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„Business Strategies and
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1 Introduction

Since the last decades E-Commerce has become an increasingly important source of competitive advantages. The opportunities of E-Commerce enforce managers to redesign business processes and even to rethink the existing business models and the relationships with their business partners. Many different empirical findings demonstrated that E-Commerce enables companies not only to decrease transactional costs, but also to enhance efficiency in collaboration with their customers and suppliers. Especially business-to-business (B2B) E-Commerce continues to grow rapidly all over the world, even despite of the recent economic regression.

Though many different scholars and empirical evidences indicated, that E-Commerce may play a critical role for facilitating efficiency and profitability of industrial companies, it appears to be crucial to examine whether it prevails also within different business strategies and may be considered as universal method, applicable in many companies to decrease costs and build closer partner relations.

In this master thesis the topic “Business strategies and B2B E-Commerce opportunities of global narrow specialized companies” will be investigated. In the context of globalization of the economy, continuous increase of competition and rapid development of information technologies this theme is considered to be of high practical and theoretical importance for business environment.

Within this master thesis the use of E-Commerce by global narrow specialized companies will be analyzed. This marketing strategy represents an interesting approach to increase competitiveness of a company acting in global markets. Within this research narrow specialized companies (niche companies) are defined as companies, which dominate global B2B markets of goods or services, reaching high global or regional market share, being relative small and unknown to public in comparison to large enterprises with diversified product portfolios.

Though nowadays in business literature the amount of different articles and the research papers devoted separately to E-Commerce and narrow specialized companies is rather high, there is still limited information on how such companies use E-Commerce. Thereby, the master thesis may add to the limited research knowledge regarding the use of E-

Commerce by global niche companies. Furthermore, the master thesis will also have an impact on business practice. For the executives, who expect to implement E-Commerce in their niche companies, this research will represent a useful reference to get the first insights and broad theoretical background on this topic.

Hence, the main objective of this master thesis is to explore how narrow specialized companies use B2B E-Commerce and how this matches their business strategies. At this point it is important to mention that business strategy of niche companies will be considered as a constant, but the way of how to implement and use of E-Commerce may be affected by the strategy and not vice versa. In order to achieve the goal of the master thesis the following tasks were defined:

- to build an understanding of B2B markets;
- to distinguish the opportunities from using E-Commerce;
- to analyze the main types of B2B E-Commerce and give some examples;
- to define key elements of the strategy of narrow specialized companies;
- to conduct in-depth interviews with representatives of niche companies for the case study;
- to make an analysis of case study and derive the knowledge on use of E-Commerce;
- to sketch out the directions for further research.

Based on this main objective and the defined tasks the master thesis is divided into five subsequent chapters. At first, the theoretical background on B2B E-Commerce will be reviewed. It includes the characteristics of B2B markets, procurement process and relationship marketing as the basis for further investigations. After that a review on B2B E-Commerce, main types, trends and opportunities is provided in detail.

The third Chapter is devoted to marketing strategies of narrow specialized companies serving global markets. It focuses on characteristics of niche markets, key success factors and risks of such strategy. The theoretical postulates are broadly illustrated with different examples gained during interviews with representatives of global niche companies.

The fourth Chapter consolidates the knowledge from the previous ones and represents an exploratory case study of a niche company. It starts with the description of the research design. Then it demonstrates how the studied company uses E-Commerce in detail. At the end the opportunities and risks of E-Commerce for the company are analyzed. Based on

the case study theoretical knowledge will be derived and avenues for further research are going to be provided.

As research methods a single exploratory case study and a desk research were chosen for this master thesis. A single case study was performed based on in-depth interviews with company representatives, observations and different documentation, like reports or process descriptions of a case study company. For the desk research textbooks, classical literature on the topic, recent articles published in international journals, papers presented in conferences as well as Internet resources were used.

2 B2B E-Commerce: Theoretical Framework

During the last decades it became obvious that Internet and cutting edge information technologies have changed sufficiently our daily lives in all its facets. Worldwide two billion people are connected to the Internet and this number is growing every year by 200 million.¹ From one side our daily life is highly affected by the Internet, taking for example shopping or paying bills, booking holidays, communicating with government or our friends online. From the other side the Internet has also a high impact on the way companies run their businesses and this topic is getting more important over the last years. “Almost \$8 trillion exchange hands each year through E-Commerce. In some developed markets about two-thirds of all businesses have a Web presence of some kind and one-third of small and medium-sized companies extensively use Web technologies”.² In view of these facts the question arises, why E-Commerce is getting so important for industrial companies and what are the benefits of the use of E-Commerce. This Chapter is devoted to this question.

At the beginning of this part complex business-to-business issues, such as characteristics of B2B markets, supply process and buying behavior, will be conceptualized and briefly presented. After that the types of B2B E-Commerce will be described in detail and illustrated with examples. These will build a broad theoretical background for the discussion and analysis of B2B E-Commerce opportunities. Furthermore, a review current situation of B2B E-Commerce market will be given.

2.1 Characteristics of B2B Markets. B2B vs. B2C

Traditionally, two generic types of markets may be distinguished: consumer markets and business markets, whereas the latter include industrial markets or business-to-business, business-to-government and non-profit organization markets. In general terms B2B can be defined as firm's interaction with other firms, comprising suppliers, distributors, agencies and customers.³ B2B markets are networked organizations operating in a complex environment⁴. The management target of the companies is to understand the business buying processes and to build profitable relationships with business consumers by creating

¹ cf. Pelissie du Rausas et al., 2011, p.V.

² Pelissie du Rausas et al., 2011, p.1.

³ cf. Vargo, Lusch, 2011, p.183.

⁴ cf. Kotler et al., 2009, p.14.

additional value.⁵ More concretely, B2B markets are about buying goods and services in order to use them in development, creation and delivery of own products and services or to resell to others.⁶

Though usually in business literature and at universities business-to-consumer markets are predominantly discussed and analyzed, there are a number of characteristics and special features that differ B2B from B2C. That makes it critical to examine B2B separately.⁷ And indeed, the early textbooks published on B2B appeared already in the early 1930s.⁸ In 1934 the textbook “Industrial Marketing” written by Frederick was published by Prentice Hall in New York. After that for about 20 years there was a dormant period for this topic and later in 1957 the first course on industrial marketing was introduced at Harvard Business School by Ray Corey.⁹ And recently an article written by Reid and Plank was published in “Journal of Business-to-Business Marketing” reviewing the B2B marketing literature and pronounced that B2B had come of age.¹⁰

The knowledge and understanding of B2B can be really important from different perspectives. Taking for example the ranking of “Fortune 500”, the number of consumer (B2C) and industrial companies (B2B) presented in this list is almost equal. In German speaking countries especially industrial companies play an important role for the whole economy of the region.¹¹ And finally, the market volume of B2B is much higher than the one of consumer markets.¹²

Hence, before analyzing B2B E-Commerce it's important to focus on the main characteristics of business markets. They can be summarized in three blocks:

- market structure and demand;
- nature of buying customers;
- decision process.

Table 1 illustrates, in summary form, these three blocks and their characteristics. In comparison to consumer good business buying process is very complex. It involves large sums of money, technical and economical considerations and different people with their

⁵ cf. Kotler, Armstrong, 2010, p.190.

⁶ cf. Kotler, Armstrong, 2010, p.191.

⁷ cf. Fauska, 2011, p.3.

⁸ cf. Vargo, Lusch, 2011, p.182.

⁹ cf. Vargo, Lusch, 2011, p.182.

¹⁰ cf. Vargo, Lusch, 2011, p.83.

¹¹ cf. Fauska, 2011, p.3.

¹² cf. Kotler, Armstrong, 2010, p.193.

own interests at many levels of organization. In B2B markets buyers and sellers are more interdependent and work closely together during all the stages of buying process. Moreover, the buying process could create additional value for the customers.¹³ According to these features the main differences from B2C that must be taken into account while analyzing B2B are the following¹⁴:

- business customers will purchase just the products they really need and whose can increase the value of their own products;
- the relationship is more complex and long-term orientated;
- marketing communication must be professional and deep;
- purchasing processes are multistage, procurement manager buys goods not just for his company, but also in order to present himself, he's promotion or bonus can depend on his decision and negotiation skills.

