, competitors, supporting associations, environmental factors, and buyer and supplier markets. McGee et al. (2010) suggest that a competitive advantage is gained within the external environment. The tools used to perform the external assessment are the PESTLE analysis and Porter’s five-force industry analysis.
**PESTLE Analysis**

A PESTLE analysis focuses on the external factors of political, economic, socio-cultural, and technological factors affecting the company. In addition two new fields have been added and they are environment and legal factors. This analysis includes legislation, government stability, business cycles market share, lifestyle changes, attitudes to leisure, and the impact of digital technologies, to name a few. Performing the PESTLE analysis is a crucial part of conducting the company’s strategy as it helps identify opportunities and threats in the business’ environment (Johnson, Scholes and Whittington, 2008).

**Porter’s Five-Force Industry Analysis**

When companies enter into a new market it is useful to perform an industry analysis. Porter’s Five-Force framework proves to be an optimal analysis tool. It consists of five areas, which are identified as “the five fundamental forces that determine the ‘attractiveness’ of the industry” (Porter, 1980).

Porter’s five-forces are:

- **The power of suppliers**: The power of suppliers and buyers is high if they are pivotal to the implementation, can charge a premium price and/or the cost of switching suppliers is high.

- **The power of buyers**: If the product produced can be easily substituted, then the buyers bargaining power is higher.

- **Threat of entry**: Focuses on costs of production and investment. If the costs are high the threat of entry is low and vice versa.

- **The threat of substitutes**: Addresses how easily new products can substitute existing product. This is a long-term threat to the company.

- **Competitive rivalry**: The more competitors in the industry and the more alike the products are, the stronger is the competition.

**Internal Assessment**

The internal assessment focuses on the company and explores the strengths and weaknesses as well as the company’s capabilities and core-competencies. The analyses used to evaluate the internal environment are the performance matrix and Ansoff’s matrix. The main question to be answered by an internal assessment is “What does the firm excel at?” (McGee et al., 2010, p. 33).
Figure 4: Value Chain

*Value Chain*

The value chain is composed of specific activities that all contribute to the construction of valuable products or services. The activities are divided into primary and supportive activities. The primary activities are inbound logistics, operations, outbound logistics, sales and marketing, and services. The supportive activities are procurement, human resource management, technological development, and infrastructure. The idea of the value chain is to compare how much value a specific product or service creates and the cost of producing that specific product or service. The surplus between value created and value paid is called a margin. Value can be created by investigating the sources of differentiation and costs, and subsequently make relevant changes (McGee et al., 2010).
Value System

A value system is made up of several value chains: the suppliers’, the company’s, the channel’s, and the buyer’s value chains. By analyzing the value system, a competitive advantage can be identified. Porter describes a value system as a network of organizations involved in the production and delivery of an offering to the end customer. The system focuses on how each component of the chain creates value and expenditure analysis can take place, creating a space for potential competitive advantages. A value system has to have a defined flow with well-identified value propositions, for it to become effective and complete. Weak links should be identifiable within a thorough value system (Porter, 1985).

Conclusion from the Internal and External Analyses

After reviewing the external and internal factors that affect the company, it is essential to put the findings into perspective and understand the key success factors, strengths and weaknesses of the company as well as the opportunities and threats in the market place.

Key Success Factors

The key success factors are identified by outlining what it is that companies need to do to be successful. Is there a market for the product, is there a specific advantage to the company’s product, can the product withstand the competition, and is the company’s strategy sustainable? It is important to identify who the customer is, what he or she wants and if they are willing to pay for the products. It is also important to know and understand why the customer should choose the company’s products instead of the competitor’s products? It is also essential to understand the forces and dimensions behind the competition and how companies can achieve the preferred competitiveness (McGee et al., 2010).
**SWOT Analysis**

The SWOT analysis stands for strengths, weaknesses, opportunities, and threats. The first two factors; strengths and weaknesses are derived from the internal assessment, and the second two factors; opportunities and threats are accumulated from the external assessment (McGee et al., 2010). The strengths and weaknesses originate at the business level and can be divided into management and organizational factors, operational factors, and financial factors. Opportunities and threats can be divided into societal, governmental, economic, competitive, supplier and market changes. The SWOT analysis helps companies identify their strengths so they can be enhanced, their weaknesses so they can be eliminated, their opportunities so they can be pursued, and their threats so they can be elucidated and confined (Mintzberg, Ahlstrand and Lampel, 1998).

**Forming of the Strategy**

After reviewing the external and internal analyses as well as the key success factors and the SWOT analysis, a strategy can be constructed. It is however significant to understand the elements of decision performances, the Ansoff’s matrix and the generic strategy. All of these factors aid in the construction of a successful strategy.
Decision Performance Matrix

In studies performed by Hickson, Miller and Wilson (2003) where they researched the relations between strategic decisions and their successfulness, they detected two key components that affected the outcome; ‘Knowledge base of managers’ and ‘Receptivity of organization structure and culture’. The first factor, the manager’s knowledge, incorporates their knowledge of the problem, information they use to challenge it, their method of tackling it, and the reasoning behind the resources needed. The second factor of the performance matrix is the receptivity of the organizational context, which means how flexible and qualified an organization is to undergo strategic decisions. The most successful outcome derives when the knowledge base of managers is high and the receptivity of the organization’s structure and culture is high. According to their research this was only the case in 6% of all of the strategic decisions observed. Furthermore they explained that it is more valuable to possess a higher manager’s knowledge than to have a high receptivity of the organization’s structure and culture (Hickson, Miller and Wilson, 2003).
Ansoff’s Matrix

Ansoff’s matrix is a visual guide for companies when mapping out strategic plans, products and/or market growth. There are four possible options: Market penetration, product development, market development, or diversification. Market penetration applies when companies are competing with existing products in existing markets. This is a low risk strategy. To increase market penetration new and different uses for the product have to be identified. Product development applies when new or modified products are introduced into existing markets. Market development involves existing products in new markets. This strategy assumes that existing markets are fully exploited, hence reaching into other markets. Reaching into new markets means also to reach into new distribution channels, such as e-commerce. Last but not least comes the diversification, which means selling new products in new markets. Diversification can be split into two parts: related- and unrelated diversification. In related diversification companies stay within the same industry but in unrelated diversification there is no relationship between the chosen industries (Mintzberg, 1994).
Porter declares that in essence there are only three generic strategies when companies enter a market: cost leadership, differentiation, and focus, both differentiation focus and cost focus (Porter, 1985; Porter, 1980). To improve competitive advantage companies should find the strategy “which discrete and distinctive actions can secure improved positioning within markets” (McGee et al., 2010: p. 74). The strategy should take into an account the product characteristics and the market scope. Companies that have a broad market scope and a commodity product have to compete for a cost leadership. Companies that have a narrow market scope and a commodity product have to be cost focused. On the other hand when products can be differentiated and the market scope is broad they have to compete in differentiation but when the scope is narrow they have to have a differentiation focus. Companies can compete on prices or differentiation, if the strategy is to focus on neither; high competition follows (Porter, 1985; Porter, 1980). With the knowledge from the next chapter, which focuses on the company, its competitors and the industry, a better understanding is gained on the subject and a clearer image can be drawn up from the strategy analyses.
3 Össur

Össur was founded in 1971 by Össur Kristinsson, an Icelandic prosthetist. Össur’s first product was a breakthrough silicone liner and until 2000 Össur focused solely on the prosthetic market. From 2000 until 2006 Össur acquired several companies in the orthopedic market, such as Century XXII, Generation II, Royce Medical, and Innovation Sports. Össur was listed on the Icelandic Stock Exchange in 1999 and on the OMX Copenhagen Stock Exchange in 2009. Össur’s headquarters are located in Reykjavik, Iceland, but it also holds extensive operations in the United States, The Netherlands, China, Sweden, and France. In the beginning of the year 2015, Össur’s employee count was around 2,300.

3.1 Company Information

Össur’s mission is to ‘improve people’s mobility’ and empower them to live ‘a life without limitations’. Össur is a global leader in non-invasive orthopedics, continually creating and innovating new products. Össur’s products can be divided up into three sectors: prosthetic, osteoarthritis, and injury solutions. Össur's core competencies are in mechatronics, silicone, textiles, and carbon fiber. In 2014 Össur’s total sales were $509 millions with a sales growth of 18% and a net profit of $59 millions. Össur’s employees strive for improvement and “challenge unwritten rules, show initiative and take risks, while, at the same time, taking responsibility for ...[their] ideas, decisions, and actions”(Össur’s Annual Report, 2015). The areas of focus for the year 2015 were the emerging markets around the world and the injury solution products. These factors along with others are a crucial part of achieving the projected 5% growth. Össur’s advantages lie in innovation, design, and manufacturing.

3.1.1 Össur’s Customers

Össur’s customers can be divided up into two categories, current customers who are either medical customers or medical retail (see classification of different types of customers in chapter 2.6) or the end-users who are targeted directly through retail channels such as the Internet.
**Current Customers**

Össur’s current customers in the medical retail and retail segments are orthotic and prosthetic (O&P) professionals. They are an important part of the healthcare team and work with physicians, nurses, physical therapists and other care providers. Generally, patients are referred to an O&P professional for a fitting of braces or other injury solutions. The O&P professionals work directly with patients, estimate their injury, make a treatment plan and fit the solution to the patient. Össur currently has a good relationship with its current customers and offer them extensive customer services. It is important to understand how and if the new segment of retail and sales to end-users affects the relationship with the current customers.

