Discounts as a marketing tool for attraction and retention of customers in e-commerce through the example of a comparative analysis of the specificity of fashion e-shops in Russia and Sweden

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ABSTRACT

Title: Discounts as a marketing tool for attraction and retention of customers in e-commerce through the example of a comparative analysis of the specificity of fashion e-shops in Russia and Sweden.

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This study provides a comparative analysis of pricing promotions, which create an incentive to buy in Russian and Swedish fashion e-shops. The aim of this work is to determine the national differences in sales promotions used in e-commerce in these countries.

This work confirms the existence of modern marketing trend in the e-commerce, which uses discounts as a tool for communication with consumers and for retaining them in the shop as a regular customer, and not just for traditional use of discounts as a way to sell remaining goods.

To conduct the study the collected data obtained through systematic observation of application of discounts and promotions as marketing tools in the e-shops in these countries. Following the comparative analysis of statistical data we were able to determine the difference in the periods of sales, the maximum and minimum level of price falls, to create a typology of discounts, typical for both countries and for each of them separately.

The recommendations for online retailers who develop the markets of these countries with regard to national specifics in communication with the consumer and based on the most popular types of discounts and promotions are also the important part of this work.

The results of this study refute the words of the expert Simonetta Carbonaro that the modern approach to pricing policy in the e-commerce is a "suicide of fashion retail."
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1. INTRODUCTION

Despite the well-developed network of traditional outlets most major outlet chains can’t imagine their development without e-commerce anymore. It is linked to not only rapid expansion of sales geography, but also to development of new communication technologies, which are not available to traditional shops. Investments in the development of e-commerce are by no means always aimed at obtaining new online orders. E-shop is also a showcase, advertising, or a source of additional information to attract customers and analyze their expectations, it allows to create closer contact between the seller and a registered user (potential customer). «The Internet serves as both a communication tool and transaction site, even though it may, arguably, function more effectively as a communication tool.” (Bruce and Kratz, 2007)

However, these advantages of e-commerce have led to the fact that the competition in the virtual space is already comparable with the competition in the traditional retail sectors. (YStats, E-marketer).

Companies actively involved in the fight for its place in the fashion segment of e-commerce develop specific marketing and price strategies to attract the customers. In recent times customer retention regardless the point of purchase (online/offline/competing shop) or search queries (in search engines/in aggregators/in e-shop) has become even more important than increasing the customer base. The shop, which may retain the largest number of regular customers in its resource, prevails over others in the market.

The following scientists studied the strategies specific to fashion industry: Marciniak and Bruce (2004); Davies and Brooks (1989); Rowley (2002); Walker et al. (2006), Bruce, M. and Kratz (2007). In this research work we use the term of strategic planning in fashion marketing defined by those authors.

They associate the strategy definition with the creation of long-term goals and the scheduling of a sequence of actions in the market, which may lead to these goals in existing and changing in the future conditions. According to Walker et al this also includes «distribution of the resources, relations with competitors and innovative technologies, synergy» (Walker et al, 2006, p.35). By analogy with sales strategy development, «It defines the direction for a firm; it specifies where the business is going and determines how it will get there.” (Marciniak and Bruce 2004, p.91) We don’t strive to develop unique strategies, but we are interested in the selection and implementation of these strategies by leading fashion e-shops in specific countries such as Russia and Sweden.

The striving to increase sales by expanding the geography becomes an unavoidable aim of all clothing and shoe shop. So, the comparative analysis given in this research work
may be useful for meeting the expectations of online buyers in these countries, and for establishing the most effective ways of communication with the buyers, taking into account national specific behaviour and consumption. For example, according to the conclusion of *E-barometern (2014)* the online sales of clothing and shoes in Sweden have increased by 6% for the third quarter of 2014 thanks to foreign e-shops appeared in the market, however, local shop sales remain unchanged. While in Russia having strongly marked consumption specificity compared to Europe, a reverse process was observed. According to the analysis of *Data Insight (2014)* the sales volume of local shops is permanently growing (from 12 to 22% in different categories of goods in fashion segment according to *YStats* (Russia, 2013)), despite the fall of the national currency, as opposed to foreign shops having lost some of their customers. This is due not only to the custom barriers (*Wall Street Journal, 2013*), but also to the communication and service clear to the customer.

The results of the opinion poll in Sweden and Russia among clothing and shoes buyers became the basis for selection of the subject of this research work. (*E-barometern in Sweden, 2013 and FDFgroup in Russia, 2012*) Statistic data show that the first position of preferences belongs to significant factors which are not often taken into account by the retailers newly appeared in the market and making only the language adaptation in their shops and synchronous promotion actions for all countries: *completeness of the information in the description* (Swedish: “Bra och tydlig information och bilder om varor”) (*E-barometern Årsrapport 2013, p.13*, *price and service*. However, buyers from different countries need different characteristics of the goods, services and the corresponding pricing tactics.

Our objective in this research work is to monitor the price and marketing strategies of the leading shops in the area of online clothes and shoes sales, which are the most popular among shoppers from Russia and Sweden.

Statistic data confirm that this sector really deserves attention and has good perspectives in these countries. As noted by the *e-marketer (2014)* «Clothes shoppers increasingly turn to digital», in Scandinavian countries, such as Denmark, Sweden, Finland and Norway, the sale of clothes lies in the second or the third place after the purchase of tourism services and online automobile insurance, whereas in Russia it lies in the third place according to the data of the last year (*Appendix 1*) and in the first place in the preceding two years (*Ingate, 2013*). These data are also confirmed by the Russian analysis report of RBC Research (*RBC Research, 2014*). Fashion goods sales compose 27% of all online-retail market in Russia. According to research of Data Insight it was initially estimated that the volume of the fashion segment in 2014 will be 2,5 bln. Euro. (*Data Insight, 2014*)
The second objective of this research work is a comparative analysis of Russian and Swedish fashion e-shops within the context of their marketing strategies aimed at attracting and retaining customers as well as in terms of communication means used. “The problems associated with communicating to consumers in diverse cultures pose the great creative challenges in devising advertising strategies.” (A. Mikhailitchenko et al., 2009, p.933)

The third and most important objective of this research work is to compare the most significant aspect for customers when making a purchase, which is the best timely price offer.

Russia and Sweden being one of the latest countries which joined promotions encouraging sales and Black Friday and Cyber Monday sales accompanying the end of the season specific to US market in crisis period, as well as Vogue Fashion Night Out, the promotion starting the sales of new collection, which became the most popular in the fashion segment has aroused a great interest. «Thanks to the discounts, retailers are also taking a profit hit on Black Friday, says Jon Copestake, chief retail and consumer goods analyst at the Economist Intelligence Unit. It is unlikely that many luxury brands will dip their toes into the water, but the mid-market will be making up for that, he adds.» (Marketing Week, 2014)

Most shops analyzed in this research work are the participants of all these events. A comparison of the periods of promotions and sales, bonuses and other marketing techniques encouraging purchases associated with changes in price will allow to obtain data on the communication means used by the e-shops in Sweden and in Russia.

On the example of the leaders of the online trading the specific price variation tactics will be obvious, which will make it possible to analyse contemporary work strategies in these markets in the fashion segment of e-commerce.

One can apply these data to understand e-commerce specificity in the fashion segment; it also will help to develop the most optimal marketing and price strategies for new players in Russian and Sweden markets or to rethink existing goals and means of achieving them for current e-shops. This research work is also may be useful for communications specialists and for those who perform cross-cultural analysis of described countries.

It continues the survey of marketing specific to fashion and implemented in e-commerce started by Marciniak, Moor, Pashigian, Leventhal, Lazear, Breur and other scientists.
2. LITERATURE REVIEW

Fashionable clothing is time-sensitive i.e. seasonal goods and that is why in many studies it is considered along with such products as food, air tickets and travel services.

Unlike these products fashionable product has also:
1. gender classification,
2. long-term storage,
3. involves the risk of acquiring wrong size or color, if an order is made without prior fitting.

These seemingly trivial characteristics in fact determine the uniqueness of the work of fashion clothes and shoes e-shops and require the search of optimal marketing activities. Due to described specificity of sales of clothing and shoes this market segment has a specific system of work with discounts. Fashion offers the multivariate system of price reduction because not only the status (level) of a brand, but also the season, the popularity of model, color and fabric play a significant role in this industry. The interest in unsold collection may be resumed after a few seasons due to the popularity of vintage style, and may be resumed never. That is the risk of illiquidity of goods is very high. Studies of this issue can be found in Lazear's works. Lazear's theory of clearance sales allow to get an "industry equilibrium".

Research on discount policy as a part of pricing process began at the end of 20th century in the various fields such as sociology, economics, psychology and marketing. However, the most fundamental scientific and marketing research was conducted in the last 15 years.

In the 80s such economic theorists as Hal R. Var-ian (1980), Steven Salop and Joe E. Stiglitz (1982), and Edward P. Lazear (1986) wrote works devoted to discount policy. Initially there were no clear answers to many questions and discussions are still going on. With the advent of e-commerce, new specific challenges and opportunities are appeared. The basic theories and discussions of scientists from different fields are focused on the following issues:
1. The influence of discounts on brand attitude.
2. Psychology of buyers in relation to discounts
3. Rights of shops and brand holders in reducing the prices of goods
4. Laws and regulations governing the discount policy and duration of sales
5. Economic performance of discounts and sales, and general approach to the pricing policy
6. Marketing effect of discount policy

Only the last issue from the above stated is considered in this work. However, all of them are interrelated and the most important research is also considered in this work.