Market structure and demand
Business markets contain fewer but larger buyers
Business buyer demand is derived from final consumer demand
Demand in many business markets is more inelastic
Demand in business markets fluctuates more and more quickly
Nature of buying unit
Business purchases involve more buyers
Business buying involve more professional purchasing effort
Types of decision and decision process
Business buyers usually face more complex buying decisions
The business buying process is more formalized
Buyers and sellers work closely together, building close long-term relationships

Table 1 - Characteristics of business markets¹⁵

According to these special characteristics of B2B markets, it reveals, that the main topics to be discussed on B2B are supply chain management (SCM), especially buying process and relationship management. These two concepts must be reviewed before analyzing the opportunities from B2B E-Commerce.

¹³ Kotler, Armstrong, 2010, p.194.

¹⁴ cf. Fauska, 2011, p.5.

¹⁵ Kotler, Armstrong, 2010, p.191.

2.1.1 Procurement Process in B2B Markets

Procurement process as part of supply chain management can be described as the way firms purchase goods or services they need to produce their own products, which will be sold to end-consumers. As illustrated in Figure 1, business buying process consists of several complex steps that involve different departments of seller, buyer, and logistic companies in a series of connected and interdependent transactions. The first four steps concentrate on decision where to buy and what to pay for the product. The next steps involve carrying out the purchase formalities. At the end the analysis of the process may be done. This process was described for a one-to-one relationship between buyers and sellers. In the market there are many of such relationships and connected processes. The set of firms which is linked through a series of transactions refer to the supply chain.¹⁶

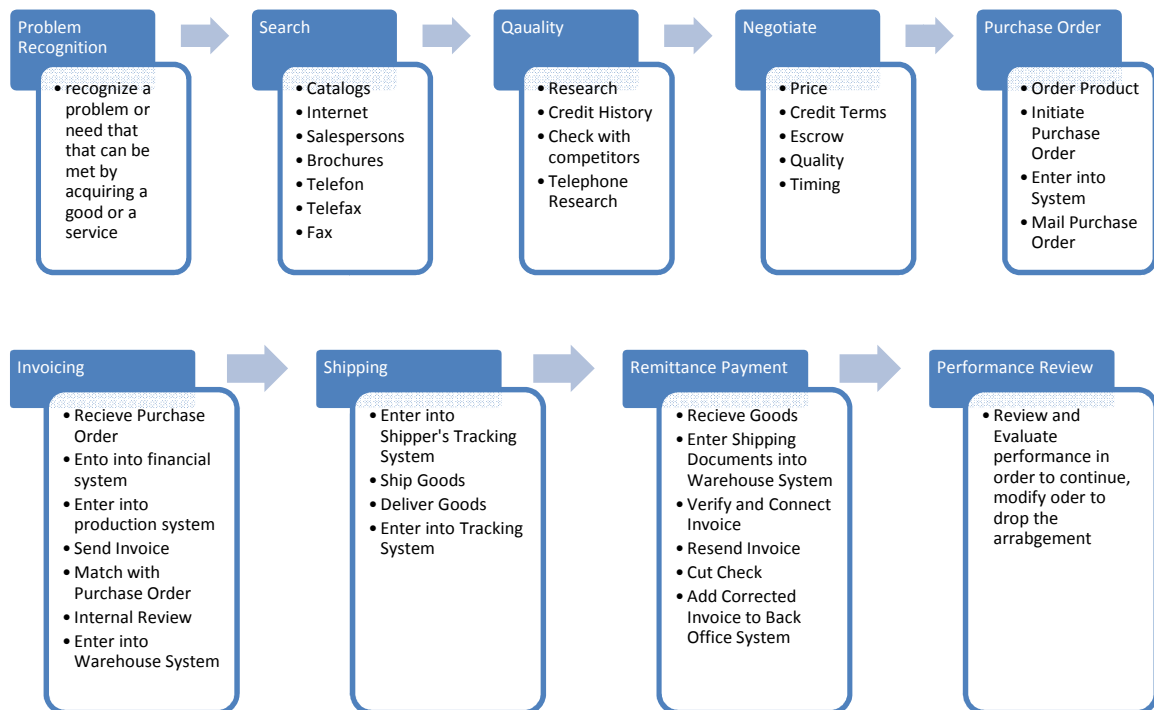


Figure 1 - Procurement process at B2B company¹⁷

The first phase of procurement process includes problem recognition. The recognition of a problem can be a result of internal or external stimuli. For example, a new product requires a launch of new production equipment or buyers were not satisfied with the existing suppliers. Also external forces like trade shows, sales persons call from another supplier may stimulate a search for a new more efficient solution of the problem. After that the

¹⁶ cf. Laudon, Traver, 2011, p.799.

¹⁷ cf. Laudon, Traver, 2011, p.800.

existing problem must be described and special characteristics for the product should be defined. They can also be ranked by reliability, price, service level, durability and other special attributes. The next step which must be done by organization is to make technical specifications of the product, often even to conduct a product value analysis in order to reduce costs. As soon as product characteristics are defined, the search for suppliers may begin. The buyers conduct search by reviewing catalogues and brochures, calling sales people, asking for recommendations. At this stage it's important to highlight, that the Internet plays here an important role. The Internet is not only an efficient and effective way to find best vendors, but it also gives an opportunity to smaller suppliers to be easily found by their potential buyers. The next phase of buying process is devoted to evaluating the quality of the suppliers by reviewing their written proposals and presentations. Then the supplier selection phase starts. Buyers negotiate with suppliers on topics like competitive prices, product and service quality, delivery and paying conditions, honest communication, return policies and warranties. At the end of this step the buyers may decide for one supplier or for few of them in order to avoid the total dependence on one single supplier. Of course, that depends on the product and there must be at least two suppliers to choose from.¹⁸

The next steps include the formal carrying out of the buying order. Here it's also important to mention, that in each step the supplier can provide additional value and superior quality, making it easy to work with and as a result save the time of a customer and therefore costs. The supplier should not only deliver the best combination of quality-service-price products, but it's also important to satisfy other departments, such as finance, logistics, IT, and procurement to ensure long-term relationships with the company. How smooth the phase-out of the buying process was, is usually evaluated during the last stage, namely during the performance review. During this step the buyers contact the users of the product and other stakeholders and ask them to evaluate the suppliers. Based on the results of the performance review the buyers may continue, modify or determine the arrangements.¹⁹

In practice, it depends on a product and buying frequency if a buying process consists of entire set of nine steps or just of a subset of them. If a company buys a product or service for the first time, it faces a new task situation and generally all the steps of buying process will be performed and need to be considered. Many decision participants will take part in

¹⁸ cf. Kotler, Armstrong, 2010, p.200-203.

¹⁹ cf. Kotler, Armstrong, 2010, p.200-203.

the process.²⁰ In such situation much attention is paid to information search. It is also recommended to conduct a performance review in order to find opportunities to optimize the processes in the future.

If a buyer has established relations with his supplier, but has decided to modify product specification, prices, terms and conditions, then such situation refers to modified rebuy. As a rule modified rebuy starts with directly at the phase of negotiations with the current suppliers. Clearly, that at the end of the process a performance review should take place.²¹

But if the buyer just orders the standard product without any modifications, then we are talking about straight rebuy. It is usually done on a routine basis by the purchasing department. The buyers based on past experiences just order the same good from a defined list of suppliers.²² In this case generally only the following phases are needed: purchase order, invoicing, shipping and payment.

Another dimension which may influence the business buying process is the products or services bought. The goods can be classified in two groups²³:

- direct and
- indirect goods.

Directs goods are usually used by companies in the production of their own products. Such products have a high impact on the production, processes and quality of the end products of a company. So a company will invest much time to define the most suitable suppliers. Generally a company would go through the entire buying process while ordering direct goods.²⁴

In contrast, indirect goods are not involved in the production process, but used for maintenance, repair and operations of the company (they are usually called MRO goods).²⁵ They are less expensive and have no direct influence on key processes of a company. Once the supplier list of indirect goods is defined, the purchasing department orders on regular basis.

²⁰ cf. Kotler, Armstrong, 2011, p.197.

²¹ cf. Kotler, Armstrong, 2011, p.197.

²² cf. Kotler, Armstrong, 2011, p.197.