**End-Users**

The end-users for each product segment are always the same but now Össur’s management wants to reach out and sell to the end-users without the interference of the O&P professionals. One of key trends identified in the marketplace of injury solution products is an aging and more active population, which should lead to an increased need for injury solutions and support products. Another trend identified is that support products are gradually falling out of the healthcare reimbursement program, hence the customer is able to make the decision which products to buy.

3.1.2 **Injury Solution Products**

Like stated on the company’s website: “Össur’s vision is to be a leading company in non-invasive orthopedics”. Össur’s injury solution products are designed to “enhance the healing process of bone and soft tissue injuries” (Össur’s Annual Report, 2015. p. 1). The main Össur brands of the Injury Solutions are CTi®, Rebound®, Miami®, Innovator®, and Form-Fit®. Additionally there is a third-party brand, BioSkin®. These products have been developed over a long time and optimize “healing while maintaining function and mobility” (Össur’s Annual Report, 2015. p. 8). These solutions are injury specific, which allows the customer to find the right solution for their injury. For the purpose of this thesis, only injury solution products that don’t need fitting are contenders for the online sales channel. The injury solution products can be divided into fifteen product segments:
Examples of Össur’s Injury Solution products can be seen here below:

3.2 Össur’s Online Pilot Project
In 2015 Össur started the so-called Pilot Project in Europe, where Össur opened up three online stores; in the U.K., Benelux and Nordic. Previously there had been an online store in the U.K., which was completely revamped and built on a new platform, Magento. There was also an online store in the Nordic but that one was exclusively opened to O&P professionals. The new online store in the U.K. was launched in September 2015 and is in its first stages of selling. The online store sells products from all the categories mentioned in chapter 3.1.2 (above), as well as offering spare parts and accessories. The online store also shows off products that need to be fitted and can therefore not be ordered online, consequently they suggest the customer to be in contact with a customer service representative for further details on attaining the product. The online store offers extensive information on injuries, symptoms, diagnosis,
and treatments. The online store offers free standard delivery and occasional discounts. After the launch of the U.K. site, Benelux and Nordic soon followed. The Nordic online store has not yet adopted the Magento platform.

3.3 Competitors
There are several big competitors in the market place and the competition is immense. This chapter reflects on the biggest competitors in the injury solution market, explores their position online and compares their product range with Össur’s product range. The competitors researched in this chapter are Donjoy, Breg/Bledsoe, Bauerfeind, McDavid, and 3M. DonJoy and Breg/Bledsoe offer similar products as Össur but Bauerfeind, McDavid, and 3M offer mainly support products for sports related injuries. DonJoy, Breg/Bledsoe, and 3M also offer medical devices that are prescribed or are used within healthcare institutions. McDavid however has an extensive selection of sports related products and a huge selection of retail products.

3.3.1 DonJoy
DonJoy or DJO Global was founded in 1978 when it started designing and selling simple sleeves made of neoprene as a support for knees, elbows, and ankles. Today DonJoy is considered one of the leaders in orthopedic rehabilitation and offer over 1,000 medical devices. The company conducts medical research and strives for technological innovation. DonJoy’s injury solutions can be divided into bracing, compression, and protective solutions. The products are used and endorsed by world-class athletes (DonJoy Performance, 2015). The company has a retail website, where they sell their products, which is called DonJoy Performance. DonJoy Performance has replaced the old online store, www.betterbraces.com. The new website offers customers the option of looking for products in three different ways; by body part or injury, by sport, or by product type. They offer products for knees, ankles, elbows, backs, and wrists, a total of 18 different products (DonJoyPeroformance.com, 2015). DonJoy products are also sold on Amazon where Amazon handles their shipments and customer services.

According to www.similarweb.com, which estimates website traffic from desktops, DonJoy Performance receives on average 5,000 visits per month. The average time customers spend on the site is 5 minutes and the bounce rate is 25.83%. The traffic is
mostly from the U.S., or around 87%. The sources of the traffic are as follows; 50% direct, 25% from referrals, and 25% from searches. The sources from social media and mail are non-existent. Few of the main topics related to injury solutions searched on the website are medical, knee, ankle, and brace. Customers who visited the site also visited www.djoglobal.com and www.betterbraces.com (SimilarWeb.com, 2015).

### 3.3.2 Breg / Bledsoe

Breg and Bledsoe have recently merged but are still operating both brands as well as both websites. The companies offer products in the following categories; knee, foot and ankle, shoulder, elbow, spine, cold therapy, wrist and thumb, hip, pediatric, and fracture bracing. Not all of these categories can be bought online. The companies do not have their own retail online store for end-users. To buy from their existing online store, an application form has to be filled out with the purpose of the proposed purchase, and has to be accepted before being able to browse the store (Bledsoebrace.com, 2015; Breg.com, 2015). Breg and Bledsoe products are sold on Amazon through third-party sellers but are not managed by Amazon. No traffic data is retrieved since the companies sell through third-party online stores.

### 3.3.3 Bauerfeind

Bauerfeind is a German company with an extensive presence in the U.S., located in Georgia. The products are a mixture of compression support and braces that facilitate for a faster recovery. The Bauerfeind products are offered in the following categories; shoulder, back, hand, knee and thigh, elbow, and foot and ankle (Bauerfeind.com, 2015). Bauerfeind products are sold through their own Bauerfeind store on Amazon. Amazon manages the products and handles customer services.

According to www.similarweb.com, visits to the Bauerfeind website and store are 15,000 per month and the time spent on the site is on average 3 minutes. The bounce rate is 47% and 68% of the traffic come from the U.S. The traffic sources are mainly through search 65%, direct 21%, and referrals 12%. Additionally there is traffic through social media accounting for 2%. Of all the traffic through searches, 24% are from paid searches. Bauerfeind’s paid keywords are for example; knee brace, tennis elbow, Achilles heel, and Bauerfeind. Customers who visited the Bauerfeind website also
visited websites like www.activeankle.com. The top searches related to injury solutions on the Bauerfeind website are active, ankle, and move (SimilarWeb.com, 2015).

3.3.4 McDavid
McDavid was founded in 1980 and is in the market of injury solutions and preventative care as well as sport’s compression and protection apparel. McDavid products are sold in major sporting goods stores in the U.S. along with operating an online store under their own name at www.mcdavidusa.com. Their products in injury solutions are categorized into ankle, knee, calf, back and waist, elbow, hot/cold therapy, shoulder, thigh and groin, and wrist (McDavidUSA.com, 2015).

According to www.similarweb.com, visits to McDavid’s website are approximately 45,000 per month. The average time spent on the site is around 4 minutes and the bounce rate is 38%. The traffic is mostly from the U.S. or roughly 66% and from Canada, 7%. The traffic sources are through searches 64%, direct 24% and referrals 10%. Social media accounts for 2% of the traffic sources. Roughly 11% of the searches are paid searches and the top paid keywords are knee brace, ankle brace, and shoulder brace. The top searches on the McDavid site related to injury solutions are sleeves, leg compression, support, and various sports such as volleyball, soccer, and handball. McDavid products are sold on Amazon and Amazon manages the stock and handles customer services (SimilarWeb.com, 2015).

3.3.5 3M
The company 3M has a very diverse product range offering everything from office supplies to health care products. The injury solutions offered by the company are limited to support products and can be categorized into knee, ankle, wrist, and elbow products. The selection is not great. The 3M products are sold under several brand names, most notably Futuro Sport and ACE. The products are sold in many stores such as convenient stores, as well as online for example on their own website (Shop3m.com, 2015).

According to www.similarweb.com, the average visits per month are around 50,000 and the time spent on the site is around 2 minutes. The bounce rate is 63% and 52% of the traffic comes from the U.S. The traffic sources are through search 52%, referrals
34%, and direct 13%. Social media accounts for nearly 1% of the traffic. 3M do not pay for searched keywords. It has to be taken into consideration that majority of the products sold on this website is not healthcare related, therefore the numbers are comparatively skewed. 3M products are sold on Amazon and are either managed by Amazon or sold by third-party companies that are fulfilled by Amazon (SimilarWeb.com, 2015).

3.4 Comparison between Össur and the Competitors

A brief product comparison was performed online between the biggest competitors in the injury solution market. Some companies do not have their own online store, hence their products were found on Amazon for the purpose of the comparison.

<table>
<thead>
<tr>
<th></th>
<th>Össur</th>
<th>Donjoy Performance</th>
<th>Breg/Bledsoe</th>
<th>Bauerfeind</th>
<th>McDavid</th>
<th>3M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ankle support</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Knee support</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Thumb and wrist support</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Compression</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arm slings and immobilizers</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shin and calf support</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Neck support and braces</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hamstring and thigh support</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back and lumbar support</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Shoulder support</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Hernia and groin support</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Elbow support</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pregnancy support belts</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Foot support and walkers</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Insoles</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Protective support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Product Range Comparison
A brief price comparison was also performed between the biggest competitors in the injury solution market. The same applies to the price, some of the competitors do not have their own online stores and hence the prices were found on Amazon.