Most studies are sporadic and most often consider traditional commerce, not taking into account the specifics of e-shops or fashion segment. This is explained by the fact that the e-commerce is rapidly increasing in the last decade only and previously it was impossible to rely on sales data as there was no sufficient experience in globalization of commerce in fashion sphere. However, studies in traditional commerce also demonstrate interest of scientists in the controversial issue of pricing in fashion retail.

For example, “Lazear's model ignores strategic behavior by consumers. Consumers are less likely to behave strategically when the selling seasons are short, fashions change from season-to-season, and lead times between order and sales are long. Consumers do not wait to purchase a fashion item in the markdown period because the item may be sold out before then and may not long be popular in the next season.” (Peter Pashigian, p.937)

A recent study of Leventhal and Breur contradicts to this theory. They writes: “If the chosen price point is too high, stock remains on the shelves, and does not get sold before it has to be written off. If the chosen price point is too low, the product will sell out too fast, even before the end of the trading cycle, potentially resulting in stock-outs. On top of this, excessive discounts lead to lower revenues than could be achieved from this product.” (Leventhal, B., Breur, T., p.208) However, an important aspect of Lazear's work is his desire to forecast a demand in advance. “We develop a simple model of intertemporal monopoly pricing under demand uncertainty, and show that clearance sales may be the optimal intertemporal selling policy” (Lazear, 1986, p.10)

Also he described the factors affecting the pricing at the end of the last century. For example, Lazear speaks about "Heterogeneity among Goods" as about the cause of the differences in the price for men's and women's clothing. In comparison of identical categories women's clothes are always more expensive than men's.

Pashigian used a different approach to the analysis of changes in discount policy. “The store revises the prior distribution of prices in light of the market evidence and selects an optimal markdown price.” (Peter Pashigian, p.937)
Also it should be noted that the author of this work defines the term «discount» as any change in the price of the goods, which is perceived by the buyer as a direct or indirect benefit or advantage.

Discounts are applied not only for realization of unsold goods. It allows you to increase sales of the accompanying range and new collections, which the buyer did not know about or did not plan to purchase in the near future. As it has been said above discount is the effective incentive for spontaneous purchases.

He analyzed a historically long period of discounts application and conducted a retrospective analysis, which allows us to understand the changes in the level and types of discounts for half of the last century.

Peter Pashigian compared levels of discounts for 1956-1987 years with «the percentage markup in the period between 1925 and 1955, and especially from 1925 to the end of World War II were more affected by unexpected demand.»

His research allows us to understand the social component of the discount policy formation process in commerce.

He came to the following conclusion confirmed by statistics: “Yet markdowns and markups only began to rise around 1970 even though real per capita income has been increasing throughout the post-World War II period. This suggests the underlying explanation for the growing importance of fashion apparel may be found on the supply side and not the demand side.” (Peter Pashigian, p.943)

Search for the best price quotation led to an understanding of price elasticity. “In order to identify the ‘pricing sweet spot’ for a product, one needs historic sales and price data to calculate price elasticity (PE)”. (Leventhal, B., Breur, T., p.209)

The comparative analysis plays important role when planning marketing and price strategies for the shops successful in other countries. Merrilees confirms the same: “Cultural factors seem to be important in explaining the differences across the two countries”. (Merrilees B.et al. 2007. P. 220.)

The specificity of these countries is investigated in the works of A. Mikhailitchenko et al., 2009; Merrilees B.et al. 2007; as well as in marketing reports of German, American, Swedish and Russian agencies and b2b media: YStats, E-marketer, E-barometern, RBC Research, InGate, ROSSTAT, FMDGroup, Data Insight, WWD, Retention Science.

A study of the behaviour of Swedish online clothes and shoes shoppers showed a new recent trend described by E-barometern in the annual report for 2014. Having compared the prices in traditional shops and in the e-shops the shoppers decide to buy, but in the previous years they studied the offline assortment first and then buy through the internet – 7% doing the same. However, since 2013 13% of shoppers have been doing the opposite
(E-barometern, 2014, p.13), they use e-shops to get the detailed information, but make a purchase at the nearest shop using the services of sales assistants.

According to the results of the analysis of Russian shoppers (Ingate, 2013, 2014) some features became apparent when making a decision on the purchase and on the way of goods selection. Russian shoppers prefer to find information about the product by themselves; Merrilees has explained this by historical aspects: “The previous Russian influence results in a more cautious consumer who is comfortable with shopping for themselves with minimal help from sales assistants and expending lots of time in searching for merchandise”. (Merrilees B.et al. 2007. P. 220.) Researchers describe Swedish shoppers as «experienced in online shopping», as the Scandinavian countries were one of the first who realized the benefits of this type of commerce; the Swedes are the most active shoppers among those in Scandinavian countries (Emarketer 2013, 2014; SCB, 2014), they are as well practical and those planning the purchases ahead (Emarketer, 2014). For example, in Russia the peak of online shopping falls on the last two weeks before the holidays (data regarding the spring holidays by the Ingate company 2014), whereas in Scandinavian countries the greatest demand for the gifts falls on the previous month before the holiday (data regarding the Christmas time by Emarketer 2014). This period is a mid-season of the clothing collections sales. In this period the competition between the shops becomes extreme. According to Melissa Littler, Marketing and PR director at flash sales site BrandAlley UK: “because we offer dramatic discounts every day, promoting yet another sales message or offer to our customers around these dates simply wouldn’t cut it”… online discounters would have to do something “spectacular to cut through all the other sale clutter around that time”. (Marketing Week 2014)

The pricing process is described in many different studies related to the adaptation of new products and the elimination. Many studies focus on the analysis of price promotions (Ackerman, D., Tellis, G. 2001; Ancarani, F., Venkatesh, S. 2004; Blois, K.J., 1994; Davies,G.J., Brooks, J. M., 1989, Goodrich, K., de Mooij, M 2014; Sigué, S. P., 2008), the most complete picture we can see in the work of Theotokis et al., Grewal, D. et al (2012), who study the impact of price fluctuations on the shoppers’ attitude toward a brand and classify data on the types of discounts, for example:

1. “everyday low prices and High-Low pricing is a distinctive type of price variation to attract buyers in the e-commerce, however it is used in fashion not often”;
2. comparative pricing (Kuordi, 2003; Hoffman, K.D.et. al. 2002);
3. multiple-unit price promotions, the most common to fashion (Leyland, F.P. et. al. 2001);
4. price matching guarantees, usually are used in fashion only if a shop is the official representative of a brand (Murphy, R., 1998, Rowley, J. 2002; Blois, K.J. 1994 );
5. “steadily decreasing discounting”, often associated with the sale of clothing only, but actually used in all market segments”(Zielke, S., 2014);

6. “pay what you want” pricing, in the fashion commerce is used only in the form of charity auctions and promotions when introducing a new product to the market” (Kaufman, R., Lee, D. 2010).

Resulting from the studies the authors Kapferer, J.-N. (2008) and Theotokis et al. (2012) came to conclusion that discounts may affect the attitude towards the brand, except the cases when the buyers get used to such a behavior of the brand in the market. In all other cases change of a price during the sales attracts new clients and allows sellers to stimulate buyers to make spontaneous purchases. There is also the opposite view by Grewal, D. et al. (1998). They think that discounts have a negative effect on the buyers and change their attitude towards a brand. For example, Theotokis et al. (2012) describes the most common arguments of the buyers having a negative attitude towards discounts and promotions: “I was thinking that they are trying to fraud me by selling me rubbish”, distrust feelings such as: “I don’t trust the quality of the product if it is discounted” or negative inferred motives: “...They try to get rid of their waste by presenting it as promotion” or “They discount the item as soon as its quality is no longer the same” or suggest that they sell fake.

Results of the study of the Russian company Profi Online Research have shown that the availability of discounts leads to buying 56% of Russians, whereas it have no effect only for 7% of respondents. 36% of respondents do not attach much importance to the presence or absence of discounts (Profi Online Research, 2010). Thus it can be seen that the discount is very useful way not only for attracting new customers, but also for retaining existing ones. No less important is the fact that the customers often buy those discounted things that does not actually planned, that is, the discounts are the stimulants of spontaneous purchases on the one hand and the tool for buyer retention on the other hand. When choosing a product at a low price the buyer is more willing to make negative assessment of the product rather than to evaluate his benefit: i.e. initially cheap goods have no such attraction to the buyer as goods that are sold at the same price but offered due to reduction of the higher prices in the form of discounts. The price policy of the shop determines the number of regular customers, and this entails the possibility of establishing communication.

During this study we also pay attention to the content of the homepage of shops and their mailing to subscribers. 100% of e-shops in both countries provide the information about discounts in each mailing and advertise the discounted goods on the homepage. This information is placed together with holiday greetings and announcements of new collections. That is regardless the debates about the negative impact of discounts on
brand image all shops use them to promote sales and attract customers. Therefore a more detailed research of types of discounts used in the e-commerce pricing policy is of great current interest and should be updated frequently.