²³ cf. Laudon, Traver, 2011, p.800.

²⁴ cf. Laudon, Traver, 2011, p.800.

²⁵ cf. Laudon, Traver, 2011, p.800.

Moreover there are two methods of purchasing goods that can be distinguished²⁶:

- contract purchase and
- spot purchase.

Contract purchasing includes long-term relationship between seller and buyer and is devoted to specified products. Basically this method can be used for direct goods. In contrast, spot purchasing is based on immediate needs and is often related to indirect goods.²⁷

In summary, the different aspects of business buying process and its classifications are demonstrated in Table 2.

Kind of Good Purchased	Buying Situation	Buying Method	Number of Phases of Purchasing Process
Direct goods	New Task at first purchase	Long-term contract	1-9
	Modified or straight rebuy		5-8 or 5-9
Indirect goods	New Task at first purchase	Spot contract	1-9
	Straight rebuy		5-8

Table 2 - Relation between different characteristics of procurement process²⁸

That is obvious, that during each phase of the purchasing process the transactional costs occur.

The procurement process described above can be analyzed from both sides. On the one hand the buyers optimize their own buying processes. On the other hand the sellers need to know and understand the buying process of their clients, so that they can consider them in their selling strategies.

2.1.2 Relationship Marketing in B2B Markets

During the analysis of B2B markets attention should be also paid to relationship marketing. During the last decades a number of essential changes took place in B2B markets, which reinforced the importance of strong relations between business partners. The importance of

²⁶ cf. Laudon, Traver, 2011, p.800.

²⁷ cf. Laudon, Traver, 2011, p.800.

²⁸ cf. Laudon, Traver, 2011, p.800.

services has increased dramatically. The companies started to pay much more attention to quality management, so they need to involve suppliers as well as customers into their quality management programs. The development of information technologies facilitates closer interactions between companies; whereby these interactions are getting more complex and even the borders of the company may be blurred.²⁹

As defined by Morgan and Hunt “Relationship marketing ... refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges,..., involving suppliers, lateral organizations, customers, or one’s own employees or business units”.³⁰ Relationships with customers appear to be one of the most important competitive advantages of industrial companies. That is caused by the specific characteristics of B2B markets, such as limited number of partners, constant interchanges between companies, closer collaboration in order to find the best solution for existing problem. Based on these features of B2B markets, it’s essential to build strong relationships with partners in order to succeed. As stated by Anderson and Narus, companies cooperate with each other in order to achieve common goals. The outcome from collaboration may exceed the results, which companies could achieve if they were operating isolated.³¹ Morgan and Hunt also mention that, “effective competitor in today’s global marketplace requires one to be an effective cooperator in some network of organizations”.³² Drucker has named the economy of the future as “network society”.³³ Moreover according to Prahalad and Ramaswamy nowadays the focus is shifted from key competences of one company to key competences of a network.³⁴ Strong long-term relationships may help companies to support each other in three directions³⁵:

- economical (by cooperating in making investments, cost reduction programs);
- strategic (developing key competences, knowledge and other intangible assets);
- behavioral (sharing common values, culture and goals, using the social networks of each other).

In the proposed model by Morgan and Hunt, the relationship is based on trust and commitment. They define commitment as enduring desire to maintain valued relationship

²⁹ cf. Koutsch, 2003, p.4.

³⁰ Morgan, Hunt, 1994, p.34.

³¹ cf. Anderson, Narus, 1990, p.42-58.

³² Morgan, Hunt, 1994, p.34.

³³ Drucker, 1991, p.113.

³⁴ cf. Prahalad, Ramaswamy, 2000, p.20ff.

³⁵ cf. Koutsch, Smirnova, 2004, p.38.

and believe in relationship. It is necessary that both parties believe that the relations are important and want to endure relations indefinitely. Morgan and Hunt define trust as the status, where one party has confidence in the reliability and integrity of the other partner and vice versa. They posit, that can be reached if companies or networks provide “resources, opportunities and benefits that are superior to the offering of alternative partners; maintaining high standards of corporate values and allying oneself with exchange partners having similar values and communicate valuable information, including expectations, market intelligence and evaluation of the partners performance and avoiding malevolently taking advantage of their exchange partners”.³⁶

Another interesting model which should be mentioned within this Chapter was proposed by Möller and Hallinen. The authors propose to divide marketing relationships into two levels: relationship based on markets (for example, can be used for indirect goods) and relationships based on networks (for example, can be used for direct goods). Figure 2 illustrates this idea.

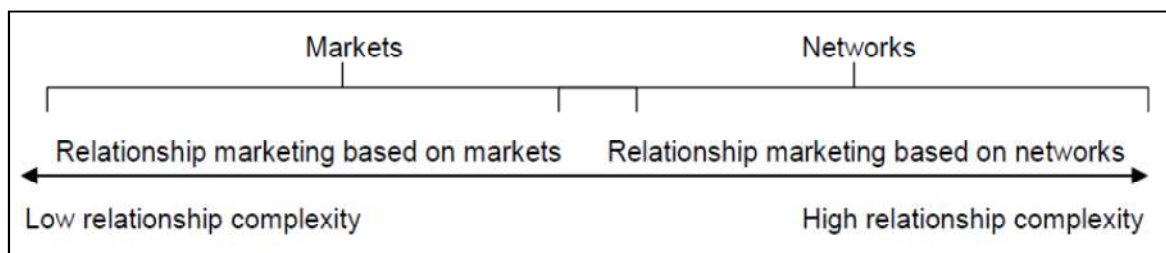


Figure 2 - Two main forms of relationship marketing³⁷

The main characteristics of marketing relations based on markets are described as³⁸:

- focus on individual customer relations;
- huge number of consumers;
- low level of interdependences as the resources;
- product or services can be easily replaced or substituted;
- sellers are more active than buyers;
- focus on a number of interactions and less on the long-term relations;
- emphasis on managerial, economic and psychological aspects of exchange.

In contrast to that, relationship marketing based on networks is characterized by³⁹:

³⁶ Morgan, Hunt, 1994, p.34.

³⁷ cf. Möller, Halinen, 2000, p.1.

³⁸ cf. Möller, Halinen, 2000, p.40.

- focus on bilateral relations between sellers and buyers and exchange within the network;
- number of players is not that high;
- products cannot be easily substituted;
- every partner can be active, not just sellers;
- companies concentrate on long-term relationships and emphasis on resources, social and functional exchange.

Linking this model to the classification of the goods into direct and indirect ones, one can conclude that for acquiring direct goods high complexity relations should be built up and maintained. Opposite to that, indirect goods could be sold in the markets with low relationship complexity.

The use of the concept of relationship marketing might enable companies to build closer relationship to customers and suppliers. That can lead to higher efficiency in supply chain processes and marketing activities. Hence, a higher level of profitability for all partners could be achieved. Strong relations with partners are also considered as an important competitive advantage. Tight cooperation between partners intensifies interdependences between partners making them irreplaceable.

2.2 B2B E-Commerce: Theoretical Background and Major Trends

In business practice and among academics there are still some discussions concerning the definition of E-Commerce. So it will be important to set the working definitions for the master thesis. In this master thesis E-Commerce will be defined as the use of the Internet to transact business, digitally enabled commercial transactions between and among organizations and individuals.⁴⁰ From this perspective the digitally enabled transactions refer to all transactions done by digital technology and commercial transactions, involving the exchange of value between organizations and individuals. There are different types of E-Commerce and criteria how to define them. For example, one criteria which can be used for classification is the type of buyers and seller. Within this variant of classification the major types of E-Commerce can be defined as following⁴¹:

³⁹ Möller, Halinen, 2000, p.40.

⁴⁰ cf. Laudon, Traver, 2011, p.47.

⁴¹ cf. Laudon, Traver, 2011, p.47.

- Business-to-consumer (B2C) E-Commerce refers to online business focusing on individual end consumers. It is the most commonly discussed type of E-Commerce. Like B2C markets, B2C E-Commerce is usually studied at universities and discussed in mass media;
- Business-to-business (B2B) E-Commerce refers to businesses selling to other businesses. It is the largest form of E-Commerce based on market volume and about ten times larger than the size of B2C E-Commerce;
- Consumer-to-consumer (C2C) E-Commerce focuses on consumers, who sell and buy from each other.