<table>
<thead>
<tr>
<th></th>
<th>Ankle Support</th>
<th>Tennis Elbow Support</th>
<th>Wrist Brace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Össur U.K. Web Shop</td>
<td>$60</td>
<td>$30</td>
<td>$30</td>
</tr>
<tr>
<td>McDavid Web Shop</td>
<td>$35-$40</td>
<td>$20</td>
<td>$25</td>
</tr>
<tr>
<td>Bauerfeind on Amazon.com</td>
<td>$74</td>
<td>$45</td>
<td>$60</td>
</tr>
<tr>
<td>3M on Amazon.com</td>
<td>$20-$30</td>
<td>$15</td>
<td>$20-$30</td>
</tr>
<tr>
<td>DonJoy Performance Web Shop</td>
<td>$40-$50</td>
<td>$35</td>
<td>$20</td>
</tr>
<tr>
<td>Breg/Bledsoe on Amazon.com</td>
<td>$30</td>
<td>$25</td>
<td>$20</td>
</tr>
</tbody>
</table>

Table 3: Price Comparison (Brief Research Performed Online)
4 Methodology and Data Collection

The author met with a couple of Össur’s managers in April of 2015 and was presented with the topic of online sales at Össur. The author immediately started brainstorming about this project. At first the research’s objectives were to form and implement an online sales strategy but as the research advanced it was clear that strategy construction and implementation should be in the hands of Össur employees but the research would present them with information regarding the online market as well as Össur’s competencies to enter the online market. It was then decided that this research would better benefit Össur and be a greater asset if it would accentuate the strengths and weaknesses of the company as well as the opportunities and threats of the online sales environment. Gathering of information and formal research began in June 2015. Interviews were conducted from June to December of 2015.

4.1 Qualitative Method

The purpose of this research is to determine Össur’s key factors in bringing about a successful online retail strategy. This methodology chapter is divided into six sections. First there is a description of the study design and why that method is chosen for this research. The second section explains the selection of the sample, who are chosen and why. Data collection is described in the third section along with the interview method. The fourth section is a description of the data analysis where the specific method is explained as well as the codes and themes. The fifth section is a description of how the author ensures validity and reliability. The sixth and last section sheds light on the researcher’s biases and assumptions.

4.2 Design of the Study

Qualitative research enables the reader to gain deeper understanding of certain behavior or circumstances by taking into consideration the experience and emotions of the interviewee. Qualitative researches are intriguing for the reason that they reveal a new perspective on subjects that wouldn’t have emerged otherwise. They however do not offer any data measurements like quantitative research does (Merriam, 2009).
According to Lincoln and Guba (1985. in Merriam, 2009), a qualitative research is a suitable methodology when looking for a deeper understanding of subjects. The main tool in qualitative research is the researcher himself, because there needs to be a person that can grasp and understand the meaning and depth of the data retrieved from another person.

The grounded theory was used when conducting this research. The grounded theory is a “constant comparative method of data analysis” (Merriam, 2009. p. 199) and was first introduced by Glaser and Strauss in the year 1967 (Merriam, 2009). The concept of the grounded theory is that the researcher should let the interview questions flow and adapt from interview to interview. An interview framework should not be fixed because it is surreal to expect to know the subject completely before researching it (Lincoln and Guba, 1985. in Merriam, 2009). The author considered the grounded theory to be an appropriate method because new information would emerge in each interview and it would be beneficial to use that information in the following interviews.

4.3 Sample Selection

The selected sample of participants for this research are Össur employees who have experience in online sales as well as managers who are in the position of strategic forming and implementation. The sample is chosen by the means of purposeful sampling, which means that individuals are picked because they are knowledgeable in the field and give the most beneficial answers for the purpose of the research (Merriam, 2009). The participants have a diverse background and hold diverse positions within the company. All participants have one thing in common and that is that they have an opinion on how online sales should be carried out. When starting the project the author approached one of the participants and asked for guidance in choosing other participants. The author first had the opportunity to interview three participants. As the time progressed and interviews were conducted, additional participants were approached and interviewed.

At the beginning of all interviews, participants were informed that the information they would give is confidential and cannot be traced back to them. All participants except two were males and for the sake of confidentiality, all participants are referred to as males. Due to the fact that the author worked at Össur for several summers it was
inevitable that the author would know some of the participants personally. The author sent those participants personal emails to request an interview. The author’s contact person at Össur introduced the author to other participants through email. All of the participants were willing to be interviewed.

4.4 Data Collection

Data can be evaluated by two methods. Tangible data is measured with quantitative research and intangible and immeasurable data, like people’s feelings and experiences, are evaluated by qualitative research (Merriam, 2009). This research utilizes the qualitative data collection method.

The author constructed an interview framework, which was used when interviewing the participants. The data collection comprises of direct quotes from participants (Patton, 1990). Interviews are well suited when looking for the participant’s perception, knowledge, expectation, and demeanor. Michael Quinn Patton (1990) advises interviewers to choose open-ended questions that allow the interview to progress. The interview’s framework for this research was constructed with the openness in mind. The idea was to gain as much information as possible. The author conducted seven interviews, three were conducted through telephone due to the participant’s location and the other four were conducted in-person. The interviews were semi structured, which was a preferable method to get the participants to explain the views in their own words. The interview framework was used when the interviews were conducted but was loosely ignored as the interview endured, as is anticipated when the semi structured form is adopted (Berg, 2009. in Merriam, 2009). Emphasis was laid on interviewing all participants in the same manner to receive as comparable results as possible and increase the credibility of the research. The author also practiced active listening during the interviews to conduct the best interviews possible. By conducting active listening the author tries to interpret what the participant is saying as well as establishing trust between the participant and the conductor by exhibiting compassion and displaying positive gestures. Most of the interviews took around 30 minutes, some longer and others shorter. All of them were conducted in English and recorded for the purpose of constructing transcripts. The interview’s framework can be found in the appendix.
4.5 Data Analysis

All of the interviews were typed up and analyzed by utilizing the grounded theory. Qualitative data analysis was conducted after each interview, giving the author a way to recall the interview, the environment and the information as well as to speculate about the next interview and determine if questions needed to be adjusted or changed. Comments were added to the interviews afterwards and codes were furthermore constructed around the comments. Commenting and coding the interviews extracted the key elements. After the extraction of the information many codes materialized, such as end-users, online store project in Europe, third-party sellers like Amazon, lack of strategy, and competency problems. From those codes, six themes emerged; the new online store in Europe, who are the customers, online sales, product range online, strategy, and, tools and resources for an online sales channel. Each theme has two or three codes to further examine the topic.

4.6 Validity and Reliability

According to Lincoln and Guba (1985, in Merriam, 2009) there are four factors that threaten the validity and reliability of qualitative researches. First of all the researcher may have developed a predetermined idea of the phenomenon. It is important that researchers perform the research with an open mind and set aside their own opinions and beliefs. Secondly, researchers may not adopt the best practice when choosing a sample, which might result in a homogeneous sample not giving reliable outcomes. Thirdly, researches may lack distance from the research subject and consequently be more tolerant towards obvious blunders that would otherwise be criticized. The fourth threat is an untimely closure to the research when the researcher concludes the research forgoing important information and making the research unreliable.

The author was conscious of these threats and tried to approach all of them in a specific manner. Firstly the author tried to separate predetermined ideas from information gathered in the interviews. The author treated all of the participants in the same manner and made sure that no one felt that the author disagreed with them. The author tried to choose the participants in such a manner that the interview data would not be to too uniform. Because of the multiple summers that the author spent at Össur,
choosing participants that the author knew previously was inevitable. The author had however not met with three of the participants previously.

The internal validity can be verified by utilizing triangulation, which consists of using multiple research methods, multiple sources of data, and multiple investigators. Since this research project has only one author, the multiple investigators factor is eliminated. The author verified the internal validity of data by using written articles and books as well as interviews to compare information. The author did not consider a focus group for the purpose of this research; it would not have benefitted the investigation.

4.7 Researcher Bias and Assumptions
As mentioned before, the author worked for Òssur in-between school semesters from the year 2004 until 2012. Of those years the author worked five summers in the marketing department. The author has specific interest in online sales, caused mainly by the fact that the author owns a small seasonal Icelandic online store, which sells ‘ugly Christmas sweaters’. The author also has an experience from a previous employment where online sales were a part of the job. The author also holds a Bachelor degree in marketing, which proved very beneficial when conducting this research.

At the start of this research project the author had an idea of what the outcome would look like. The idea was how Òssur would enter the online market and with what products. As the project progressed it became clear to the author that the problem was not how to enter the channel but rather if entering the online channel was relevant with the company’s current competencies. As a result the strategic analysis was performed, to better analyze the interviews and to identify the strengths and weaknesses of the company and the opportunities and threats of the online market.
5 Interviews conducted at Össur

After conducting the eight interviews and analyzing them, six categories evolved. They are: new online store in the U.K., Benelux, and Nordic, customers, online sales, product range, strategy, and tools and resources. Two or more codes fall under each of those six categories. Additional information emerged from the interviews but is not examined in detail for the purpose of this project. The principal focus when analyzing the interviews was to gain insights into the current online sales situation at Össur as well as better understand the future objectives of the company and investigate what was essential to gain a prosperous stance in the online marketplace.

5.1 New Online Store in the U.K, Benelux, and Nordic

The theme, pilot project, was chosen because this year’s plan was to open up an online store in three different countries in Europe. All of the participants were asked about the pilot project, some of the participants are on the technical side of the online stores and others are on the manager’s side. A few of the participants who were interviewed have a direct connection to one or more of the online stores because the particular store is in their market. All of the participants were asked in general about the online store and following that what, in this pilot project, they thought was well done and what they thought was not done so well and could have been done differently.