However, the researchers note that if discounts, specials or bonuses are handled properly by the brand already known for its price level, then the buyer feels himself economical and lucky and becomes grateful to a brand or a shop for a good offer. “Thus, they should make sure that words such as "sale" or "special" are used on discounts so consumers believe that the discount is only temporary”. With this approach, there is no “a significant relationship between price discounts and perceived brand quality”. (Grewal, D. et al., 1998, p.18-22) Thus, we may conclude that at this stage of the development of sales promotion technologies the price is the most demonstrational tool, which has been well studied in the traditional commerce (Merrilees, B.2007; Ho, H.et. al. 2011), but still is not well detailed in respect of virtual sales at shaping the marketing strategies. For example, H&M uses different types of discounts in online and offline sales at initially equal prices for goods, suggesting a special marketing tactics of the company.

Marketing communications tactics are described in the work of Blois, K.J. (1994); Kuordi (2003), Walker et al (2006), Ailawadi K.L.et al. 2009). Besides technical means increasing traffic of the resource and rating in the search engines, direct advertising (with the help of the services such as Adobe AdLens, Marin Software, PriceLabs, Raketa etc), a real communication with its visitors and followers that lead to sales is necessary in modern commerce.

Back in 2009 Ailawadi K.L. with her colleagues undertook a study among 300 Internet and multichannel retailers. It showed that the most effective technology for the promotion of the shops are the personalized offers to the buyers and live chat (in Russia this service is called online consultant), whereas previously popular service of a free delivery is becoming less important. “Retailers surveyed by the study ranked e-mail marketing as the most important demand-generation activity for holiday success, followed by search engine marketing and search engine optimization”. (Ailawadi K.L. et al. 2009, p. 51) This tendency is also relevant nowadays. The described study gives us an insight into technologies with which the shops announce their specials and though what communication channels they initiate and maintain a contact with the buyer.

Also the study of T. Shimp (2007) provides us with systematic information on the possible ways of the integrated marketing promotion and describes the difference between advertising and promotion. “In contrast to advertising, which typically, though not always, is relatively long term in orientation and best suited to enhancing buyer attitudes and augmenting brand equity, promotion is more short-term oriented and capable of influencing behaviour (rather than just attitudes or intentions)”. (Shimp, 2007, p. 490) So
the price fluctuation for a short duration, for example, within two days of weekend, is a promotion and it is not related to seasonal discounts or advertising of this product. Thus, according to this idea a Black Friday and a Cyber Monday is also a promotion and is intended to encourage buyers to make decisions quickly to get the cheapest price for the goods. However, the regularity of price promotions creates a positive buyer's attitude to the shop on the one hand and buyer's unwillingness to buy goods at regular price on the other hand. Shimp wrote about a similar effect on the buyer: "Promotion has the power to influence behavior because it offers the buyer superior value in the short term and can make buyers feel better about the buying experience". (Shimp, 2007, p. 490)

Meier (2009) describes the history of marketing in accordance with the changes in the approach of sellers to buyers from the generalization in the first half of the 20th century to the nowadays individualization. (Figure 1.)

Figure 1. Marketing history. Source: Meier, A. (2009)

For the last two decades the marketing has evolved from personal buyer's orders (mass customized marketing), when the buyer finds the seller and he himself orders the product based on his own preference as NikeID (Adora, S. R., Purkayastha, D., 2012), though the seller does not know the buyer, to personal offer to the buyer (individualization), when the seller tries to gather all the information about the buyer from the date of birth to his cherished dream. Thus, the seller is able to enter into a dialogue (or a monologue) with the buyer, to keep him in his shop, to encourage the purchase and/or get a product review. The information provided by the seller is mostly visual (Ghandour, A. 2010), because most virtual shops do not carry out offline events for their customers and try to avoid verbal communication (call-center), if it is possible (Gonzalez, C., 2010).

The comparison of virtual stores and physical stores we can find in articles of Marciniak & Bruce (2004, p.94). They perform comparison based on three criteria: Space, Inventory, Customer traffic and write about the possibilities of communication between the customers and sales staff.

Undoubtedly this is an important option available in both retail formats, but since
development of their description 10 years has passed and the reverse process where seller seeking contact with the customer has become more important. Complementing other scientists the following most important differences between traditional and online shops systematized by us from various sources and own conclusions should be noted:

1. Scope of the audience. Each e-shop has the opportunities to attract a global audience on its resource, but in fact in order to attract attention the e-shop have to deal with promotion and to compete with the much larger number of shops than local (traditional shop).

2. Lack of personal contact with the customer. Individualization has its advantages and disadvantages. They were studied in detail by many researchers in the field of marketing and consumer psychology. However, the virtual shops' possibilities for creation of personalized offers are much wider than that of traditional commerce formats.

3. Independence of location of the e-shops.

4. Wait for the product. Even the fastest delivery is slower than offline purchase.

5. The impossibility of fitting in online sales, and therefore the absence of a more rational decision-making with respect to fit of clothes, its color, fabric texture, sewing quality of the goods.

6. The image component of purchase. No one sees a purchase in the e-shop, whereas visiting the prestigious boutique gives the buyer pleasure and makes an impression on the people around. Even the packaging with a brand logo (bags, boxes) plays an important role for the image of the buyer.

In offline shops payment for the goods is made after inspection, and therefore does not require any action to refuse the purchase.

Finally, the specificity of sales of fashion clothes and a behavior of consumers in this market segment is described by Sejin Ha and Hyunjoo Im and Mohapatra (2013). The main difference noted by Aaker in respect of fashion is “a short lifestyle cycle”; he recommends other business segments to monitor closely a fashion market, because it responds the buyer's needs quicker than other markets and shows future problems, making them transparent. (Aaker, D. A. 2002)

However, the behaviour of the buyers of the fashion clothes in malls and boutiques differs from their behaviour in the virtual space; it requires other attracting and encouraging techniques (Ho, H. et. al. 2011; Lantz, B., Hjort, K. 2013).

“Once customers get used to the benefits of buying through the Internet, they become a new kind of customer. This new customer expects, if not demands, highly personalized products, personalized services, and immediate delivery”. (Mohapatra, 2013) Following
this idea the marketing strategy of a shop is also has to be changed. If a traditional commerce used to work with the buyers who found and visited shops and boutiques by themselves, an advertising was mainly aimed at the promotion of a new product and a shop then a modern e-commerce forced itself to think about searching for clients, each time making the offer corresponding to the behaviour of each buyer in a network and offering bonuses, cumulative discounts and other ways to encourage activity for the buyer. “Consumers typically assess the acceptability of a brand’s price by comparing it to some standard or reference, such as other prices listed in the store”. (Deleersnyder B.et al., 2007, p. 311).

However, another scientist notes “a strategy featuring items at very deep discounts is more likely to include price differentials that exceed many consumers’ thresholds”. (Mulhern. F.J., Leone, R.P.1990. p.183).

In other words searching for the optimal balance between comfortable price reduction which plays the role of a motivation and huge discounts alarming the buyer is an important element of the marketing strategy.

Today the Internet buyer has a fairly extensive offer, not limited by the distance or the different currency, so he can leave the e-shop, if he does not trust it, or there will be no convincing attraction. Thus, according to the study of Deleersnyder et. al. (2007) and Mohapatra (2013), meeting the expectations of the buyers with regard to services and prices is the main objective of online shops.

Cross-Border Shopping studied by Leal, A. et al. (2010); Pons, F., Laroche, M., (2007); Stafford, T. F. et. al. (2004); Goodrich, K. and de Mooij, M (2014); Ancarani, F. et. al. (2009); Ackerman, D., Tellis, G. (2001) describes not only customs barriers but also cultural and climatic ones. The findings of these authors related to formation of the final price for the goods, the comparison of taxes in different countries and restrictions, terms and problems in delivery and return of goods are extremely important for this research work. In Sweden there are no barriers for a quick return of goods and money, in contrast to Russia, where returns require special paperwork procedures and the availability of a cash receipt from online shop. The study of Russian postal service by Ystats agency has shown that “The delivery market in Russia is growing rapidly, with most of the increase going to couriers rather the postal system. As for delivery times, half of Russian online shoppers were willing to wait for their online purchases to be delivered within one week, however, in reality, over a third of online shoppers had to wait for one to several weeks for delivery”. (Ystats.com, Russia, 2013)

In Russia a 30% fee for international online purchases has to be paid for the sum of €1,000 per month (total weight should not be more than 31 kg per month) (Forbes, 2014). In many EU countries such a limit does not exceed € 25 for a purchase. Thus, foreign e-
shops may compete on any local market only through special services and leveling the price difference. Free delivery and returns are the most common and expected seller’s tools for encouraging the buyer to purchase. This is a service which affects the final price and appears to be an important psychological element for the buyer. As an example may serve a Zalando project quickly occupied the top position on the Swedish market of fashionable clothes and shoes. It always provides free delivery and returns unlike other shops that offer temporary free delivery as an additional motivation to make a purchase. (Appendix 2).