As nowadays E-Commerce is still developing new variants of existing types of E-Commerce may appear. For example, Business-to-Government (B2G) E-Commerce can be defined as a part of B2B selling to governments. Additionally, there are two more fast growing types of E-Commerce based on technological distinction:

- Peer-to-Peer (P2P) E-Commerce enables Internet users to share files and other information directly without any intermediary;
- Mobile Commerce (M-Commerce) is based on use of wireless digital devices, such as netbook, smartphones to transact on the web.⁴²

As mentioned above, this master thesis is devoted to B2B E-Commerce. As working definition of B2B E-Commerce for this research, B2B E-Commerce will be defined as B2B Commerce, which is enabled by the Internet.⁴³ More concretely, “B2B E-Commerce refers to substitution of computer data processing and Internet communications for labor services in the production of economic transaction”.⁴⁴

In this sense, the Internet enabled to develop businesses in two ways. From one side, new business model was introduced. The companies that operate only in Internet can be called “click-only companies”. From other side the traditional “brick-and-mortar” companies go online to sell or communicate with their customers.⁴⁵ E-Commerce may help companies keep their costs down by having access to wider range of suppliers, optimizing their internal processes and using a new sales channel to target their customers.⁴⁶

⁴² cf. Laudon, Traver, 2011, p.58.

⁴³ cf. Laudon, Traver, 2011, p.795.

⁴⁴ Lucking-Reiley, Spulber, 2001, p.55.

⁴⁵ cf. Kotler, Armstrong, 2011, p.197.

⁴⁶ cf. Pelissie du Rausas et al., 2011, p.9.

2.2.1 Evolution of E-Technology in B2B E-Commerce

In order to understand B2B E-Commerce mechanisms in a better way, the evolution of E-Technology will be introduced in this part of the master thesis. B2B E-Commerce has gone through several technology driven stages, which are illustrated in Figure 3.

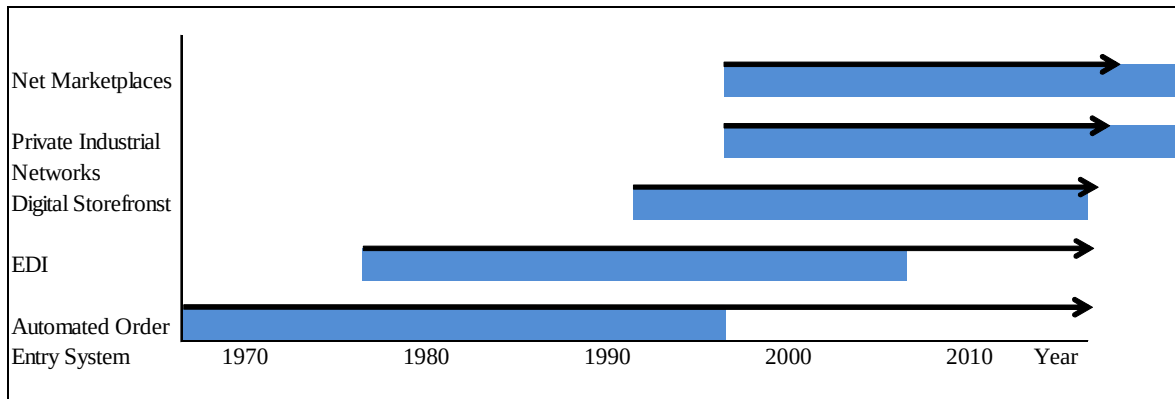


Figure 3 - Evolution of the use of technology platforms in B2B E-Commerce⁴⁷

Automated Order Entry System was an innovation in the middle of 1970s. It involved the use of telephone modems to send digital orders. A supplier placed telephone modems in its customer buying centers to automate ordering from computerized inventory database. It was seller-side solution, because the initiator was a seller.⁴⁸

Some years later electronic data interchange (EDI) was developed. The motivation for EDI introduction was the need for standard transmission between the existing trading partners. Partner organizations established standard formats to exchange electronic documents in order to facilitate electronic transactions. It captures the same information that partners usually include in the paper documents.⁴⁹ It was a new form of computer-to-computer communication standard, sharing business documents, like purchase orders, shipping bills, invoices. EDI systems are owned by buyers, so it's called buyer-side solution and generally used to serve vertical markets.⁵⁰ Some companies used EDI during some years to support business transactions between known partners. A significant limitation of EDI was that it enhanced the communication between the trading partners, but it did not allow

⁴⁷ Laudon, Traver, 2011, p.795.

⁴⁸ cf. Laudon, Traver, 2011, p.795.

⁴⁹ Albrecht et al., 2005, p.865.

⁵⁰ cf. Laudon, Traver, 2011, p.796.

companies to find sellers/buyers. There was no opportunity to search for new partners and to enter new markets.⁵¹

Subsequently, the commercialization of Internet facilitated to overcome this disadvantage of EDI. B2B Electronic storefronts appeared in the middle the 1990s. They can be defined as online catalogues of products and services of just one supplier, represent a seller-side solution. They can partly replace the paper catalogs. Electronic storefronts tend to serve horizontal markets, providing products that serve a great number of industries. In many cases the existing companies places their catalogs online.⁵²

In the late 1990s Net marketplaces and private industrial networks emerged. Net marketplaces bring together a huge number of suppliers and purchasing firms together into a single digital marketplace operated over the Internet.⁵³ They can be defined as networked information systems that serve as infrastructure for information exchange and other transactions connected with buying or selling processes.⁵⁴ Net marketplaces are transaction-based and support many-to-many relationships. B2B Net marketplaces boomed dramatically at the end of 1990 and beginning of 2000. Though that was a peak time for Net marketplaces, many of them still exist nowadays.⁵⁵

In contrast, private industrial networks are Internet-based communication environment that enables business partner not just to buy or sell goods, but also to collaborate with each other, they are relationship-based. They encompass sharing of products development and designs, marketing activities, inventory and production sharing. Private industrial networks are owned by buyers. Nowadays this form of B2B E-Commerce is the most prevalent⁵⁶.

2.2.2 Net Marketplaces and Private Industrial Networks

In literature on B2B E-Commerce one can find different classifications B2B E-Commerce. Nevertheless, the most often used criteria for classification are number of agents (buyers and sellers involved into transactions), the characteristics of markets where the company operates (vertical or horizontal) and the nature of buyer and seller relationships, either long-term orientated or transaction-based. Different authors name the types in a slight

⁵¹ cf. Albrecht et al., 2005, p.866.

⁵² cf. Laudon, Traver, 2011, p.796.

⁵³ cf. Laudon, Traver, 2011, p.797.

⁵⁴ cf. Varadarajan, Jadav, 2002, p.296-312.

⁵⁵ cf. Zhang Y., Bhattacharyya, 2010, p.236.

⁵⁶ cf. Laudon, Traver, 2011, p.797.

different way, though the main idea is mostly the same (based on the criteria mentioned above). One classification was proposed by Kaplan and Sawhney published in their article in *Business Harvard Review*⁵⁷, also used by Reynolds in his book on E-Business. Another classification was proposed by Cullen and Webster.⁵⁸ Mostly all the classification have much in common, though they use different names for the types and can be described on more or less detailed level.

In the master thesis the classification, proposed by Laudon and Traver in their textbook on E-Commerce, will be reviewed and analyzed. Following this classification B2B E-Commerce can be generally classified into two types: net marketplaces and private industrial networks. The both types and subtypes of B2B E-Commerce will be discussed subsequently.

2.2.2.1 Net Marketplaces

Value in B2B markets can be created by two main mechanisms: aggregation and matching. Aggregations refers to bringing a great amount of customers and buyers together, whereas matching means connecting buyers and seller to negotiate on price in real time basis and to make decisions of choosing the most efficient partner.⁵⁹ Net marketplaces carry out both of these tasks, getting the players together and providing an opportunity to match with the best suitable buyer or seller.