All of the participants described the current situation of the online stores. They declared that there were three markets opening up an online store, the markets in the U.K., Benelux and Nordic (Össur in Scandinavia). One of the participants introduced the subject and said: “We had an online shop already ... in the U.K. and we decided, I think it was in January [of] this year, to change to a new platform in the U.K. and at the same time open in other markets”. When asked about the project execution he added: “[T]he U.K. went live, ... in October and the online shop in the Netherlands [opened in November]”.

When asked about the Nordic market one participant noted:

...we have a web shop [in Össur Nordic] which started as a channel to a specific customer group, ... [but] as a way to simplify their order processing ... that has
recently been expanded to sales to everyone. So it was a closed web site, which you had to get a login for, but now we have opened it up, so now it is accessible for everybody. ... [and] selling for approximately $100,000 a year.

Another participant wanted to clarify that this was in essence not a pilot project since this was not the first time the company opened an online store: “[It is] misleading to talk about a pilot project in the way that this is a legacy project, we adopt[ed] this because we acquired a company that had had a web shop”. So in a way the online store is not a new phenomenon at Össur but rather a newly revived project, based, in a way, on legacies from other companies.

5.1.1 What is Done Well?

When participants were asked what was done well in the pilot project many mentioned the online platform that was chosen, Magento. One participant mentioned that “the shop, just from a look and feel and ... a functional perspective is very good” and another participant agreed:

I think what we have done well is to change now to another platform ... Magento. ...
One of the main reasons for it is that the platform we had before, which was custom made and we could not work on it ourselves, optimization was done mainly by external parties.

Many participants noted that the decision to start small instead of going full force into a larger project was good and beneficial. One participant explained that and said “...even though there may be ambition to roll-out some big global Össur web shop. I think a project like that is always ... more time-consuming and involves more people ... [with] different opinions”. The fact that key stakeholders were involved in the process was thought of as a successful execution and valuable for the future, one participant noted that “what was done well was involving key people ... [and] ... key stakeholders in the pilot project, so that it is scalable to some extent” since the people in the markets that are introducing this new online store have to work with other key people in the company it is good that they are all involved from the beginning.

Regarding product selection on the online store, one participant seems to have been skeptical at the start but has turned rather optimistic and said: “to some degree we have been able to sell the right products ... based on the knowledge of the market. So establishing this channel and selecting correct things to have there, is what I would consider to be an achievement.”
Many participants were happy with how the content marketing had been executed and describe it as a successful approach. One participant defined content marketing as: “You write up articles or create content that is relevant to your products”. One participant added, “I think overall it is pretty successful in the implementation part but I’m not sure [if] it is necessarily successful from the actual sales point”

5.1.2 What’s Not Done so Well?
Some participants felt that the project didn’t have a path to follow. One participant claimed that his perception was that people wanted to be online just to be online and said “everyone sells online so we do too and ... you can’t see exactly if we’re getting a return on [it]”. A rather frequent answer from the participants of what wasn’t done well, was the lack of follow-up of the online store, that it wasn’t enough to open it, something would have to be done to market it. One participant said that “[we can’t think it is enough to build] a wonderful, beautiful website and then [expect] the sales will just start pouring in”. Another participant added to that and said:

Having the shop does not mean you get the sales, there is a lot of work behind it, [it] comes to optimization, Google Adwords campaign ... [we need to] support it ... [and build a] strategy around it, including all the social media channels which are relevant.

One participant revealed his disappointment that in the process of this pilot project the global resources were not fully utilized and the price strategy wasn’t made in co-ordination with the clinical companies and existing customers. Another participant was not satisfied with the pricing strategy, which he thought could have been better thought out in accordance with competitors and the different price strategies within Europe and said:

We are by nature a wholesaler company ... we sell to companies that usually re-sell our products and we would have to have better knowledge of the retail pricing ... and [an] overview of what prices our products are being sold at in the retail [market]...

He then went on to explain how the pricing strategy was set for this pilot project “…all we did was look at other web sites and other products ... [to get an] overview of what price levels are normal, but it is a lot of guessing”. As a solution to this problem he noted that:
...pricing would have been done better, with better knowledge ... [T]he nature of web shops is often that these are global access sites, meaning that we have to look at global web sites and local retail prices can deviate from a global web price.

One participant was eager to know “when is it going to be a success?” and added that what is lacking is that the company hasn’t “really defined what is ... [a] successful web shop”. He went on to ask if the margins of products produced by another company but currently in the online store didn’t have to be equivalent to other product’s margins sold by the company. The participant wanted to know if there was a breaking point, in sales or months, when this pilot project would be evaluated and deemed successful or unsuccessful and added “it’s fine if it isn’t working ... we just have to make the decision to stop it ... I’m worried that we will let it go and go and go because we don’t really have a clear [definition of] ... what makes it a success?” Another participant was worried and wasn’t convinced in the decision process of the pilot project and asked himself “[do we know] how this actually affects the core business? Is this something we should do? What are the brand impacts?”

One participant disagreed with the other two previously mentioned when asked about the cut-off point and the length of the pilot project:

I think that the online sales channel can be developed in a very positive way. The initial expectations for the first, let’s say, two years, my expectations are not too high, because this is a value startup. You learn and you should see a strong growth afterwards. ... The buying behavior of people is changing and you see a constant increase in online sales. I think for a company like us, there is a huge opportunity out there.

When asked when the cut-off date would be he answered:

No, we did not set a date for that; we will monitor this at least for another year very closely. See how the development is and I think we will evaluate it frequently and based on that, somewhere we need to decide, widen the scope and move into other territories. But then it will become a different project. Now it is more a local project, then it will need to be a global project, to ensure that we do something, which fits to the whole company.

Another participant agreed with him and said the experiment didn’t have a cut-off point but rather that it would be evaluated in a year or two. He then went on to say:

[I d]on’t know if we will stop investing in it if it does not give us anything or [if] we will continue if it is bringing something, but since it has opened, we don’t have a significant running cost, it is very unlikely that we will turn it off. If it is bringing sales, some sales, we have a very limited reason to turn it off or close it.
According to this it can be concluded that the participants are not on the same side of the spectrum. A wider knowledge of the strategy and the execution might be helpful to eliminate uncertainty and resistance.

As seen here above, answers on what was not done well were bountiful but when asked what could have been done differently the answers were limited as we can see in the next chapter.

5.1.3 What Could Have Been Done Differently?

When participants were asked what could have been done differently in the pilot project, few new ideas came up. One participants noted “I don’t think we are doing a whole lot with online marketing dollars, or pounds, spent on advertising in the online world” but the answer to the problem came soon after and he added “I imagine there’s just so much competition”. Which another participant agreed with and explained how small Össur was relative to its online competitors.

One participant emphasized that Google Adwords was the key to success among other things and explained:

[W]hen you look at the key words online, ... there is a huge volume for products with specific key words; injury specific key words, osteoarthritis for knee, for instance. We’ve got tens of thousands of searches a month, in ... [a specific area], and that is just one key word. So if you think of [the keywords] OA knee pane, OA knee, all the different counterparts of that, it is a huge volume and that is what we are trying to do in the web shop. We [also] have an injury information section to try to [pull the customer to the online store].

Then he went on to explain how the content marketing worked and that helping the customer first, and selling to him second, would benefit the strategy. He also added that there were certain aspects that would benefit the product pages, such as more videos, better deals, fitting instructions etc. It is clear that today’s online marketing is directed at assisting the customer reach the products he or she needs. Next chapter focuses on the customers, both current customers and the end-users.

5.2 Össur’s Customers

Össur’s current customers can be divided into the medical market and the retail medical. Like defined before in this research, the medical market’s customers are hospitals and rehabilitation centers, and the retail medical’s customers are O&P professionals. It is clear that participants do not share the concern that the online store,
directed at end-users, interferes with the current customers. The next two sections cover the different opinions of the participants, both regarding the current customers and the end users.

5.2.1 Current Customers

When asked about if the online store had been a threat to the current customers and how participants tackled the concept, one participant explained the situation:

Few years ago when we discussed an online sales channel, selling directly to end users, most of the people internally would have a lot of resistance against it, [that] it would upset our customers. I think today this fear is partly gone, at least in few markets, it is because quite a lot of products which we sell online ... are not really in the reimbursement systems, our customers do not really have a disadvantage from it. And next to that the online sales channel has developed in general so quickly that everybody understands that this is something you need to do.

To maintain a successful relationship with the current customers, the U.K. market has introduced a referral system where the practitioner refers the end-user online, who then buys the product online and the practitioner gets a discount on future purchases. One participant was pleased with this arrangement and said: “I think that is good because ... you are keeping the customers involved and not necessarily being a threat to them”. When asked how the medical retailers were selling Össur products one participant said that some of them had a storefront where products were set up. Another participant added that “[the current customers] have the network to be able to be in direct contact with our end users” and found that a valuable way to reach the end-user.

One participant, in particular, was not thrilled by the idea of end-user sales interfering with the current customer’s sales and said “we have a channel already and the market for those products is big enough to sustain considerable increase in effort through our existing channels”. When asked about possible sales through third party companies he displayed further concerns and said “battling it out with our existing customers is a failure and will lead to failure. We are not gaining anything from it. We may gain monetary value in increased sales [online] but it is going to hit us elsewhere because we are going to go up against our existing customers”. As a solution to this conflict he mentioned that informing the current customers of the potential market
entry would be helpful as well as cooperating with them in a way that would be a win-win situation and he added

It will allow us to talk to our existing customers [and say] hey we’re going to enter that place, we are going to be there in that position [and] we are not battling it off ... and we could even help them along by updating product information etc. He further asserted that Össur should help its current customers by referring people to them via the website. That would entail that customers enter their location and the website would come up with the nearest Össur distributor.