Marketing technologies are developing faster particular in the Internet, because this is a relatively new territory for commerce and it is high-capacity in terms of technical capabilities, allowing to use all forms of visual information and to search the target audience. In this context, "the theory of the long tail" (Anderson, C. 2006) is very important for strategic planning of marketing activities. For example, one of the approaches is to change a tactics, i.e. not to guess the buyer’s needs, but to provide the buyer with the opportunity to make social demands on certain products. In this case, it is not a mass-customization, but following the most active groups in social networks and formation of the product under positive feedback or suggestions of potential buyers. Mohapatra wrote: “The managers no longer dictate the communication threads; rather they fall in line of social power and reframe their policies and strategies accordingly”. (Mohapatra, 2013, p.22) Social media has become an important tool for e-commerce and brands in establishing a dialogue with the target audiences. (Gonzalez, C., 2010; Goodrich, K and de Mooij, M., 2014). The popularity of shops or brands can be judged by the number of mentions in social networks. The study of social networks dominance in the communication processes of fashion brands has become a hot topic or the scientific community and allowed to obtain unexpected results related to buyers’ behaviour and their decision-making. (Illicheva, 2015) The study of the influence of social media on the marketing strategies of e-shops remains outside of this research work, but is of great importance for sampling. According to Will Shuckburgh, Marketing Director of loyalty programme Nectar: “It’s easy as a marketer to think you can buy customers with discounts, but that’s rarely the case. People will look for deals but often with the brands they have built a relationship with”. (Marketing Week, 2014) The positive review about a shop in the social networks is one of the criteria for the choice of a shop by the buyer, therefore the buyers expect from online shops open communication in social communities, creation of groups and the integration of product reviews from social networks in the product description box. “The term social commerce was introduced to describe a set of online collaborative shopping tools such as shared pick lists, user ratings, reviews, suggestions, etc., that are generated by users of the social networking sites”. (Mohapatra,
Sales promotion techniques through the social networks are described in the works of Gonzalez (2010); Marshall, G et. al. (2012); Ryan, W. et. al. (2013). Thus, on the basis of literary analysis it can be stated that marketing strategies, typology of discounts and the specificity of e-commerce is well developed theoretically and studied in various fields. However, the situation is changing rapidly and it requires constant data updating and correction of many concepts and technologies. Also most studies are too general and are rarely focused on the analysis of a particular market segment such as fashion in comparison of Sweden and Russia. Literature review allows us to make some assumptions concerning the use of specific marketing strategies by e-commerce in these countries.
3. HYPOTHESES

According to the literature review we can make the following statements:

First, price policy of the e-shops in Sweden and in Russia is identical, because they provide the same brands and follow their recommendations concerning the time of sales and promotions. However, on the basis of national specificities in consumer behaviour and different countries, the shops use different tools for working in Russian and Swedish markets.

Thus, the second hypothesis is our assumption that Russia and Sweden uses different types of promotions to encourage buyers and attract them to the e-shop.

The third hypothesis is based on the most studies of offline fashion commerce, which state that the price of goods varies cyclically, i.e. a maximum price is at the beginning of the season and it is reduced at the end of the season as the fashion clothes and shoes are becoming less relevant. Thus, we assume that by the analogy with the traditional commerce the discounts in the e-shops are mostly seasonal.

The fourth hypothesis is that the price policy is one of the means of communication with the consumer, but it is not just the way of realization of the remaining products. We can reject or prove these four hypotheses by analysis of data.
4. RESEARCH METHODOLOGY AND FRAMES

To solve the above stated problems, verify and also falsify four made hypotheses the research methods were applied in this research work and qualitative and then quantitative studies were conducted in different stages of the work. Aaker (2007) insisted on the quantitative research methods, in case when the purpose is to analyse marketing strategies.

During the study the secondary as well as the primary data sources were used:
1. Data from official statistics;
2. Data from literary sources;
3. Results of the internet search and online statistics using analytical services such as Google AdWords, Google Statistic, Facebook Statistic. Web sites are “potential sources of data in their own right and can be regarded as potential material for both qualitative and quantitative content analysis”. (Bryman, 2012, p. 654.)

Main steps, methods of data collecting and processing, a research design are planned according to the objectives (specified in the Introduction) and by the analogy with similar studies in other market segments.

**Longitudinal research:**

Longitudinal research allows us to collect data through daily monitoring of pre-determined sampling over some period. In our case the period includes four months. In this study the composition of sampling does not change which allows us to observe the changes in sampling during the study period. These data allow us to identify the changes and the occurrence of different types of discounts at this period in every e-shop. Other research strategies do not give a complete description of data needed for our goals. Additional advantage of the chosen method of research is the possibility of observation renewal over a certain period of time.

“Longitudinal data allow the analysis of duration; permit the measurement of differences or change in a variable from one period to another, that is, the description of patterns of change over time; and can be used to locate the causes of social phenomena.” (Menard 1991, p.5)

**When choosing the observation period we proceeded from the following parameters:**

1. It is necessary to use the longest period for sampling observation because the completeness of description of the parameters as well as the accuracy of results
depends on the number of observations. That is in longitudinal research the frequency and duration of observations is more important for information content of data rather than the increase in the sampling size. In this study it comprises 18 stores in both countries and the research period of 4 months, which is about 32,400 observation data.

2. The period of preparation of this work is limited in time, so the maximum possible period of daily observations, which begins on January 18 and ends on May 18 is used in this study. However, the database of daily observations is very voluminous and therefore the data collected are combined by week, but with the fixation of the most important days (for example, Easter or St. Valentine's Day).

3. The period of observation is correlated with the collection sales cycles. “Sales can be conveniently classified as preseason, within-season, and clearance sales.” (Peter Pashigian, p.937) In addition to this classification, all types of promotions related to decrease in prices for goods or offering of additional benefits (eg. free delivery) are taken into consideration.

The following types of analysis were used in this research work: descriptive, causal and comparative.

The research plan includes the following steps:

1. According to the analysis of opinion poll results, conducted by Swedish and Russian analytical agencies, the expectations of fashion e-shops from the buyers were determined. According to literary sources the most effective marketing tools for increasing the sales in the e-shops were also defined. Thus found criteria of both sides were used in this research work as basic elements for assessment of the fashion e-shops consistency with markets’ expectations in selected countries.

2. For a comparative study two equal panel e-shop selections were made (9 e-shops per each country); the e-shops work in the analysing fashion clothes market. The selection was made for each country on the basis of the number of mentions in the search engines and in Facebook, the most popular international social network. The following requirements served as restrictions for selection of the e-shop:
   - e-shop shall be multi-brand, which mainly represents the brands of women's clothing and/or shoes sold well outside of the analysed countries. This restriction is due to the desire to make the expertise independent from the
requirements of saleable brands or from the sales territory. However, it is assumed that the goods of identical brands are selling in Russia and Sweden, but may have different prices and other features. For example, collection assortment, size range, start selling date may be different.
- e-shop should represent mostly mid-range brands and should not hold itself out as a seller of luxury brands. Study of the specificity of the luxury segment in online sales is outside of this research work.
- e-shop may not be founded in the analysed countries, but it should be adapted to the local market (depending on the country it should be in Swedish or in Russian language, prices should be in the national currency) and it should be considered as one of the leaders in this market by the above described criteria.

3. In the third step data were collected from the websites of the fashion e-shops in Russia and in Sweden included in the panel selection. According to the typology of discounts existing in the theoretical studies as well as monitoring of price offers within the period from January 22 to May 18, 2014, data for a quantitative analysis were collected. Data were ranged and analysed and a list of channels and means of communication with online consumers was prepared.

4. At this step the correspondence with the collected data criteria was analysed and the developed hypotheses were checked.
When conducting causal research a correlation between a price change and a fashion cycle was found, as well as marketing tools used to attract customers not only through the discounts, but also through additional services were classified. Comparative studies allowed us to reveal similarities and differences in marketing communication tools used by e-shops in Russia and Sweden and in the price promotion policies and to make conclusions concerning marketing strategies used.

5. There was described the validity, perspectives of the continuation of this research work as well the relevance of the renewal of monitoring during longer period of time.
5. SELECTION OF THE E-SHOPS ASSESSMENT CRITERIA

To determine the analysis criteria let us compare data collected by the local analytical agencies over the last two years, i.e. let us use secondary data. Already mentioned Russian and Swedish online fashion shoppers’ opinion polls allow us to focus on the most important consumer expectations to be met by every fashion e-shop. It is important to note that described studies take into account the requirements to clothing and shoe shops only. The companies such as PostNord, Svensk Digital Handel and HUI Research prepare annual reports e-Barometern for other market segments as well: household appliances, books (e-Barometern, 2013). The requirements to the e-shops providing other types of products have significant differences. For example, unlike the fashion goods for which the most important criterion when choosing the shop is "a detailed text and visual information", the most important criterion with the purchase of books in Sweden is a price - 35%, and with the purchase of household appliances not only the goods price become important - 27%, but also the delivery price - 25%. (e-Barometern, 2013, p.11)

Table 1 shows our own assessment of buyers’ expectations in Russia and Sweden (affinity diagram), made on the basis of semantic analysis. The + sign means that there is obvious correlation, whereas - sign demonstrates the lack of correlation between the expectations criteria of Russian and Swedish buyers.