Net marketplaces can be classified based on two parameters, “what businesses buy” (manufacturing/direct goods or operating/indirect goods) and “how businesses buy” (focus on spot purchasing or long-term relations) and reflects horizontal markets (between different industries and regions) or vertical (within one industry) markets. Moreover the ownership of the marketplace plays an important role in understanding the goals of net marketplaces. For example, the goal of the buyer-oriented type of net marketplace is to establish an efficient purchasing environment and to exploit buyer power. Supplier-orientated marketplaces in contrast seek to establish an efficient sales channel via the Internet to a large number of buyers. Independent marketplaces are operated by third party. They are open for buyers and seller in particular market.⁶⁰

⁵⁷ cf. Kaplan, Sawhney, 2000, p.97-103.

⁵⁸ cf. Cullen, Webster, 2007, p.210.

⁵⁹ cf. Lichtenthal, Eliaz, 2001, p.4.

⁶⁰ cf. Reynolds, 2010, p.328.

Net marketplaces can be divided into four main types: E-distributors, E-procurement, independent exchanges and industry consortia (see Figure 4).⁶¹

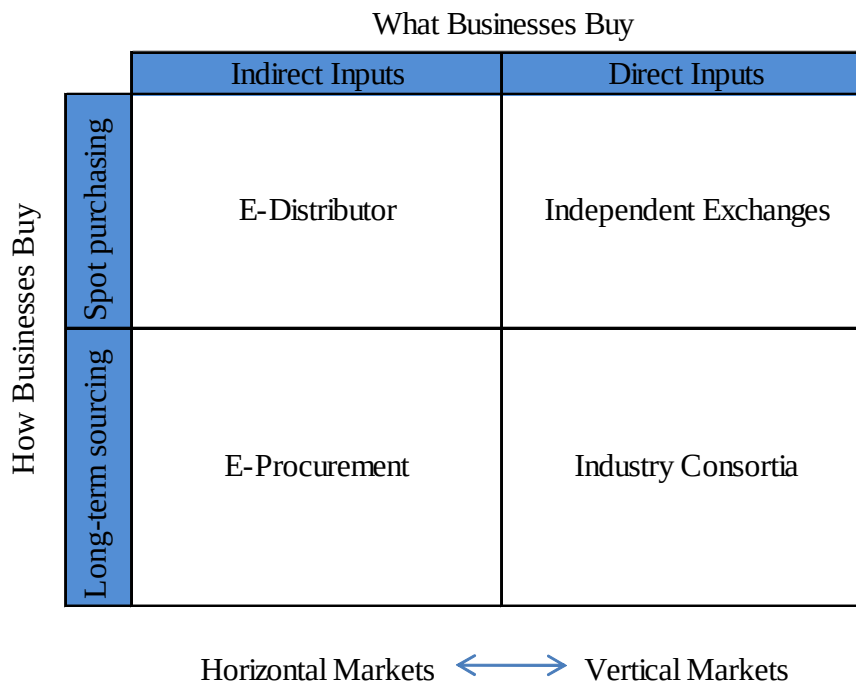


Figure 4 - Four main types of net marketplaces⁶²

Sequentially, these four types of E-Commerce will be described and illustrated with examples.

2.2.2.1.1 E-Distributor

E-Distributors represent the most common and the easiest form of net marketplaces. E-Distributors simply link suppliers and buyers together, playing a role of traditional intermediary.⁶³ E-Distributor places online an electronic catalogue with products of many different manufacturers and offer industrial companies a single source to order indirect goods. Figure 5 illustrates the mechanism of E-Distributor and relations between buyers and sellers. Companies from all industries require MRO goods, so E-Distributors serve different industries and operate in public horizontal markets, means than every company can use the services of E-Distributor. In order to make profits E-Distributors charge a markup on products they distribute.⁶⁴ Often E-Distributors represent the existing offline

⁶¹ Laudon, Traver, 2011, p.813.

⁶² Laudon, Traver, 2011, p.813.

⁶³ cf. Berthon et al., 2003, p.556.

⁶⁴ cf. Laudon, Traver, 2011, p.814-815.

companies, which were trading via catalog and now shifted a part of their business online to increase efficiency and reduce the transactional costs.⁶⁵



Figure 5 - E-Distributor scheme⁶⁶

American company Grainger.com represents E-Distributor. Grainger is a leading distributor of industrial suppliers in the U.S.A. It works with more than 3,000 suppliers and has access to about 2 million customers in 157 countries. The product portfolio consists of more than one million items for maintenance, repair and operations. Company achieved 1.8 billion in E-Commerce annual sales in 2010⁶⁷. Grainger was founded in 1927 as a “catalog sales business”. At the beginning the sales were generated primarily by mail order cards and catalog. Later on the company was operating over-the-counter as well. Grainger recognized the opportunities of technological changes rather early and in 1991 they introduced the first electronic MRO catalog on CD-ROM. Four years later the corporate web site was launched and customers started to order in the Internet already in 1996. Grainger.com provided the first transaction capable web site in the industry. On the web site of Grainger customers can easily search and compare products, create personal lists, review orders and invoices of the past two years, control and allocate costs to their own cost centers. All these features allow customer to reduce paper work and administrative costs.

2.2.2.1.2 E-Procurement

Like E-Distributor, E-Procurement net marketplace is independent intermediary which links many sellers and huge amount of buyers together. This type of marketplaces is usually used for purchasing indirect goods on long-term basis. The value of goods sold by

⁶⁵ cf. Lucking-Reiley, Spulber, 2001, p.63.

⁶⁶ cf. Laudon, Traver, 2011, p.814.

⁶⁷ cf. Grainger Inc. [last accessed 22.10.2011].

E-Distributor is relative low, whereas the transaction costs concerning with these products are relative high due to purchasing frequency. So E-Distributors may add value to buyers by increasing the efficiency in procurement.⁶⁸ E-Procurement companies charge percentage for each transaction and fees for using the network. They are operated by an independent third party and considered to be independent.⁶⁹

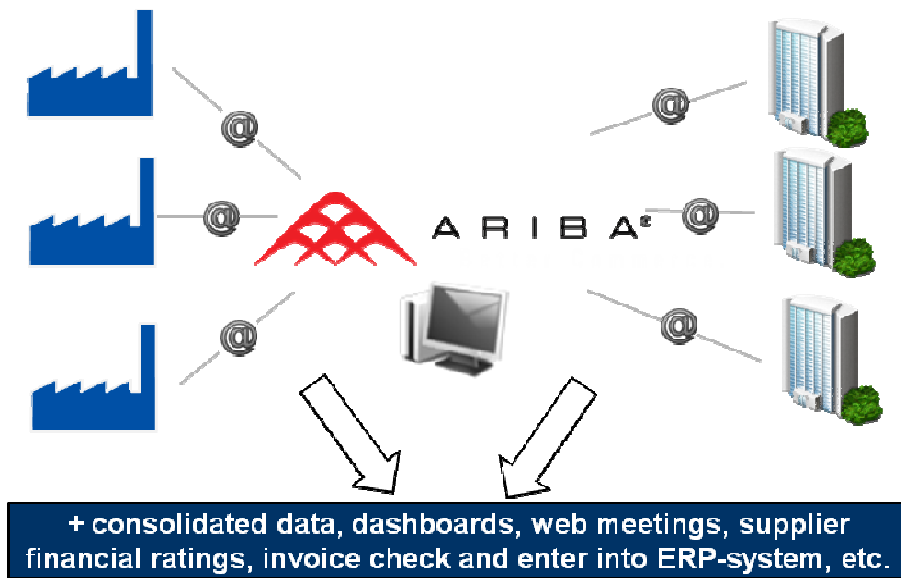


Figure 6 - E-Procurement scheme⁷⁰

In comparison to E-Distributor, E-Procurement net marketplaces offer additional services to both buyers and sellers like automatic purchase orders, sourcing, invoicing and payment, catalog creation, content management, order management, shipment, etc. At the same time they add value by offering customers a convenient access to a wide selection of diverse suppliers, pricing offers, coupled with product information and services.⁷¹

For instance, Ariba.com is operating in this way (see Figure 6). Ariba offers network for buyers and sellers and a great number of specific customized services, such as management information and communication tools within the system, including dashboards, automated messaging, and web meetings. Company-wide spent data can be consolidated into one reporting system for easy access, analysis, and decision making. Moreover, Ariba provides reports about supplier's financial ratings and risk scores. So it may help companies to choose their future partners. Company helps also to drive contractual compliance between sellers and buyers. Validated invoices can be transported directly to ERP-System of buyers

⁶⁸ cf. Lichtenthal, Eliaz, 2001, p.4.