Another participant claimed that despite what decision would be made regarding the online store, everything had to be scalable and said “whatever we develop for our existing customers should also be scalable to the point where we can ... deal with end-users”.

### 5.2.2 End-Users

When asked who the end-user, was one participant answered “Basically it is just Mr. Joe at home that has a sore wrist or knee ... and is searching ‘my knee hurts’ or ‘I have tendinitis’” and when asked how and if Össur was capable of reaching out to those end-users the answer was “We can reach as many end-users as we want, if we put the right marketing behind it and use the right keywords and ads”. But then the tone of voice got more pessimistic and he added “but I think we are not very good at it and we don’t know ... what we’re doing in the online marketing”. He added that this was a completely new channel for Össur and that the company hadn’t really dealt with end-users before.

Another participant gave a more detailed answer to who the end-user is and had done quite a bit of research on it and said “what we are finding out [is that] the population that is actually making the purchases are the older population ... 40+” and then he added:

I recently did a ... quick analysis of the overall population on the web shop. Where they are coming from and what characterized those who actually finished the business and we are finding out that almost the majority is people 40 - 45 and younger. They drop out of the funnel ... and those that go through are [the] older people

Then he added that it wasn’t a very reliable estimate since the products are so unique that best would be to look at each product segment separately. Another participant described the customer group as people who “suffer from an indication where our
products would fit in”. Yet another participant described the customers as people who “have discovered that [solution to an injury] by themselves or they have received a recommendation from a professional, doctor or another professionals”. He then went on to describe the two different segments of customers and said:

[Number] one is the group who are in such a hurry that they don’t want to wait for the public insurance system to get help ... and the second group is people that have received help but because of restrictions the public reimbursement [system] is not able to get ... the higher quality solution that we can offer online.

When asked about the customer loyalty one participant said “it’s sort of a single stop shop and they [the customers] don’t identify themselves as being customers”. Which is true given the fact that people are seldom injured many times over their lifetime. On the other hand there are products that people use on a daily basis and can very well build up brand loyalty. In the discussion of the online store, general information regarding online sales came up as well as the participant’s opinions on third-party sellers online. The next chapter addresses those matters.

5.3 Online sales

Like what was noted in one interview “everyone has an opinion on online sales”. It is therefore a sensitive topic and certainty not all participants agree on the concept and intentions of online sales within the company.

5.3.1 Online Sales in General

When inquired about online sales in general many different ideas and points of view emerged. Almost everyone has an opinion on online sales and these participants are all invested in an online project in one way or the other. One participant described it as such “It’s the Internet, it is here to stay. It’s not going anywhere. You have to be there but then on the other hand, do you really? “. What was evident from all the interviews is that the participants view the online market as a highly competitive market, which is difficult to compete in.

One participant described the online sales market and said, “it’s obviously a huge market [with] huge potentials but it also has really heavy competition and it’s completely price driven” and then he added that the online market was so broad and diverse that it was very important to choose the right path. He then went on to explain the different paths
There are different online sales models ... we can have [a web shop] like we have in the U.K., our own web shop or we can place our products into another shop like www.betterbraces.com or ... we can go on Amazon.com and have our own storefront on there.

And then he added “I don’t think it’s necessarily, automatically a good return ... going with our own [web] shop”. From this we can conclude that the manager had wanted a better research on all the different paths available before the decision of the pilot project had been taken.

5.3.2 To Sell Össur Products on Amazon

When asked about if Össur should sell products on Amazon, all participants were quite positive and liked the idea. One participant said that by selling on Amazon, Össur would “have the foot in the door” and the reach of customers would increase substantially. He then expressed that he was worried about the margins that Amazon would charge since some of the products didn’t have high margins. But to outweigh that the participant noted that the sales would just have to increase considerably. Another participant said that Össur in the U.K. was already selling on Amazon and that it was “an interesting option”. He further added that this channel “might even open up a wider customer base for [Össur]” and that being on Amazon “might help [Össur] build up awareness”.

One participant had the opinion that Amazon was great if the initiative would be followed through and done in a thoughtful manner and said:

> It is about the promotion, ... if we can promote our products within a platform like Amazon, that is great, but just placing things there is not going to sell anything. [O]ur brand is not well known and strong enough and because the web shop is just the channel, you still need to have somebody who is actually looking for the product that you are offering. So it is [a] misunderstanding in my opinion, it is not enough just to open a web shop, it is not enough just to place your product in a third-party solution, if there is nothing done to create a flow of customers for that product, then nothing happens.

Another participant felt that there wasn’t even a slight chance of competing with Amazon and said “you can’t compete against them. They are too big. They are too powerful. What is the point in trying?” And then he added that earlier this year an Amazon representative had reached out to Össur at a tradeshow and offered to include them in the program where Amazon stocks the products and handles all the customer services and shipping. If that would go through, the ranking of products would be improved and he added “…their algorithm will always push their products [which they
stock] to the top of the list”. He then went on to say that in the meantime they had paid Amazon for a better ranking and it had resulted in increased sales. What they did was to “target certain key words or certain searches”.

When asked if participants could see that selling products on Amazon, or another third-party website, as well as other platforms, like their own online store, most of them agreed and believed that it would be a successful partnership. It is nonetheless important that the product range sold online is well defined to prevent discrepancies between markets.

5.4 Össur’s Product Range
It is important to choose the right product range to display online. The company needs to know and understand its customers to choose the products that they are searching for. There was no question aimed at investigating the product range but it was rather eminent that the participants were concerned about which products were sold. This chapter is divided into two parts, first it covers the whole product range offered online and the second part focuses on the third-party products which Össur sells but does not manufacture.

5.4.1 Össur Products for the Online Market
Many participants believe there is a change in buying behavior, of the injury solution products, since there is a change towards a new system with fewer products being reimbursed by governments. The customers are receiving the power to choose their own products because they have to pay for them themselves. Because customers have to pay for the products from their own pockets, the competition and the product selection increases.

In a discussion of the existing products sold on the online store, one participant said that “the best performing product ... is the Foot-Up [and] it can easily be replaced ... by any other product”. He then went on to say that it wasn’t wise to base the online store on these few products but rather to expand and increase sales of other products as well, to limit the risks. When asked what the distinction of Össur products was, one participant said “we don’t really have any differentiation ... the soft goods products are similar to others”. And another participant agreed with him that there is a
differentiation problem and added that there was also a problem that it was easy to access and compare products in other markets. This risk of lacking a clear price strategy was eminent to him and he said:

Anyone can open a web shop... [I]f I was opening a web shop [and] I wanted to sell Össur products, I would go to the lower priced [market] of the world and buy my products there and re-sell [them on the] web and there is nothing stopping me, as it is now. Because there is no control of the pricing..."

He acknowledged that it wasn’t realistic to have uniform pricing but to try to solve this he proposed an idea to rename the products sold below the general price in some markets. Then he added “...you have to have some kind of recommended retail price” and then he added “if we are selling at half price in ... [another country], then we have to demand [that] the product [will] be named something different so that we don’t destroy the market for each other”. Another participant agreed with him that the online store was dependent on few products and said, “Without BioSkin [and] without Foot-Up, we would not have a web shop”. Next chapter gives an insight into the participants’ view on third-party products like BioSkin.

5.4.2 Third-Party Products

Several of the participants are concerned with the fact that Össur is putting effort into selling third-party products, which don’t have as high margin as the Össur products. One participant explained how the U.K. online store was built “[The] U.K. shop ... is built quite a bit on [the] BioSkin products which are third-party products that we distribute”. He went on to talk about defining what products should be in the online store according to their profitability and said

I feel like that should be defined better in the beginning [of the process]. It is part of ... creating the business case for the online shop, what are we going to sell and what margins are going to be acceptable.

Another participant spoke about the dependency on third-party products and wasn’t sure that the online store could survive without the third-party products. He said, “yes we are dependent on third-party [products] with a limited margin. So if we ... upset that deal [with third-party suppliers], can we sustain the web shop? No, not really. Not with our product offering.”

When asked about this situation with the third-party suppliers, one participant noted
It depends on how you look at it, but I think because we are selling in our market with end users pricing, which means that the margins are higher than when we sell them to professional customers. Margin wise, I am not sure if we have the big issue, of course when you compare it to our own products, [then] yes. But this is what we have today. These are interesting products for end-users, but our portfolio is also developing and we will add more Össur products, which we can fit into the web shop. Part of the growth will also come from our expansion of portfolio... And of course we would like to do as much as possible with Össur products instead of third-party suppliers.

It is clear that this participant doesn’t worry about the relationship, the same situation was true for some other participants who agreed with him that it would be better to have Össur products but as of now these products were there and had a good profitability. New products would be developed in the future and added to the online store. Another participant wanted to make it clear that the idea that the third-party products were not ideal for Össur to sell wasn’t based on real income figures and said that the BioSkin products do not have as high of a margin as the Össur products but...

[T]he margin on the BioSkin products is actually $50 or £35 and the margin on the Össur product is £10, which would you like to sell? ... So it is a misconception that you are getting lower profit from selling BioSkin. ... The unit price of BioSkin is a lot higher than the unit price of the Össur product.