<table>
<thead>
<tr>
<th>Sweden (e-Barometern, 2013)</th>
<th>Correlation of expectations criteria of clothing e-shop customers</th>
<th>Russia (FDFGroup, 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>24% Good and complete information about the product and its authentic pictures</td>
<td>+</td>
<td>16% Detailed, precise description and quality pictures showing the goods</td>
</tr>
<tr>
<td>23% Free return</td>
<td>+</td>
<td>14% Delivery price</td>
</tr>
<tr>
<td>22% Easy and quick return of goods</td>
<td>-</td>
<td>16% The possibility to try on</td>
</tr>
<tr>
<td>15% Wide selection of goods</td>
<td>+</td>
<td>19% Good reputation of the shop (it consists of the availability of well-known brands and the wide selection of goods, the recommendations of</td>
</tr>
</tbody>
</table>
If we compare the above stated criteria of Swedish and Russian shoppers (Table 1), then it becomes obvious the complete similarity of only two options: complete information about a product and best prices offer. They have different levels of importance of these criteria for buyers and their interest in the various services described in other criteria (possibility to try on and free return). To compare the importance of criteria for buyers, let us find the relative value of each criterion in relation to total amount. Figure 2 for Sweden and Figure 3 for Russia, then compare the criteria of both countries (Figure 4).

**Figure 2.** Relative assessment of customers’ needs in Sweden. Assessments are made based on the data obtained from e-Barometern, 2013.

**Figure 3.** Relative assessment of customers’ needs in Russia. Assessments are made based on the data obtained from FDFGroup, 2012.

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15% Offer the lowest prices</strong></td>
<td>+</td>
<td>29%</td>
</tr>
<tr>
<td><strong>15% The availability of different payment methods</strong></td>
<td>-</td>
<td>6%</td>
</tr>
</tbody>
</table>

*Table 1. Correlation of expectations criteria of clothing e-shop customers in Sweden and Russia.*
For Swedish audiences the payment methods are important (Table 2, E-Marketer 2014). The online payment methods in Scandinavia and their popularity are studied in the report of PostNord (2014).

Figure 4. Customers’ requirements to the e-shop and the importance of these requirements in both countries. Assessments are made based on the data obtained from FDFGroup, 2012 and e-Barometern, 2013.

These data provide sufficient information to understand the relevance of this criterion when choosing a shop. Most Swedish e-shops in addition to instant payments offer short-term for 14-30 days interest-free deferred payment (invoice).

Table 2. Preferred Payment Methods According to Digital Buyers in Selected Nordic Countries.

Source: Emarketer, 2014.

Such a payment method is not available in Russian shops. In Swedish online payment system a cash payment is not provided unlike the Russian system, where according to CEO Asos, most buyers in large cities prefer to pay for goods in cash upon delivery (WWD, 2013). The same is confirmed by the studies of Ystats (Russia, 2013) and Russian statistical offices ROSSTAT (2014), RBC Research (2014).

In most cases the delivery of goods in Sweden is fast (1-5 working days) and free, in contrast to the return. However, the largest shops offer free shipping and returns. Return to the Swedish shops is easy; the return period may vary from one month to a full year
(365 days from the date of purchase). Therefore, two of the six requirements for Swedish Fashion shops are dedicated to returns.

Russian buyers prefer to refuse the goods immediately after trying on, because the returning procedure in Russia is difficult and has a short period of time - only 14 days from the date of purchase and may be more expensive than the delivery cost. Therefore, trying on is one of the conditions for quick return at the stage when the payment for the goods has not yet been made. Many shops deliver to the buyer several sizes of one model for trying on in order the buyer shall be able to choose the suitable size. If the model does not fit, then the buyer shall cover the cost of delivery if it is not free. That is why the possibility to try on is very important for Russian buyers. This service is not available in Swedish e-shops.

These differences between the requirements of Russian and Swedish buyers may be explained by the following reasons:

1. Different logistics development level;
2. Different banking system development level;
3. Difference in sizes and in the length of the country;
4. Difference in the number of buyers;
5. Different levels of Internet user penetration;
6. Different legislation;
7. Different level of buyers’ trust to the sellers.

In 2013 E-marketer wrote about Russia as about the largest online population (73.8 million in 2013) in Europe, with the highest levels of Internet user penetration among the BRIC countries. (E-marketer, (B) 2013) However, according to the European standards this level is quite low (58.2% in 2014) in contrast to Sweden. It ranks fourth among all European countries in terms of Internet user penetration (83.1% in 2014). (Table 3, 4).

<table>
<thead>
<tr>
<th>Internet User Penetration in Western Europe, by Country, 2012-2017</th>
<th>% of population in each group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Norway</td>
<td>85.2%</td>
</tr>
<tr>
<td>Germany</td>
<td>63.2%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>63.0%</td>
</tr>
<tr>
<td>Sweden</td>
<td>55.1%</td>
</tr>
<tr>
<td>Finland</td>
<td>80.9%</td>
</tr>
<tr>
<td>UK*</td>
<td>73.6%</td>
</tr>
<tr>
<td>France</td>
<td>72.9%</td>
</tr>
<tr>
<td>Germany</td>
<td>71.8%</td>
</tr>
<tr>
<td>Spain</td>
<td>61.9%</td>
</tr>
<tr>
<td>Italy</td>
<td>55.2%</td>
</tr>
<tr>
<td>Other</td>
<td>64.0%</td>
</tr>
</tbody>
</table>

**Western Europe** | 68.7% | 69.9% | 71.1% | 71.8% | 72.5% | 72.9% |

Note: *Indicates a country where internet access is available at all locations via any device at least once per month, forecast from Aug 2013

Source: EMarketer, Nov 2013

Table 3. Internet User Penetration in Western Europe.
Table 4. Internet User Penetration in Central and Eastern Europe (Russia).
Source: Emaketer, 2013.

However, the turnover of the Swedish fashion e-commerce is 0.9 billion Euro (7.2 billion SEK according to E-Barometern (2014), in contrast to the Russian 2.5 billion Euro (120 billion Rubles according to Data Insight (2014).

Thus, the number of e-shops, as well as online clothing and shoes in Sweden is less than in Russia, consequently the Swedish shops have to spend more money and efforts to attract and retain clients. However, the competition in the Russian market of e-commerce is higher. The total number of Russian online retailers in the fashion segment is 13,400 companies, but 60% of sales belong to 10 major sellers only (Lenta.ru 2014).

As for the shop confidence, the poll results of Landor Associates will be demonstrational. 51% of respondents answered that one of the factors constraining Russian users from making a purchase is the absence of protection. (Figure 5). The most effective and informative presentation of goods in the e-shops, i.e. the rules of visual merchandising are already well known and described in the works of Lee et al. (2001), as well as considering the apparel specificity by Ha et al. (2006, 2011), Nitse et al. (2004), Passarielo et al. (2014)

Figure 5. Reasons Digital Buyers in Russia would buy more digitally.
Source: Emaketer, 2013.

To prove the hypotheses this research work surveys the most important criterion, to which from 16% (in Sweden) to 29% (in Russia) of the respondents paid their attention, is the best price offer.
The buyers from all countries want to buy cheap, but for Swedish Internet users it is important that the price is the best. This does not mean that it should be the lowest, in contrast to the Russian version of the answer. However, most sellers know that the buyer expects price reductions and special offers from the shop.

The race to attract fashion shoppers through the promotions and discounts leads to the fact that the shops offer discounts up to 20% (in Sweden) even for new collections as soon as they are appeared on the market; during promotions such as Black Friday, Cyber Monday discounts increase up to 98.9% (in Russia) (Appendix 3). Italian expert Simonetta Carbonaro called the current situation with the variety and frequency of discounts in fashion e-commerce “suicide of fashion retail”; the consumer psychology specialists call this process “corruption of the buyer” and state that consumers now are constantly waiting for promotions and tend to avoid shopping at the regular price.

However, sellers are guided by the sales statistics. It does not confirm that the buyer wants to shop only at the lowest price. According to the latest study of Retention Science, held in July 2014 (E-marketer, Sep. 2014) it can be stated that it is important for the buyer to get even slight benefit or lower price for goods (5-10%) for a decision on making a purchase. Figure 6 shows that the most effective customer incentive on the largest e-market in the world is: (1) 10% off coupon and (2) free shipping, but not a loyalty programs or sharp price reductions.

![Figure 6. Most effective Customer Incentive. Source: Emarketer, 2014.](image)

Nevertheless, each of the proposed customer incentive makes sense and actually leads to a sale of goods. Therefore, this study analyses all types of discounts offered by the e-shops.

The term discount, used in this research work, I defined in the Literature review.
According to the typology of discounts described by Theotokis et al. (2012) and fashion specificity described in the study of Ho, H.et al. (2011), the following variants are theoretically applied in fashion segment:

1) comparative pricing;
2) multiple-unit price promotions;
3) price matching guarantees;
4) steadily decreasing discounting.

Although the above proposed typology of discounts is universal and used for any type of commerce, for online retailers of clothes and shoes the typology emphasizing the level or the amount of price reduction is the most functional (Alford, B.L.; Biswas, A., 2002).