⁶⁹ cf. Laudon, Traver, 2011, p.815-816.

⁷⁰ cf. Laudon, Traver, 2011, p.816.

⁷¹ cf. Berthon et al., 2003, p.557.

or into a payment system.⁷² As described in this example, E-Procurement net marketplaces add more value for both parties, which are involved in the process.

2.2.2.1.3 Independent Exchanges

Independent exchanges connect many buyers and sellers searching/selling direct goods on spot term in real time environment. They serve vertical market within single industry. Independent Exchanges charge a commission for each transaction and any buyer or seller is allowed to participate there. The main advantage for buyers is lower prices created due to strong competition in independent exchanges. Sellers benefit by receiving easy access to possible customers.⁷³

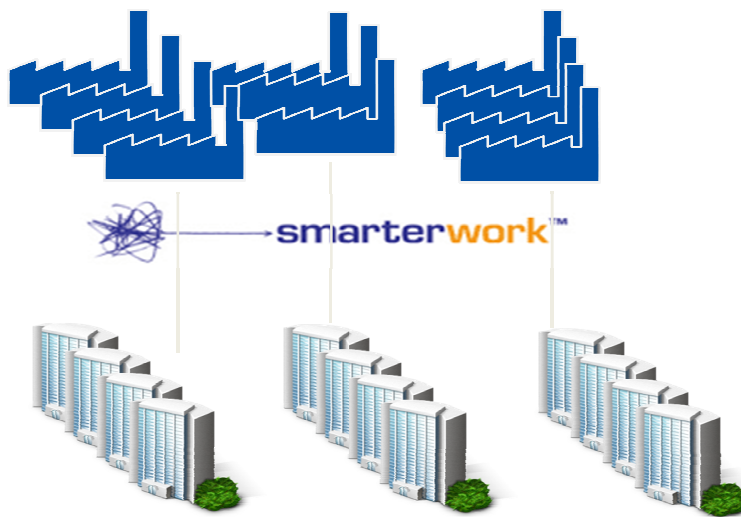


Figure 7 - Independent Exchange scheme⁷⁴

Smarterwork.com can be named here as a very interesting example (see Figure 7). Smarterwork illustrates this kind of net marketplaces, which offers mostly services and not just products. Smarterwork specializes on linking clients and qualified service providers together to carry out different kinds of projects on Internet services, marketing, web design, legal and tax services, etc. They provide staff for a concrete project and their own facilities, like PC, software and office space. It means that a company can employ the qualified specialists just for one project. As soon as their project is over the contract between employee and the company will be also ended. It means that the company doesn't need to pay holidays, sick leaves and taxes connected with this employee. Moreover, by

⁷² cf. Ariba Solutions [last accessed 22.10.2011].

⁷³ cf. Laudon, Traver, 2011, p.817.

⁷⁴ cf. Laudon, Traver, 2011, p.817.

providing the necessary facilities Smarterwork allows the buyers to save the costs in this area as well.⁷⁵

In practice it works like following. The buyers post the project description on the web site of Smarterwork and receive the quotes. Based on information concerning price, reputation and rating of a person the buyers can choose the appropriate service provider. After that the parties develop the project in “My office”, a private online workspace which is provided by Smarterwork. After the project is over and the final approval of the project is done, the buyer and seller evaluate each other and give feedback. As soon as it’s done, the payment follows.⁷⁶

In such case the sellers can reach their clients easily, negotiate on prices and conditions. The buyers will use Smarterwork to achieve many different service provides and to be secure that the quality of the services provided by seller is on a high level. The transparent feedback and ratings secure the high quality of provided services. That adds value to the exchange, so that the counterparts are eager to use this web site.

2.2.2.1.4 Industry Consortia

Industry consortiums are owned by groups of industrial companies. They serve vertical markets and bring together a great number of suppliers with a small number of very large buyers. They are used to form long-term relations for purchasing direct goods. The main goal of industry consortium is to unify supply chains within the whole industry, across many tiers through common data definition, network standards and common platforms. Buyer and seller have to pay fees to enter consortium. Industry consortiums are usually used by automotive and chemical industry, where the number of suppliers is huge and market force belongs to buyer.⁷⁷ As mentioned by Johnson and Klassen “industry sponsored E-Marketplaces appear suitable when there is an opportunity to leverage technology costs across companies in industry, and where cross-enterprise collaboration is needed to capture the benefits from redesigning a process”.⁷⁸ The scheme of industry consortia is presented in Figure 8.

⁷⁵ cf. Smarter Work [last accessed 22.10.2011].

⁷⁶ cf. Smarter Work [last accessed 22.10.2011].

⁷⁷ cf. Laudon, Traver, 2011, p.819-820.

⁷⁸ Johnson, Klassen, 2005, p.10.

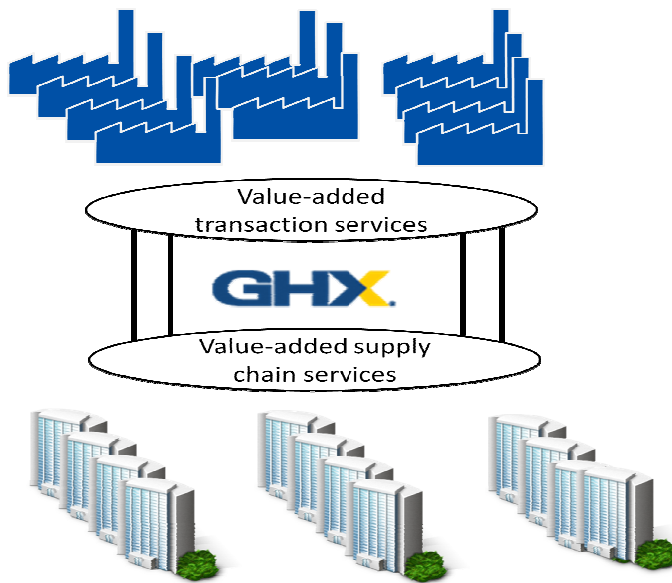


Figure 8 - Industry Consortia scheme⁷⁹

Here such marketplaces as Exostar.com, Supplyon.com, GHX.com and Elemica.com can be mentioned. GHX.com is a consortium for medical services suppliers. They bring companies from healthcare industry together to create new efficiencies and reduce errors in the healthcare supply chain. GHX customers can save money by connecting to GHX and using complementary software solutions to automate procurement processes. In addition, GHX plays critical role in facilitating collaboration among trading partners through which companies can address common issues and opportunities for improvement.⁸⁰

2.2.2.2 Private Industrial Network

Private industrial networks are owned by a single, often a leader company in industry, which sets the rules, establishes control mechanisms and invites firms to participate in its network. Private industrial networks focus on strategic direct goods and services and interested in long-term relations. They can be defined as “extended enterprises”, because this web-enabled network of trans-organizational business processes is closely tied to the existing ERP System of industrial company. Private industrial network helps companies to develop efficient purchasing and selling business processes, demand forecasting and conflict resolution, and recourse planning. It increases supply chain visibility and achieves closer buyer-supplier relations.⁸¹ Private industrial network makes sense when there is an

⁷⁹ cf. Laudon, Traver, 2011, p.819.

⁸⁰ cf. GHX [last accessed 22.10.2011].

⁸¹ cf. Laudon, Traver, 2011, p.823-825.

opportunity for competitive advantages and there is no public or industry sponsored marketplaces or they are inefficient.⁸²



Figure 9 - Private industrial network scheme (example of VW Group)⁸³

Many global players, market-leaders are operating private industrial networks, such as GE, VW, Dell, Nike, Coca-Cola, Wal-Mart etc. Today private industrial networks form the largest part of B2B E-Commerce. For example, some years ago Volkswagen Group introduced the Group Business Platform (see Figure 9) as a tool for communication and cooperation with its suppliers in order to optimize processes and improve the quality level. In this case the goal of the company was not just to find partners, but also to integrate their suppliers into all business processes, such a procurement, logistics, quality, technical development, and sustainability. The basis for that communication is Internet, the data is exchanged through a coded connections and a common interface is use. Every supplier for car manufacturers, which conforms the special requirements of VW Group, can make an application to enter this private industrial network.⁸⁴

2.2.3 Opportunities of E-Commerce in B2B Markets

After the main characteristics and process concerning B2B markets were analyzed, it is obvious that the main opportunities, which companies may expect from use of E-Commerce, are the efficiency in SCM processes and enhancement of relations with their business partners. Now these dimensions will be deeply described and analyzed.