From his response, it can be concluded that the views of profitability are not the same within the company. It would be helpful to define a strategy where facts like these could be included so everyone working together would agree on the basis of the projects.

5.5 Online Market Strategy

Participants were not asked directly about the strategy but as the interviews were attained it became apparent that there wasn’t a clear strategy in place. Most participants spoke of lack of strategy and the feeling of “if you build it, they will come” which hasn’t worked adequately for Össur since there have to be strategies to follow through with the projects.

5.5.1 Market Strategy

When asked about the online strategy one participant felt that Össur needed to form an online strategy and sell products instead of talking to consultants and not sell anything.

It is a very typical Össur thing. We have been discussing global websites forever. And global web shops as well... It has always turned into a big project and has always been canceled or delayed because of the cost related to it. ... My opinion is that we have to start, we have to sell the first item and then we can talk about it, [how to] make it fancy. And now we have recently opened the U.K. and Benelux and they
have another platform, it is connected to Navision and handles it automatically and everything. That is all fine, but the key is to create sales, not to have a fancy technical solution. ... [We need to] be focused on the right thing. I would really like to give somebody the task of setting an online strategy for Össur’s web shops much rather than I would like to talk to a consultant about different technical solutions how to connect to Navision.

It is apparent that the participant wanted to make things work and know that the customer would commit to it before investing considerable money into the projects.

5.5.2 Lack of strategy
All the participants except one believed the company needed to have a good strategy in place for this online venture to become successful. One participant described the current sales model and said, “Now we are selling to medical professionals, we are mostly selling direct. Everything that we do is structured around that so if we are going to sell more online ... the structure needs to follow”.

Another participants said that the company was playing “an endless game of chasing each other” by not having a price strategy. He described the situation where market prices are lowered to match competitors or even the company’s prices in another country, then currency rates change and the prices have to be readjusted. Then he concluded “We are chasing the lowest price all the time rather than having a fixed strategy”.

5.5.3 “If you build it, they will come”
Many participants expressed their concern that projects were not followed through. One participant noted that Össur “should focus more on the marketing side ... [and] put some money behind [it]”. He then went on to say:

Within the company in general, there’s this feeling ‘if you build it they will come’. [We] create a website, whether it’s a web shop or an end-user website ... [and] the main thing is to make it and look at it on the screen and then everyone is happy and go onto the next project. No one knows what it is and where it is [and] we keep spending... we go into these initiatives of building the website but we don’t follow through with the online marketing plan and put the money behind it.

Another participant had experienced the same and said “We have seen several initiatives in the past where people have wanted to do this and they think...let’s build it and they’ll come ... and it’s still like that”.

67
5.6 Tools and Resources Needed, to Implement a Successful Online Store

Participants were asked ‘What are the necessary tools and resources that Össur needs to make this online sales channel successful?’ The answers were rather clear and that Össur needs human resources and competencies to be successful in the online market. It is apparent that the existing knowledge is not adequate enough. The solutions that participants proposed were to hire experts in the field or to purchase consultancy services.

5.6.1 Human Resources

Participants, in general, agreed that the human resources and the human competencies are not present at this time within the company. Participants mentioned that if the company were supposed to maintain an online store in the future it would have to add employees in customer service, marketing, store managing, logistics and more.

When asked about the current strategy, one participant said, “Most of us are, let’s say old school marketing people ... [and] do what we have done always, push strategy. This is creating a pull from end-users and you need to do different things”. According to the participant there is no experience within Össur in the end-user retail sales and this concept of pull strategy is completely new to them.

When asked about the strengths and weaknesses of the company the answer most frequently heard was the lack of infrastructure and resources. One participant however, didn’t worry about the lack of competent employees but rather employees who were needed to follow through with the strategy. He then went on to say that the competencies were there but people were needed to carry out the strategy.

5.6.2 Competencies within the Company

When asked about the tools and resources needed for Össur to become successful online one participant said “I think we need to improve our internal [structure] ... and ideally if we are going in this direction we need some expertise, an external consultancy or [to] hire people who are experienced in the field”. Then the participant added “my main concern is when we are building these things and shops and then we don’t have the capacity to get the traffic into them”. This is certainly not the only participant who thinks the competencies are lacking and many of them believe that hiring an expert in
the field or purchasing outside consultants, will help the company sustain their online strategy.

One participant talked about what the company would need to do to sustain the online store and said

We need people that know how to optimize from a technical perspective ... [and] we need people that are able to create [a] good online marketing strategy which is different from our current marketing efforts and then what you also need is a team of people who is able and has the capacity to create content. So we need to make sure that we have a very structured way of creating content and bring it out.

Another participant emphasized that the competency problem had to be taken seriously and said, “Our success will be infected very much if we do not work on our competency development in this group”.

5.7 Summary of Interview Analysis

To summarize, the online store implementation has been successful so far, most participants are satisfied with the Magento platform but believe that it could be enhanced by utilizing online marketing aspects, such as Google Adwords, to a better extent. Some participants thought there was a lack of strategic direction and two participants, in particular, were interested to know the measurement of if this online store was successful. Another participant added that the pricing strategy was not successful and should be revised so that customers in higher priced markets would not feel deceived when looking at online stores in lower priced markets.

Participants do not agree on if the online store is interfering with their current customers. Some participants expressed the idea of cooperating with the current customers via the online store and another participant added that the U.K. was already utilizing a referral system directed at the current customers to encourage their customers to shop online. The end-users are in general everyone that have gotten injured and need the specific injury solution products. The customers shopping in the online store in the U.K. are generally older than forty-five. The customers are not believed to be loyal to the brand since the buying of injury solutions is not a frequent purchase.

All participants agreed that online sales might be a new sales channel but differed on the approach and what route should be taken online. They all agreed that there is
immense competition but there were market opportunities for Össur online. Most of
the participants agreed that Amazon or another third-party seller could be a good
option for Össur to broaden the reach of customers.

Some participants worry about the conjunction of Össur products and third-party
products. The reimbursement system of healthcare products is changing in many
countries and participants believe that is a huge opportunity for Össur. Some
participants are concerned that the online store is only built on few products that are
easily substituted by competing products. Another participant wants to differentiate
products that are sold under the recommended price in some countries, so customers
from a high priced country do not feel betrayed. Some of the participants think the
margin on third-party products is not up to Össur standards. Other participants said that
when the profitability of products is measured everything has to be taken into account
and that the profitability of the third-party products was quite good.

Overall, participants say the strategy is unclear or non-existing. One of the
participants would like an online strategy put to works, which would hopefully eliminate
the talk of doing things and start making things happen. Which is descriptive for almost
all the interviews since participants agreed that follow up on projects was not carried
out. Some of the participants described situations where projects were built and
presented but then in the aftermath nothing happened.

All participants agreed that human resources were inadequate and for an online
sales channel to succeed this had to be improved. The practice of marketing has
changed and one participant noted that the strategy of reaching customers had shifted
from push-strategy to pull-strategy. That means that people with that pull experience
are necessary for this strategy to be prosperous.

Conducting these interviews and analyzing them has given the author a different
perspective of the online situation at Össur. It is clear that the participants do not all
agree on certain aspects and it is beneficial for them to read the other participants’
perception of the market and the pilot project. It is however necessary, for a better
understanding of the situation, to conduct strategic, external and internal, analyses. The
next chapter identifies Össur’s strengths and weaknesses and also the online market
environment’s opportunities and threats.
6  Strategic Analysis of Össur and the Market Environment

After conducting the interviews and analyzing them, the author examined the factors of the external and the internal environment by performing certain strategic analyses. It is a valuable part of this research to determine the factors that influence the market environment as well as the company’s circumstances. This chapter sheds light on the elements that influence the online market.

6.1 Strategic Analysis of the External Environment

The external analysis focuses on the factors that affect the environment that the company is situated in. The analysis is conducted by using two strategic tools, PESTLE Analysis and Porter’s Five-Force analysis. These analyses give a good perspective into the external environment. The eminent components from each of these strategic analyses are summarized in the opportunities and threats of the SWOT Analysis in chapter 6.3.2.

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Level of Importance</th>
<th>Impact on Össur</th>
<th>Opportunity or Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P</strong> Lobbying Medical legislation</td>
<td>High</td>
<td>High</td>
<td>Threat</td>
</tr>
<tr>
<td><strong>E</strong> Health care reimbursement Income level High margin</td>
<td>High</td>
<td>High</td>
<td>Opportunity</td>
</tr>
<tr>
<td><strong>S</strong> Active people Self-prescribing Access to Information Limited reimbursement Health care closer to individuals</td>
<td>Medium</td>
<td>Medium</td>
<td>Opportunity</td>
</tr>
<tr>
<td><strong>T</strong> No Patents No technical specificity Fast paced developments</td>
<td>Medium</td>
<td>Medium</td>
<td>Threat</td>
</tr>
<tr>
<td><strong>L</strong> Medical device regulation Marketing legislation</td>
<td>Low</td>
<td>Low</td>
<td>Threat</td>
</tr>
<tr>
<td><strong>E</strong> Operations all over the world High shipping cost</td>
<td>High</td>
<td>Medium</td>
<td>Threat</td>
</tr>
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Table 4: PESTLE Analysis
6.1.1 PESTLE Analysis

The PESTLE Analysis is a strategic tool used to evaluate the company’s external environment. The analysis is divided into political, economic, social, technical, environmental, and legal factors.