Thanks to the internet search, media monitoring and online observations the most common types of discounts in the clothing and shoes e-shops are classified in this research work and the own typology and classification of discounts is proposed according to:

1. the purpose of discounts;
2. the period of price offer;
3. the individualization of the offer (the term is defined in the theory of Meier, A. 2009).

Totally the fashion segment in 2014 used over 30 types of discounts. Their number increases every year. Perhaps this is due to the specifics and rapidly changing marketing technologies, technical capabilities of online sales, rapidly growing competition between brands and e-shops and because “almost one third of all clothing purchases are conducted online”. (Ystats, Global 2013)

18 kinds of discounts most typical for Swedish and Russian e-shops were selected for this research work. Most of them are described in the works of Ho et al. (2011), Teng, L., (2009); Park, E.J. et. al. (2012); Murphy, R., (1998) and specified in the studies of Retention Science (2014), RBC research (2014).

Discount types used in Russian and Swedish fashion e-commerce in 2014:

1. **Welcome discount** is used to stimulate the first purchase or during the first visit to hold the buyer. It is the welcome discount which usually makes up 10% of the entire purchase and is the most effective incentive for American shoppers – 30,9%. However, it is not used in the Russian e-commerce.

2. **Bonus for subscription** is offered in exchange for a news subscription. This discount demonstrates the desire of the shop to the primary and further communication with the visitor by receiving their contact information for personal mailing. The discount may be fixed amount – 5-10 Euro (in Sweden usually 100
S Ek) or 5-10% per one purchase. It may also be replaced by free service – for example one-time free shipping for any purchase. Bonus for subscription is often offered in the Danish shops, sometimes in Swedish and it is not used in Russia.

3. **Discount for students** is very popular type of discount in Europe and America. The discount is valid in all shops in different ways, sometimes even can be combined with other discounts or offers. Usually it makes up 10-15% of the regular price, but in some shops it is valid for the first purchase only. In this case the discount for students may reach up to 40%. (Appendix 4.) Most shops use this type of discounts to form its target audience.

It is used in Sweden and in most EU countries in the traditional and e-commerce, as well as in offline shops in Russia, but yet it is not used in the Russian e-commerce.

4. **Multiple purchase discount** (pay two, get three; buy one, get one half-off, etc.) – the discount is used as an incentive for spontaneous purchases and is aimed at realization of the remaining products. (Appendix 5) However, it is one of the most commonly used incentive types of discounts; it is offered in parallel with the start of sales of new collections to attract customers into the shop. It is used in all countries. According to the study of Retention Science this type of discount has the least incentive effect - 3,6% in American market (Figure 6), but it is still included in the list of the most popular discounts.

5. **Last Chance** is used to minimize the price for the last size or colour at the elimination of the product. This type of discount is designed to encourage spontaneous purchases and sales of the remaining products. A very important benefit of this type of discount is its use for promotion of the shop through price-analysers, fixing the best price offers and thus increasing the shop rating in search engines. (Appendix 6).

6. **Dynamic or cumulative discount** is aimed at retention of the buyer in the shop. The percentage of the price reduction is increasing with the number of purchases made. This is a permanent individual discount and is usually used independently and in conjunction with other offers. In the study of Retention Science it takes the 4-th place. (Figure 6.) It is used in Russian shops, in Sweden it is used in single-brand shops only.

7. **Loyalty programs or bonus system.** The discount consists of the number of points given for the previous purchases. Points may be spent as a discount for the next purchase. Designed for retention and communication with the buyer. It is in fifth place in terms of customer incentives according Retention Science.
8. **Introduction discount for new collections.** Usually it is designed to attract a buyer for the presentation of the new collections. It is provided in the first week of the new season and makes up 20-25%. It is designed for communication with the buyer and stimulation to spontaneous purchases.

9. **Discounts for old collection.** This is a traditional seasonal discount, the most typical for the fashion market. However, for the last six years, the price reduction has become very high and may reach up to 90%. It is used in all countries at the end of sales season. Since this type of discount is very popular in the traditional commerce as well, in all countries during the seasonal sales it is subject to special rules to be adhered by the online retailers working in these territories.

10. **Coupon** is a one-time discount used to stimulate spontaneous purchases and communicate with the customer. The coupon may be in the amount from 10 to 100 Euro, but in Swedish fashion e-commerce it usually makes up 100 SEK (11 Euro), whereas in Russian – 200-500 Rubbles (6-14 Euro). The coupon is sent by mail to each client individually. Some shops also send paper coupons. The coupon may be sent as a reminder of the shop, as a birthday gift or as a gift for the other holiday or as a customer incentive in the period of discounts, as well as to thank for the review or to excuse for the negative experience of previous purchases. The coupon is also offered to regular customers of the shop to attract their friends and thus enables retailers to increase the target audience due to existing customers of the shop. According to Retention Science it is the third most effective tool stimulating the sales.

11. **Promotion for a brand** – the discount is created to draw attention only to goods of a particular brand. It can be offered at any time and for any period. The decision to start such an action is more often taken by the seller not the brand itself. This type of the discount and consequences for the brand from unexpected price reduction have been studied in the works of Grewal, D. et al., (1998); Ailawadi K.L.et al. (2009); Sigué S.P. (2008). Sigué writes about such actions as forced measures, “... manufacturers actually enjoy a relatively higher economic power than retailers when their promotional activities generate stockpiling, damage the brand image, or slightly increase future sales, while the channel profits are lower.” (Sigué S. P. 2008. p. 457)

12. **Free delivery** is the most popular type of service for which the buyer would not like to pay. Most of the major European shops constantly offer it for free as a bonus for purchasing a certain amount, which forces buyers to increase their sales receipt. However, as a promotional sales tool, this type of discount is very popular and used by most shops. According to Retention Science it takes the second place.
Most of the shops, entering the Russian market, strive to attract customers due to the reduction of the purchase price. Nevertheless, due to poor logistics system of the country, they abandon their plans. For example, Danish e-shop Stylepit provided free delivery throughout Russia in the first months after its launch on the Russian market, but then switched to a fixed shipping cost. Local stores provide this type of discount only under condition of the private courier service. So, for example, the delivery of one of Russia's largest fashion retailer WB.ru is organized.

13. *Free return* is the type of discount, which has become popular 3-4 years ago and is still in demand with European buyers. This is confirmed by the choice of Swedish customers who called “Free return” one of the criteria when selecting a store. This type of discount has important psychological value for a customer as a guarantor of full refund of the purchase amount in case of incorrect choice of goods. In some countries, the level of returns, purchased online goods exceeds 50% (Germany) (Lantz, B., Hjort, K. 2013). The authors Hijort and Hellström have carried out an experiment with Swedish fashion e-commerce to obtain data about «the impact of delivery and returns policies on consumer buying behaviour». They have come to conclusion that «Free returns are significantly associated with a decrease in the average value of orders while free delivery is not». (Hijort & Hellström, 2014, p.2)

14. *Middle season sale* is the discount that is designed to stimulate sales in the period, when things are still relevant, i.e. adjusted to the weather and season. It can reach up to 50% and is very popular with European buyers. However, such a pricing tactic does not apply in Russia, even for European brands.

15. *Discount for a discount* is not a special form of discount, but rather the interpretation of price for buyers. However, from the experts’ point of view in the study of consumer behaviour this discount is important to encourage spontaneous purchases. (Carpenter, J. M. 2008; Chan S.L. et. al. 2010). Typically, this reduction is made at the end of any period of sales and takes a very short period of time (2-5 days). It has never been used in Russia in the fashion e-commerce. In Sweden it is usually “half of the sale price”.

16. *Short-term discount* (within the period of 4 hours, one day, and weekend) - the price offer can be anything, but must be unique in order to attract a buyer to take immediate action. This discount is organized by analogy with the bonuses. It can be either provided individually as a reward for already made purchase or it can be announced for all store customers as a reminder of the shop. Some sites when advertising the discount place a countdown timer next to the product. This type of the discount is used in Sweden and Russia throughout the year.
17. *Birthday price* is an individual discount that is available only for the period close to this event (birthday or during the week prior to the day of birth of the buyer or the week after). The discount can be any. It is often 10-20% on any purchase. It can be combined with other offers and is used as a stimulus for spontaneous purchases. This is a very common type of discount in Russia and is hardly ever used in Sweden.

18. *Holiday discount* is counted on the purchase of gifts. (Appendix 7). This discount is usually done in the preparation period for the most important traditional holidays (Christmas, Easter, St. Valentine's Day, International Women's day on March 8, the New Year). The highest discounts in Sweden are usually before the New Year and in Russia they are before Valentine's Day. We can assume that this difference is due to different climate in the analysed countries besides the sales of old collections end later in Russia.

Thus, the 18 types of discounts are the evaluation criteria of Fashion e-shops of Russia and Sweden.