⁸² cf. Johnason, Klassen, 2005, p.10.

⁸³ Volkswagen Group [last accessed 22.10.2011].

⁸⁴ cf. Volkswagen Group [last accessed 22.10.2011].

2.2.3.1 Cost Efficiency – Reduction of Transactional Costs

As it was mentioned in Subsection 2.1.1 of the master thesis, at each stage of procurement the transactional costs connected with the process occur. E-Commerce enables the cost reduction during every stage of the buying process, namely, before, during and after the purchase.⁸⁵ Based on technological change a new less costly way of for this processes was found. It was discovered that there are new methods which can be used and certain business activities can be completely restructured.⁸⁶

Before the purchase E-Commerce reduces costs of searching for suppliers, quality verification of the products and negotiation. It is crucial to point out that the advantages of E-Commerce can be used by sellers as well as by buyers. During these stages B2B E-Commerce gives an opportunity to minimize the coordination costs, concerning information and communication. For the buyers E-Commerce reduces the search costs, connected with time and efforts in finding products, services and information about them. And hence, it reduces costs of search for potential suppliers.⁸⁷ It gives a relative inexpensive opportunity to compare products, prices and information about it from different suppliers. Hence, E-Commerce leads to increased transparency of the markets.

In the past the information was limited and difficult to collect. Now the Internet provides large amount of information regardless of its location and time zones and enables companies to customize the information. It makes easier and quicker for organizations to find the most suitable business partner.⁸⁸

For example, first search on the product can be done using search engines. They search automatically through millions of documents in the Internet by key words, entered by user. The users can search across many sites, states, countries very quickly and efficient. Also comparison sites can be used, which enable comparison of products categories by attributes and price. Web bots and intelligent agents can be also named as mechanisms to facilitate search on the Internet. Web bot combs sites for prices each time the request is done, whereas intelligent agent seeks out prices and features and negotiates on price for purchase.⁸⁹ Another method to search for information is online catalogues. They provide an opportunity to search in a good structured manner and aggregate the products and their

⁸⁵ cf. Lucking-Reiley, Spulber, 2001, p.56.

⁸⁶ cf. Borenstein, Saloner, 2001, p.3-12.

⁸⁷ cf. Berthon et al., 2003, p.554.

⁸⁸ cf. Andal-Ancion, 2003, p.35-36.

⁸⁹ cf. Berthon et al., 2003, p.555.

features descriptions in one place. Moreover, E-Commerce gives flexibility in dealing with information, greater interactivity in comparison to printed catalogues or phone calls.

For sellers the Internet creates value by vastly lowering cost of transferring many types of information. It's getting to be an effective information transmission channel, which also provides an opportunity to customize information based on different target groups. Though investments in running business via E-Commerce involve large fix costs, the marginal costs of providing transaction information to market participants appear to be near zero.⁹⁰ Very detailed information can be provided at low costs and extreme economy of scale can be achieved. This point is becoming especially important when the size of potential market to be served increases. If by E-Commerce a large audience is reached, the costs per one contact are getting to be really low in comparison to other communication methods.⁹¹

During the first stages of purchasing process also communication expenses can be saved, such as travel and phone costs, costs of physical space for meetings. E-Commerce enables effective asynchronous communication as well. Access to information every time the customer needs it can be secured; especially it is valuable when different time zones are involved.⁹² Moreover negotiating and decision costs can be reduced as well. Time normally taken by customers to negotiate can now be used for other purposes as intelligent agents transact and negotiate on the customers behalf. Online bidding can achieve similar results. For examples, GE in 1996 purchased \$1billion from 1400 suppliers over the internet and there is evidence of a substantial increase since. Significantly, the bidding process for the firm has been cut from twenty one to ten days.⁹³

The next steps of purchasing process involve ordering, shipping and invoicing. For these process steps the operating costs can be reduced as well. The average cost per order transaction is about fifty dollars.⁹⁴ Automate purchasing/selling from/to other companies can improve the efficiency through replacing paper ordering with electronic ordering significantly. Processing a purchase order manually by customer service for example means paperwork, data entry, phone calls, faxes, approval request personnel expenses. Online transactions can reduce these costs by factor of five to ten.⁹⁵

⁹⁰ Lucking-Reiley, Spulber, 2001, p.56.

⁹¹ cf. Borenstein, Saloner, 2001, p.3-12.

⁹² cf. Borenstein, Saloner, 2001, p.3-12.

⁹³ cf. Berthon et al., 2003, p.554.

⁹⁴ cf. Borenstein, Saloner, 2001, p.3-12.

⁹⁵ cf. Lucking-Reiley, Spulber, 2001, p.56.

In such cases a customer can order via E-Commerce on his own. When a customer makes an order online, the number and time of interactions will be reduced, causing the time savings. Since the number of interfaces is reduced, the probability of making mistake in the order entry may be lower (during the order entry process the most mistakes are done during the transfer of information from customer to representative of selling company). Hence, the number of complaints could sink. During the shipping stage the customers can track their deliveries in real time and in an efficient way estimate the time of delivery. Additionally, the improved information flows lead to lower levels of inventories for both parties. As soon as customers prefer ordering online the cost saving on distribution will be potentially very high and based on reduction of handling within store, stocking, shelves maintenance, theft, rent and selling costs.⁹⁶

At the next stage in the procurement process, such as invoicing the electronic invoice can be generated, causing savings on paper and manual work. Previously, customers had to wait to receive statements of accounts and then checked them for correctness. Electronic ordering and billing allow buyers to check statements in real time.⁹⁷ Online payments can also lead to reduction of time spend for an order.

Furthermore, after sales are done, E-Commerce gives an opportunity to customers to manage their orders, provides information on accounts, invoices, deliveries. Whenever the copy of invoice is needed it can be printed online instead of calling the customer service or customer administration departments and waiting for the copies.

Due to E-Commerce also the enforcement costs can be abated. If a problem with supplier exists (it could concern warranty or delivery delay issues) it would require expensive legal assistance in real world. Chat line, bulletin boards and online media offer an easy and inexpensive way of making suppliers listen and act according to the signed contract.⁹⁸

Summarizing the arguments presented in this part of the master thesis, the following conclusions concerning cost efficiency as a consequence of using E-Commerce can be done:

- both demand and supply sites can improve productivity by using E-Commerce;
- increase the transparency of information, goods and financial flows;

⁹⁶ cf. Borenstein, Saloner, 2001, p.3-12.

⁹⁷ cf. Berthon et al., 2003, p.554.

⁹⁸ cf. Berthon et al., 2003, p.554.

- increased reach of potential sellers and buyers and as a result the improvement of matching the buyers and sellers;
- reduction of the transaction costs on each stage of procurement processes;
- time and personnel reduction for procurement or selling processes;
- sales representative and back office employees can concentrate on account management and execution of marketing strategy instead of processing the orders.

2.2.3.2 Enhancement of Collaboration between Partners

Additionally to cost reduction, B2B E-Commerce is able to form and intensify collaboration with business partners, acting as a dialogue simulator, facilitating interactivity and real time information exchange. Due to relative open information flows of both sides B2B E-Commerce can be used in different perspectives facilitating the relationships between companies and therefore leading to sustainable profitable growth of both parties. By increasing cooperation between buyers and sellers E-Commerce may improve the customization of offers, quality of products, can provide sales history and forecasts. It fosters the relations due to cooperation in supply chains. It means that companies are getting more productive by increased production flexibility, delivering “just in time”, sharing designs and production schedules, reducing inventory costs by increasing completion among suppliers and increasing price transparency. It enables seamless information exchange that makes the collaboration easier and effective and leads in the future to the competitive advantages.⁹⁹ Four inter-organizational systems were identified, which can form the basis for successful collaboration: enterprise resource planning system (ERP), which encompasses two or more previously separate systems (such as procurement, order management, accounting etc.), web services based on open system, enterprise portals, providing a platform for linking disparate sources of information together and permitting the customization of information and electronic hubs, enabling the automated transactions between multiple business partners.¹⁰⁰

It is also important to mention that B2B technologies can be used to build up and sustain competitive advantages for companies. As B2B links need modifications and adjustments constantly, as B2B infrastructure must be build up and managed over extended period of time, it's possible conclude, that companies are going to build B2B E-Commerce relations

⁹⁹ cf. Lichtenthal, Eliaz, 2001, p.3-13.