**Political factors**

In certain countries companies that sell medical devices, such as injury solutions, are highly dependent on lobbying. It is important to understand that some products are reimbursed and some are not. This is a remarkably complicated issue and highly political. It would be a good thing for Össur if fewer products were reimbursed because that means that the customer has the final decision on which injury solution product is bought. This gives Össur an opportunity to achieve a greater online retail market share.

**Economic factors**

The healthcare and insurance reimbursement systems vary in implementation. Each country has their own reimbursement system and there is a distinguished movement from reimbursement for products like the injury solution products. The income level in countries has an effect on what products are sold at which prices within the country. If there is a distinct difference in price, customers are willing to ensure a better price, like buying other products or in other countries and paying for shipment. This affects Össur in a way since there is no unified pricing policy in existence.

**Social Factors**

In general people are becoming more active and stay active longer. That could be one of the reasons that the demand for injury solutions is growing. People are also self-identifying injuries and self-prescribing based on information, online for example, that is readily accessible. Today people are better equipped with information regarding many of the most common injuries and demand to be in control of their own health. Össur benefits from more demand for injury solutions and should seize the opportunity and offer information along with products to customers online.

**Technical Factors**

The Injury solution products are not patented mainly due to the fact that they are not differentiated in the market and competitors already have similar products. There is no
technical specificity in the market of injury solutions, yet. Developments in this market are fast paced and require Össur to react quickly to new innovations.

**Environmental Factors**

Products sold by Össur are manufactured all around the world, mostly in South-East Asia and in Mexico. This requires comprehensive shipments across the globe involving high costs and environmental pollution.

**Legal Factors**

Some countries have medical device regulations, which regulate if and how medical products can be sold within the country. Marketing legislation is in existence in certain countries and limits what Össur can and cannot do.

![Diagram](image)

**Figure 9: Porter's Five-Force Analysis**

### 6.1.2 Porter's Five-Force Analysis

To determine the attractiveness of the injury solution’s industry a five-force analysis was performed. It outlines how appealing an industry is in terms of suppliers and buyers as well as the threats of new entrants and substitution products.
**Bargaining Power of Suppliers**
The bargaining power of suppliers in the market is high. Companies that rely heavily on third-party products are especially vulnerable, since suppliers can raise prices and there is little that the company can do. Third-party products tend to have a lower sales margin than self-manufactured products and the pressure of increasing the margin can be demanding.

**Bargaining Power of Buyers**
Buyers have a high bargaining power since there is limited product differentiation in the market place. The buyers can buy the product that speaks to them. Competition is often based on prices. The location of power along the supply chain is a key issue in understanding how profits can be earned. There has to be a balance between supplier power and buyer power.

**Threat of New Entrants**
Entering the online market is easy; anyone can open an online store and start selling products. The threat of new entrants to this market is however moderately high since there are barriers to entry, such as regulations on medical equipment and high manufacturing start-up costs. Companies need to have a distribution path.

**Threat of Substitutes**
The threat of new products substituting the current products is moderately high. The market of injury solution products is changing and there are certain trends that the market is following. The competition in the online market place is a new dimension of competition and has to be observed carefully. High competition might result in new products, which can substitute the existing products. Companies need to be on the lookout for innovations in the market.

**Industry Rivalry**
Industry rivalry is extensive and the market is massive. The industry is fast paced and competition is stronger and profits lower when there are more competitors in the market. Products are more commodity-like. Intensity of rivalry is high because several equally strong players are present in the market, as a result there is low market growth and the fixed costs are high.
6.2 Strategic Analysis of the Internal Environment

To analyze the strengths and weaknesses of the company as well as the company’s capabilities and core-competencies, an internal analysis was performed. The internal analysis consists of the value chain, current and a proposed improvement value chain, as well as a value system.

6.2.1 Össur’s Value Chains

The value chain is a useful tool in recognizing the value of each activity within the supply chain. It is eminent that the value chain is not at a satisfactory level in terms of online sales for Össur. This chapter evaluates the existing factors of the value chain as well as the potential changes Össur can make to perform better in a competitive environment.

![Figure 10: Össur’s Current Value Chain](image)
Össur’s Current Value Chain

Since Össur has not formally entered the online sales channel, the current value chain is not up to standards. This section of the analysis explains the factors that Össur is currently doing and the next section focuses on what needs to be in-place when entering the online sales channel. Össur does already have fairly good infrastructure. Support departments are good and the financial strength is valuable. The human resource management is a supporting department and is a crucial aspect of the success of employing competent people, experienced in online sales, when the time comes. Technology development within the manufacturing of products is good. The system of procurement is good and is rather connected with the inbound logistics, which is both the responsibility of the procurement department. The department is also experienced in communicating with external vendors. The value of the operations lies in the experience and competencies of the employees. The products are highly developed and some are clinically proven. The outbound logistics are good for the time being but have to be upgraded as online sales start to pour in. The marketing and sales departments are experienced in B2B marketing and have established great relationships with their current customers. A referral program was initiated at the start of the online pilot project in the U.K. It has been fairly successful and especially in terms of current customer relations. The customer service department is also very experienced in B2B services but not in end-user services.
Recommended Changes to Improve Össur’s Value Chain

The current inbound logistics and operations are acceptable in its present condition. In terms of outbound logistics, Össur needs to design new user-friendly packaging, which appeals to customers. Product information needs to be redesigned to be easily accessible and understandable in several languages. The adaptation to the retail market is costly. There are many factors of marketing and sales that need to be adjusted to this new channel. There has to exist an online marketing plan, which drafts up the strategy of search optimization by attracting online traffic. The frameworks of the marketing departments have to change in order for this new channel, and its specific marketing objectives, to succeed. The departments have to be hybrid in a sense that the sales channels are so diverse that employees have to be flexible to accommodate both channels. Even though the new channel has new customers that demand attention, it is highly advised to continue the great customer relations already present. The service sector of the company has to reflect the sales levels attained. That means that if sales begin to rise extensively, the service sector has to expand to keep up with the sales. It is
also decisive that customer service representatives get training in handling end-users since that is a new phenomenon to them. The infrastructure processes need to be facilitated since the injury solution products are not as convoluted as other products that the company produces, hence shouldn’t follow the same lengthy processes. Lines of communication also need to be shortened which would ease the access to information. The pace of product development within the injury solution product market is fairly fast paced with new designs emerging frequently. It is important to foresee the trends and adjust the product range to the customer needs and wants. As mentioned in chapter five, human resources and capacities when it comes to online sales are lacking immensely. The company is experienced in selling business to business and has to completely shift focus when selling to end-users through online sales. The same goes with the technology development, the competencies are not adequate. The processes are fast paced and the company needs to adjust to a faster paced environment. Procurement is in good condition as is.

![Figure 12: Porter's Value System](image)

### 6.2.2 Össur’s Value System

The value system shines light on the strategic insights and the opportunities available to the company. When the company’s value chain is viewed in coherence with the supplier’s and the value chains it can shed light on strategic opportunities. Össur’s competitive advantages lie in product design and manufacturing. The weak links within Össur’s online sales are the lack of experience in the subject matter, the costly adaptation to the retail market, both in product appearance and establishment of the online channel, and the lack of competencies within the human resources. Should some of these factors be outsourced for a better and a lower priced solution? Another solution might be to in-source other channel’s activities to gain the competencies needed, like investing in a company that already has the experience in selling online or changing suppliers to better suit the retail market requirements.
6.3 Conclusions from Internal and External Analyses

After analyzing the data from the interviews an outline of the external and internal environments was sketched up. First the key success factors were identified because they are vital to the strategy construction. Then the internal factors are listed up in the SWOT analysis as the strengths and weaknesses and the external factors represented in the opportunities and threats of the SWOT analysis.

6.3.1 Key Success Factors of Össur’s Online Strategy

A key success factor analysis was performed to better understand what the customers want and how Össur should attain a competitive advantage and survive the immense competition.

What do the Customers Want?

Össur can successfully produce a product at a price that customers are willing to pay. The customers of injury solutions are not brand loyal but are thought to value good packaging and product information. Price and product differentiation are the main considerations when customers are choosing between competing products. It is important to understand that customers in the U.S. are not the same as customers in the U.K. or other countries. They might have a different mentality, approach, and characteristics. Everything has to be adjusted to the customer in a specific market.

How will Össur Survive the Competition?

Competition in the injury solution market is merely on price or product differentiation. Competition is intense and there are many companies competing for the customer’s attention. Entry into the market is relatively challenging since start-up costs are high and product range is difficult to attain.

Key Success Factors of Össur’s Online Strategy

Cost efficiency is key to a successful competition. Companies competing in the injury solutions market have to either compete on prices or differentiation. Rapid adjustments to the customer’s needs are important. Össur has to understand the customer because the customer has to be at the center of the strategy. The reason for that is that they have taken the power away from the companies, in the sense that customers have the option and ability to compare prices, products, and customer service.
6.3.2 SWOT Analysis

A SWOT analysis is performed to outline the factors affecting the company and its environment. The analysis benefits managers when looking to change weaknesses into opportunities and threats into strengths.

**Strengths Identified at Össur**

Össur’s strengths when it comes to online sales are several but the weaknesses outweigh the strengths quite substantially. Össur has built up a good product portfolio and has a good R&D and manufacturing departments to encourage further development of new and improved products. The financial strength of the company is considerable and projects, like an online store, can be tested without substantial revenue income. Support departments such as human resources and finance are readily available and offer services to other departments. Össur is in essence a manufacturer of products and its core competencies lie in manufacturing of products. Several of Össur’s products are clinically proven, which means that they have been proven to help with...
healing of medical conditions. Customer service representatives keep a good relationship with their current customers (the B2B customers).