Monitoring and recording of discount types will allow us to compare the marketing strategies of Russian and Swedish online retailers in terms of price tactics. It is worth noting that some of the price proposals are very similar, but applied by the shops on the understanding of its target audience. They are often combined and are not always set by discount brands. According to Sigué: “Economic power shifts from manufacturers to retailers, as they earn more profits than manufacturers if consumer promotions such as coupons and premiums substantially increase long-term sales”. *(Sigué S.P. 2008. p.457)*

One of the important tasks of the discount announcement is the promotion of the seller, i.e. e-shop acts as a trademark. Other ways to attract customers to the store work through links and search queries. However, according to Hines & Bruce the information exchange with customers at the expense of prices is the most effective option. *(Hines & Bruce et al. 2007)*. Burt also notes that “Marketing strategy analysed on base of 4 criteria: merchandise, location & store format, the selling environment & service, market communication”. *(Burt, S.et al. 2011)* If we systematize the information described above on discounts in Russia and Sweden concerning three options it will be possible to check out the first of the proposed hypotheses.

The three criteria of classification of discount types:

1. **Individualization** – personal or mass; it shows the level of application of modern marketing technologies.

2. **Purpose of the discount** - holding the buyer, obtaining a competitive advantage when choosing a store (competitive price), encouraging
spontaneous purchase, drawing attention to the product for purchase now or in the future (promo); this criterion refers to the ultimate goal, which the seller wants to achieve using discounts as an impact tool on the buyer.

3. **Frequency of realization:** renewable; non-permanent; permanent. This criterion allows us to understand the relationship of the fashionable season (spring-summer and autumn-winter) and the period of discounts. It shows the probability of receiving a discount when making a purchase with regard to a season (the beginning of sales - the middle - the end of a season – the end of sales). A season or a cycle is the period of the relevance of the collection from its announcement and sale till the end of sales and receipt on sale next collection.
6. SAMPLING

Panel is unchangeable set of objects, which are multiply observed at certain time intervals by the same research program. In our case the panel will be each sampling from national e-shops.

To assess Russian and Swedish shops with the criteria described in the previous chapter, the relevant sampling for two panels was made:

- Russian fashion e-shops - R panel;
- Swedish fashion e-shops - S panel.

Sampling items (fashion e-shops) were selected by the links in Google, the most popular international search engine (according to the e-marketer). The author of this study was proceeding from the logic of choosing the largest shops, which use the promotion in search engines.

The selection was made by 10 keywords that are relevant to this study in both languages (Russian and Swedish). At the time of study the audience in Russia covered 57,700 thousand people, whereas in Sweden – 19,300 thousand people (data according Google AdWords as of December 31, 2014.) The popularity level of the search query in Google AdWords became the condition for selection of relevant words. Each of ten selected words has over 1,5 thousand search queries per month.

Keywords for fashion e-shops sampling:

1. fashion e-shop
2. fashion shopping
3. fashion trend
4. buy clothes
5. buy shoes
6. sale
7. discount
8. women’s clothing
9. Swedish fashion
10. Russian fashion

To observe the balance in sampling, the following items were excluded from the obtained set of e-shops:

- mono-brand shops;
- special menswear e-shops;
- e-shops with kids’ and teen clothing only;
• e-shops with sportswear only;
• shops focusing on the development of a traditional commerce, but not of an e-commerce. (This information was given in the official description of the shop);
• e-shops representing only local brands. For example, shops of Russian designers;
• shops selling luxury brands only. (This information was given in the official description of the shop);
• e-shops selling second hand clothes and specialized e-shops (workwear, uniform);
• unadapted shops, i.e. shops which do not use national language and the prices in the currency of the country.

As a result of such a sampling two panels (R and S) with 9 e-shops in each of them were formed. According to a press monitoring, the sampling has included the most popular shops of clothes and shoes, discussed in social media, i.e. the leaders of fashion e-commerce of the analysed countries. The volume of sampling was determined based on the number of shops that satisfy all the criteria of both countries. General totality of such shops in Sweden is nine. Thus, the second panel representing the sampling for Russia was also reduced to nine.

R panel:
1. Boutique.ru;
2. Brand-in-trend.ru;
3. Click-boutique.ru;
4. La moda.ru;
5. Sapato.ru;
7. Showrooms.ru;
8. Topbrands.ru;

S panel:
1. Bestseller.com;
2. Boozt.com;
3. Brandos.se;
4. Ellos.se;
5. Miinto.se;
6. Nelly.com;
7. Sportamour.se
8. Stylepit.dk;
9. Zalando.se.
7. DATA COLLECTION

According to the methodology of systematic observations described by Bryman, the observation schedule, which is “a crucial step in the structured observation project”, was created. (*Bryman, 2012, p.275*). The observations of both panels were performed daily. The obtained data were grouped every week for each sampling item.

As a result of the observation, according to the adopted schedule, the information was obtained on 18 criteria defining the price promotion tools for both panels. Also the rate of price reduction for goods has been fixed. All observations were carried out considering the following data:

1. The start of sales of new collections in each shop. Indicated by the letter N on the picture;
2. The end of the sales of old collections. Indicated by the letter O;
3. The most important holidays involving gifts for each country (New year, Easter, Valentine’s Day etc.). Dates of certain holidays and its significance in Russia and Sweden differ from each other. For example, in Russia they do not give gifts at Christmas, whereas in Sweden they do not give gifts at the International Women’s Day.

The observation allowed us to record different levels of price changes, but for this observation the maximum discount was important.

If several special price offers were announced at the same time, then the greatest of them was considered or in case of the "discount on discount" tool a relative value calculated.

This observation within 4 months allowed us to fix the following in both panels:

1. Changes in the use of marketing tools to attract customers at the expense of a price offer;
2. The peaks of full activity in the promotion of selling brands;
3. Periods of keeping the regular prices for goods.
4. The maximum discount (the smallest and the biggest) and the time of their use.
5. Start and end of a season of the fashion collections sales.

The collected data is compiled in tables, allowing us to carry out a comparative analysis of the information obtained. The charts of price changes and a table of the use of marketing tools to attract customers at the expense of the price offers are specified in Appendix 8 and 9.
8. COMPARATIVE ANALYSIS OF THE SALES INCENTIVE TOOLS IN FASHION E-COMMERCE IN RUSSIA AND SWEDEN

Initial statistics data of the use of 18 sales incentive tools are showed in the Appendix 8. The assessment of the use was performed on a 2-point scale with the scores 0-1. 1 means that the shop uses the tool, 0 means that this tool is not available in the fashion e-shop.

To perform a comparative study a relative percentage assessment of the use of all tools by each shop individually and for each panel R and S at the average was performed. Shops in Russia (R panel) use 30% of all tools, whereas shops in Sweden (S panel) use 72.5%; i.e. Russian shops use 2 times less than Swedish ones.

Maximum percentage of the use of tools in Russia is 70.1%, minimum is 11.8%, and a scores spread is 58%. In Sweden, respectively: 82.4% and 52.9%, spread is about 30%, which is evidence of a more complete use of various tools.

For clarity, the comparative fields of use, 18 tools on the territory of Russia and Sweden are showed at the radar chart on the Figure 7.

Figure 7. Comparative analysis of the tools in Russia and Sweden (2014).

The fields of use of price promotion tools in the fashion e-commerce significantly differ both in composition and in degree of use.

Paired comparison of a degree of use of the price promotion tools in Russia and in Sweden is showed on the Figure 8.
As for a degree of use a weak correlation between the tools and the analysing panels is observed. A correlation coefficient is following: Cor=0.264755. Discounts classification results by the popularity as well as the assessment of its part in a general use for Russian and for Sweden are showed on the Figure 9 and 10 correspondingly.

The use of price promotion tools in Russia is unbalanced. The most popular are 2 types of discounts such as Sales old collection and holydays discount (by 20 per cent of the total number of methods used). The second group by popularity is formed by middle season and discount for short time (by 9% and 18% in total).
Swedish fashion e-shops use price promotion tools more fully and smoothly. The most popular group is formed by 8 types of discounts that make up 65% of the whole set of the analysing tools. (by 8% each of the total number of cases of the methods use). The second group is formed by last chance and promotion for a brand (by 6.3% each). The birthday price discount is not used in Sweden, whereas in Russia this type of discount is very popular.

![Pareto Diagram for the Swedish e-shops](image)

**Figure 10.** Pareto Diagram fro the Swedish e-shops (2014).

Thus, thanks to the analysis of the results of the fashion e-shops monitoring we were able to prove the second Hypothesis. E-commerce in Russian and in Sweden uses different price promotion tools to attract buyers in its shop, to keep them as regular customers and to encourage them to make a purchase.

As for the classification of discounts proposed in this research work, in Russia there is more often used individual, one-time discounts encouraging the buyer to spontaneous purchases, as well as discounts giving a competitive advantage. In Sweden there are more often used mass discounts, offers retaining a regular customer and encouraging him to spontaneous purchases, as well as renewable and one-time discounts.

Based on the performed analysis we can conclude that in Sweden the buyer almost at any period can get a discount on goods, due to a more smooth distribution of discounts. Thus, the use of discounts does not depend on the cycle, that is, the discount is not associated with a start or end of sales of new collection. However, to reject the hypothesis of a cyclical nature of sales it is necessary to determine the level of price reduction. The analysis of changes in prices is described in the next section.
9. THE ANALYSIS OF CHANGES IN PRICES

An Appendix 9 shows diagrams of price changes for each of the panels within 4 months. The trend was found and showed for each of the panels. The trend is calculated with the use of Office Excel tools. On the Figures 11 and 12 trends of both panels are shown for comparison.