**Weaknesses Identified at Össur**

The weaknesses are substantial but a solution to them might aid in the establishment of the online sales channel. Össur has limited human resource competencies. There is a low competence in digital marketing, such as online store development, user experience, user interface design, and analytics. The organization’s structure is adjusted to a B2B sales environment and it has to change to a hybrid solution of B2B and B2C (Business to Customer). The responsibilities regarding the online sales projects are unclear and the lack ownership of projects is eminent. The alignment with other markets is complicated, different languages and different price strategies are burdensome and have to be better aligned if a successful approach online is wanted. Because online sales have not been one of the strategic goals of the company it is challenging to get the right amount of funding for projects. One of the weaknesses of the pilot project is that it is unknown when and how evaluation takes place. The measurement of success is not well defined.

**Opportunities within the Injury Solution Market**

The positive in this SWOT analysis is that the opportunities are numerous. The potential market is huge and it is only growing larger. People’s buying behavior is changing and products are reimbursed to a lesser extent, which increases the amount of end-users looking for medical devices. Patients now have more control of their health and can choose their own products. They are educating themselves and can better understand the injuries as well as the solutions available. This education is coming forth as a result of increased Internet usage and informative web sites and mobile applications. Patients are also more interested in products that are clinically proven to solve their problems. There are companies in the market place that are entering into co-branding partnerships or endorsement deals to increase their sales.

**Threats within the Injury Solution Market**

The threats of the online market place are mainly two, competition and differentiation. The competition is vast and there are many companies selling basically the same products. The pricing is highly competitive and it has been noted (in the interviews
conducted) that trying to compete in the retail market without competing on prices is very difficult. The products on the injury solution market all resemble each other and there is not much differentiation in the market.

6.4 Forming of Össur’s Online Strategy

As observed in this research and through interviews it is clear that Össur needs a well-defined strategy to implement the online sales channel. There are many aspects of the strategy that needs to be clarified and to gain a better understanding the author applies specific tools to define the scope of the strategy. These tools are Ansoff’s matrix, the differentiation strategy, and Porter’s generic strategy.

![Ansoff's Matrix](image)

**Figure 14: Ansoff’s Matrix: Market Development**

6.4.1 Ansoff’s Matrix

If Össur enters the online market it is entering a new market, which is completely different from its current market. The company already sells injury solution products, both its own products and third-party products where Ansoff’s Matrix classifies the growth of the strategy as a market development. The online market is very distinct from the existing market and the strategy has to reflect the differences.
6.4.2 Porter's Generic Strategy

Össur is competing in the market of medical devices, which is a very narrow market scope. In a narrow market, companies can either compete on price or differentiation. Össur is in the midst of these two because some of the products are commodity products that can easily be replaced by another manufacturer but other products have a distinct differentiation. It is critical that the strategy that will be formed will be either cost focused or differentiation focused. Without having a focused strategy, the company is risking their competitiveness.

Figure 15: Porter’s Generic Strategy: Cost or Differentiation Focus
6.4.3 Decision Performance Matrix

When implementing new strategies it is important that the employees of the company show flexibility and are equipped and qualified of undertaking strategic decisions. The manager’s knowledge and approach of tackling problems is vital to this process. Össur’s managers need to better understand the online market, who their customers are and how they are going to approach the implementation of the new channel. They also need to ensure competent human resources for this project and the company’s employees need to show flexibility and understanding of this new project.
7 Conclusion and Discussion

The online retail market, in the U.S. and the U.K, for injury solution products was the setting of this research. Online sales in general were explored as well as who the customers are and why they are buying online. In-depth interviews were taken with managers at Össur, which gave the author a glimpse of the current situation in online sales within the company. Strategic analyses were performed and certain factors of the company were evaluated. The aim of this conclusion is to answer the initial research questions: What are the key factors for Össur to be successful in the online retail market? As well as answering the supporting questions: “What are the characteristics of online customers and what drives their online channel choice?” and “What are Össur’s strengths and weaknesses when it comes to online retail sales and what are the opportunities and threats of the online retail environment?”.

The findings of this research indicate that the online market is growing rapidly and that 50% of all sales, including traditional channels, are in parts affected by the online channels. Customers in the online market are looking for a convenient way to reach the desired products and the reasons that drive them towards the online channel are multiple, including time pressure, lack of mobility or they are in a quest for special items not available in stores. Companies with well-integrated multi-channel or omni-channel sales have been proven successful, where the customer can reach the products in several different channels and each channel is interchangeable. When deciding whether to enter the online market it is essential to discuss the disadvantages like high transaction costs and the position in the market, if the company wants to be only a manufacturer or both a manufacturer and a seller. Other approaches to enter the online market should be identified and can be proven more profitable than entering the market themselves. One of the approaches can be to cooperate with a third-party seller like Amazon.

Most of the direct competitors have an online presence in some form, either their own online store or a presence on a third-party site like Amazon. The author does not consider the competition of those online stores to be threatening. However the
competitor McDavid has a comprehensive presence online as well as in sporting goods stores and could be identified as Össur’s most threatening competitor, if an entry onto the online retail market would be executed. Össur has an adequate product range compared to the competitors in the market place but the pricing has to be adjusted or the products differentiated from the competitors’ products.

According to the interviews, Össur’s online store pilot project in the U.K., Benelux, and Nordic is considered somewhat successful but the lack of strategy is eminent. The choice of Magento as an online platform and the scale of starting small are both considered positive actions on behalf of the participants. The need for measurements of success and a pricing alignment are however unclear or non-existing. Interference with current customers has to be taken into account and carefully attended to. The participants in the interviews stated that there was immense competition in the market place but they didn’t think that should prevent the company from entering the online market. The main concerns can be categorized into pricing alignment between markets, product selection for the online store, product differentiation, and high competition on prices. Most of the participants agreed that it would be a favorable step to sell Össur products also on a third-party website like Amazon.

From this research it is indisputable that Össur lacks human resource competencies in the field of online sales. The online market is sustained by pull marketing strategies and the absence of that trait is evident. Össur’s strengths in the online marketplace are its product portfolio along with the clinical evidence readily available for some products. Another factor to add to its strengths are the support functions of the company such as the research and development department. Össur’s weaknesses are low competencies and limited market alignment. The opportunities lie in the changing buying behavior and self-educated patients. The biggest threat is competitive pricing and low differentiation in the market of injury solution products.

When constructing the online market strategy it is important to understand that Össur is delving into this new market with existing products and focus has to be on either costs or differentiation. It is not preferable to focus on both unless if a ‘blue ocean’ is created where “the only way to beat the competition is to stop trying to beat the competition” (Kim and Mauborgne, 2005. p.4). That means that a completely new market is invented and the company does no longer compete with its competitors on
price or differentiation, which eventually makes the competition irrelevant. If the intention is however to be cost focused, then the value chain’s objective has to be cost focused too. Subsequently it is important to improve the knowledge of managers and employees so they can better understand the online market, the customer’s needs and the pull strategy being implemented. It is also essential to improve the receptivity of the organization’s structure and culture to be better acceptable to the changes that need to take place.

**Theoretical**
Research in this field is inadequate and the probable reason is that the online market is changing rapidly. Substantial research was performed in the beginning of the twentieth century, that research is however largely outdated. Further research is suggested in this field and especially in the area of how companies can enter the online market and what alternative options there are to opening up a completely new online store.

**Practical**
The key factors that Össur needs to become successful in the online retail market is a deeper understanding of its customers and more competent human resources to carry out a pinpointed online retail strategy. Össur needs to enhance its strengths and reduce its weaknesses. Össur needs to react to the opposing threats and take advantage of the opportunities. Following this research it is recommended that a customer analysis will be performed for a better strategic adjustment to their customers.

**Personal**
It is the view of the author of this research that entering the online market can be accomplished. It has to be done correctly and in co ordinance with key departments of the company and its current customers. With a clear strategy and competent resources Össur should be selling products successfully online, in their own online store and on Amazon, before the end of the year 2016.
As a result from this research the author recommends the following actions when entering the online market:

- Earn the trust of the customer
- Make products easily comparable
- Provide quality shipping and guarantee timely delivery
- Offer simple and smooth returns
- Have the online store easily navigated
- Offer many languages
- Present products with extensive product information and instructional videos
- Develop a customer review feature
- Simplify transaction processes and offer flexible payments
- Improve brand promotion
- Utilize target advertising
- Invest in infrastructure to follow through with a multi-channel strategy
- Focus on the customer!
Bibliography


Appendix

Interview Framework

- What is the company’s current situation online?
  - What are your goals for this year?
  - How will you achieve those goals?
  - What is done well?
  - What is not done so well?
  - What can be done differently?

- What are the factors that Össur is or should be emphasizing on online?

- Who are the customers that you are trying to reach online?
  - What are their characteristics?
  - Do you think you can reach majority of your customers through your own online store?
  - If not, what can Össur do to reach their customers?

- What are your opinions on selling through third-party companies, such as Amazon?

- What are the necessary tools and resources that Össur needs, to become successful online?

- Do you think the human resources and knowledge of online sales is present within the company?

- What do you think are Össur’s strengths and weaknesses when it comes to online sales?

- What opportunities do you think are there for Össur online?

- Are there any threats in the online sales environment?

- If we look 5 years into the future, how do you imagine Össur’s online sales strategy being?