**Figure 11.** Comparison of average values in dynamic for both panels (2014).

**Figure 12.** Comparison of max levels of discounts in dynamic for both panels (2014).

Thus, it becomes obvious that the marketing strategies of the e-shops in Russia and Sweden are different because they have different pricing policies.
Proceeding from the conditions of sampling it is known that all shops represent international and (not all) local brands that is some part of selling brands should intersect and thus the periods of promotional campaigns for selected brands should intersect because the international brands tend to adhere to a common price policy for all countries. For example, this is happened in single-brand stores (H&M, Esprit, ECCO). As it becomes evident from the text this Swedish company is launching special price offer at the same time in all countries.

However, the trends of price changes in the analysing diagrams diverge. This indicates a different pricing policy of brands for Russia and for Sweden, or a different list of proposed brands. According to Grewal: “frequent discounting may force manufacturers to offer bigger discounts in the subsequent price promotions to attract consumers.” (Grewal, D. et al., 1998, p. 17)

However, with respect to a season, that is the start of sales of new collections, trend diagrams of both panels show the price without discount; this means that in both countries a regular price of the goods is declared (the norm). However, only one week after in Sweden the use of "discount on the new collection" tool begins; while in Russia the price is reduced later, coinciding with the period of preparation for the holidays. Then the trends vary in parallel reaching the middle of a fashion season. At this stage in Sweden the price is reduced and gradually reaches its peak price reduce due to the use of several price offers. At this time, in Russia the price remains the same and in some e-shops it rises to normal. Then, a period of great discounts (50-70%) in Sweden ends and the trends go in parallel for both panels and then begin to decrease gradually. These changes prove the third hypothesis, in which the author of the research work suggested a seasonal nature of discounts in both countries. The analysed data has confirmed that the prices bear cyclical nature and have a highest price at the start of sales of the new collections and the lowest one at the end of the season. However, it is worth noting that the cycle of maximum use of a price offer is different. That is, a variety of marketing tools and their simultaneous use in the shops is observed in the middle of the season, when there is a choice of models and sizes, hence the price offer is the most effective for the customer. It can be concluded that in the middle of the season the e-commerce provides the best offer to customers whereas at the end of the season it sells the remaining goods at a low price, promotes the shop in search engines and uses the price offer as reason for communication with the buyer before starting to sale the following new collection.
10. CONCLUSION

In this research work there were studied the marketing strategies described in the examples of selection and use of the price changing tools in Russian and Swedish fashion e-shops. As a result of the qualitative and quantitative analysis of marketing strategies data of the leading shops in Swedish and Russian fashion e-commerce on the basis of the price fluctuations we were able:

- to make a comparative analysis of fashion clothing and shoes buyers’ expectations in the selection of the e-shops;
- to analyse, systematize and classify types of discounts used in these countries;
- to compare and find differences in final and related goals of the analyzed shops.

Thus, on the basis of theoretical data this study allowed us to prove three of four hypotheses made by the author at the beginning of the work on the basis of theoretical data.

The first hypothesis concerning the identity of the pricing policies of both countries has been rejected according to the statistics of price changes for the analysed period.

The second hypothesis concerning the use of different sales incentive marketing tools was proved following a comparative analysis of different types of discounts within the analysing period in Russia and Sweden.

The third hypothesis concerning the cyclical nature of the use of discounts was proved. Indeed, in the first week of sales the price for the goods is maximal, whereas at the end of sales it is minimal. However, the analysis data shows that the buyer gets the best offer not at the end, but in the middle of the season. This does not deny the cyclic nature of the used discount types, provided that the cycle is changed not at the end, but in the middle of the sales season. During the study we also were able to show the variety of marketing tools to stimulate the consumer (18 types), which are used in fashion e-commerce both in Russia and in Sweden. An important result made in this research work is the conclusion that buyers in Sweden, in contrast to Russian buyers, have a price offer distributed more smoothly.

The fourth hypothesis concerning the use of discounts not only as a marketing tool, but also as a variant of communication with the consumer was also proved. Encouraging the shopper by discounts on the first purchase allows the seller to get his contact details for further communication. Forwarding of coupons, bonuses, multiple purchase discount works to attract attention and retain customers as a regular customer of the shop. It provides with the opportunity to update the information continuously, which proves the importance of discounts for the communication process.
between the e-shop and the buyer. This confirms the Burt’s theory of four criteria of the marketing strategies analysis. (Burt, S. et. al. 2011).

In this research work all three objectives set before the start of the project were achieved. A recurring period with the best price offer in Sweden and Russia was found. These are different periods, and this is important to know when planning a work in these markets. The comparative analysis of fashion e-commerce of both countries was performed and fundamental differences and identical aspects of their work were found. These countries have common direction in the development of fashion e-commerce, but they achieve their goals through the use of various sales incentive tools.
11. RECOMMENDATIONS

Recommendations on the discounts for e-shops:

According to the results of these theses, when dealing with online buyers from the analyzed countries it makes sense to take into account the most popular marketing tools to stimulate sales. This allows e-shops to reduce risks and adapt faster.

1. The introduction in Russia of methods of delivery and return of goods typical of Sweden may significantly increase the loyalty of Russian buyers to the shop. Proof of this is the experience Stylepit work in the Russian market.

2. The use of new types of discounts can also give great benefits for working in new markets. An example of this is Zalando shop, which uses the maximum arsenal of discounts types and marketing campaigns in its work.

3. Full localization of shop includes the use of sales types common for buyers and the compliance with their terms. If the Swedish shop wants to work with Russian buyers, then it is necessary to take into consideration the most important holidays and the change of seasons analyzed in this work.

4. Marketing tools, which have become the most popular in one country and which are not used in another one, should be considered as additional promotions when entering a new market and should be used positioning them as the new ones.

5. When entering a new market you should position your shop indicating its territorial origin, however adapt the methods of sales promotion for local and national features of pricing strategies and communication with the consumer.
12. VALIDITY, REPLICATION AND RELIABILITY

This study was performed with the use of reliable and relevant methods of data collection and analysis. Its reliability and validity is ensured by:

1. the involvement of consistent initial theories and basic provisions related to marketing strategies and communications;
2. the use of logical procedure of the scientific work complying with the objectives of a research;
3. qualitative interpretation of comparable secondary data about the criteria for selection of shops in Sweden and Russia, as well as about the specific features and development conditions of fashion e-commerce in these countries;
4. the representative sampling for each of the analyzed countries;
5. the quantitative analysis of the initial data, related to the monitoring results for Russian and Swedish fashion closing and shoes e-shops, collected by the author of this research work;
6. the regularity and duration of the conducted monitoring (4 months).

However, the reliability of such a research may be higher. If to increase the sampling volume of each panel, then the results of the monitoring will be more indicative and therefore reliable. The period of this study was limited to the scope of the educational process, so it lasted only 4 months. It is reasonable to perform a monitoring of Russian and Swedish fashion e-shops and their analysis by the 18 described criteria for a longer period. This will allow us to make a conclusion on the use of sales incentive marketing tools during each year or to compare the respective seasons. Since different marketing strategies and tools, as well as methods of communication may be used for different seasons. It is also necessary to take into account that the situation on the Russian and Swedish markets of fashion e-commerce is changing rapidly and the results in a different time period may differ from those ones obtained in this research work. However, the comparison of such results may provide with the important information on the use of new tools and pricing tactics in fashion e-commerce.

All obtained results and conclusions are relevant only for fashion e-commerce and for the analysed countries only. It may not be used for the analysis of the fashion e-commerce in other countries without additional monitoring and comparison of the obtained results.
13. REFERENCES


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14. APPENDICES

Appendix 1.


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Note: Rows may not sum to 100% due to rounding.

Source: Emarketer (2014).
Appendix 2

Free delivery offer.

Appendix 3.
Max bags discount on Cyber Monday in Russia.
Source: BagsBoutique.ru (2014)
Appendix 4.

Student discounts in the Swedish fashion e-shops.

Source: Mecenat.se (2014)
Appendix 5.

Multiple purchase discount 1+1=3

Source: Sapato.ru (2014)
Appendix 6.

Last chance discount

Source: Zalando.se (2014)
Appendix 7.

Holiday discount.

Source: Gant.se (2014)
Appendix 8.

Results of the observation. (2014)

Panel R.
The relative use of the tools in Russian e-shops

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<th>discount for short term (until week or weekend)</th>
<th>fast chance campaigns for the last year</th>
<th>home counting</th>
<th>promotion campaigns by brand</th>
<th>buy 3 pay 2 ends</th>
<th>bonus coupon</th>
<th>free return</th>
<th>discount on discount</th>
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Frequency of use of the tools

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Panel S

The relative use of the tools in Swedish e-shops
## Appendix 9.
Timeline of discounts for Panel R and Panel S (2014)

### TIMELINE OF DISCOUNTS

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<th>week 6</th>
<th>week 7 (St. Valentine's)</th>
<th>week 8</th>
<th>week 9</th>
<th>week 10 (March 8)</th>
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Thesis number: 2014.11.12