¹⁰⁰ cf. Reynolds, 2010, p.332.

just with partners whom they trust and who have committed to the collaboration. So in the situations, when partners decided to invest in B2B E-Commerce, it can be a competitively valuable capability over other companies or networks.¹⁰¹

Here a link to the commitment and trust concept of Morgan and Hunt, which was discussed in Subsection 2.1.2, can be performed. In E-Commerce the proposed framework is not just confirmed, but the value of trust and commitment is even more significant as in offline business. If a customer trusts online supplier he is even more committed to open communication and share of information.¹⁰²

Lee, Pak and Lee even propose to distinguish two different types of B2B E-Commerce: basic and collaborative B2B E-Commerce. Basic B2B E-Commerce refers to sending and receiving order information, to automating the exchange of commercial document. It gives the opportunity to increase the speed and accuracy of document transfers, but it doesn't changes operations with the partner for the company.

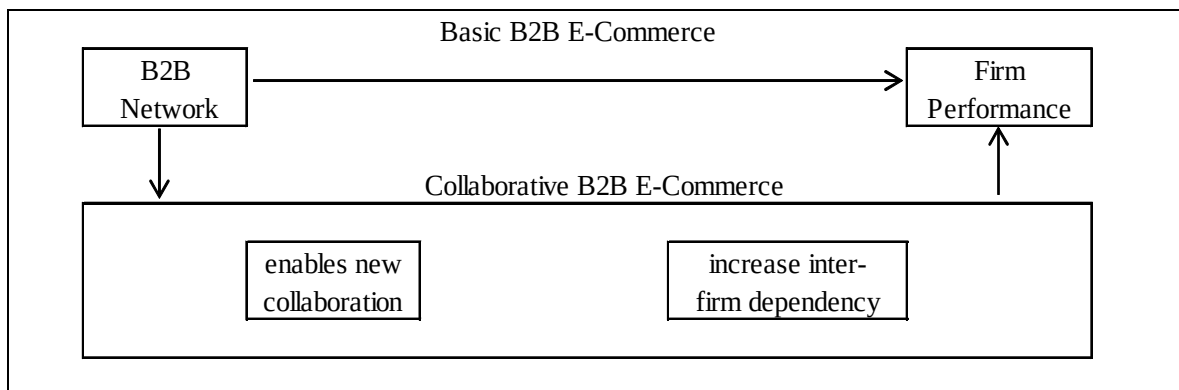


Figure 10 - Basic and collaborative B2B E-Commerce¹⁰³

Collaborate E-Commerce includes not just document exchange, being a new mean of communication, but within this type also the partners adopt the B2B Network to establish new inter-firm collaboration. They also emphasize that the organization which implements a collaborative form of E-Commerce may offer a significant productivity improvements in comparison to basic version. Collaborative B2B E-Commerce tightly couples the business processes of the partner firms and hence increases the interdependences between the partners.¹⁰⁴ This idea is illustrated in Figure 10.

¹⁰¹ cf. McAfee, 2005, p.84.

¹⁰² cf. Lancaster, Lages, 2006, p.784.

¹⁰³ Lee et al., 2003, p.355.

¹⁰⁴ cf. Lee et al., 2003, p.351.

For example, collaborative E-Commerce enables companies, acting in highly competitive markets, to shorten product time-to-market cycle due to increased coordination and resource allocation between partners. Necessary information can reduce the uncertainty and hence make more efficient decisions and investments. Manufactures can make better production planning and inventory decisions based on daily information from retail partners. This leads to more efficient management of production facilities and stocks. From another side, retain companies may achieve significant reduction of inventory levels and stock outs. The information flows through the whole supply chain, will increase the demand/supply uncertainties, leading to optimized channel performance and as a result the profitability of the partners. Such narrow relations also make companies to adopt their local processes in order to collaborate in the network. Obviously, that requires careful coordination, trust and support within channel partners.¹⁰⁵

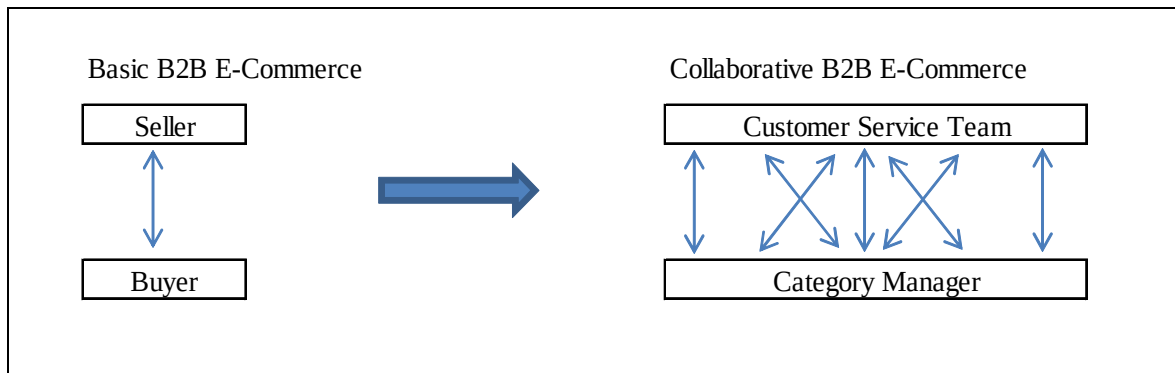


Figure 11 - Communication structure in two forms of B2B E-Commerce¹⁰⁶

As illustrated in Figure 11 the basic B2B E-Commerce does not change the configuration of communication between channel partners. In the case of collaborative B2B E-Commerce the establishment of new communication structure is needed, where traditional single point of contact is expanded into links between multi-level stages and departments. This direct communication enables to realize the performance improvements.

2.2.4 Technological Trends that Boost B2B E-Commerce

Recent trends based on IT in B2B E-Commerce point out the dynamic future development of this new way of doing business. The trends are the following¹⁰⁷:

¹⁰⁵ cf. Lee et al., 2003, p.353.

¹⁰⁶ Lee et al., 2003, p.360.

¹⁰⁷ cf. Laudon, Traver, 2011, p.794.

- the increase of Internet security and comfort level of online payments;
- cloud computing and software-as-a-service (SaaS);
- growth of collaborative B2B commerce applications;
- integration of enterprise resource planning systems (ERP).

These main trends demonstrate that the implementation and the utilization of B2B E-Commerce is getting less costly, provides more security and enables the “ease of use” for the end-users. All these technical innovation and advances secures the future development of B2B E-Commerce.

2.2.5 Market Development of B2B E-Commerce

In recent years due to rapidly developing E-Technologies and increasing Internet penetration businesses became aware of the potential role of the Internet as a powerful source of competitive advantage. B2B E-Commerce has been promptly growing all over the world, as it is considered to be a medium to improve business efficiency. The use of the Internet has a dramatic impact of both buyers and sellers as well as on the whole network of information, goods and financial flows.

According to the study conducted in 2011 by McKinsey Global Institute Internet embraces businesses, individuals, governments and entrepreneurs by making new waves of business models possible, leading to radical innovations of accessing, using and delivering goods and services. McKinsey Global Institute studied the economies of thirteen countries (G8, Brazil, China, India, South Korea and Sweden) that contribute more than 70 percent of global gross domestic product (GDP). The research demonstrates that the Internet is now used in every country, in each sector and by most of the companies and counts for about 3.4 percent of GDP. If the Internet were a sector, it would be bigger than energy or agriculture industries and its contribution to the GDP would be bigger than those of Spain or Canada.¹⁰⁸ Figure 12 illustrates this statement.

Over the last 15 years the Internet accounted for about 10 percent of GDP growth within the studied countries. As well it has a great impact on the development of small and medium-sized enterprises (SME). It was found out, that SME with high Web presence grew two times quicker as those that had low level of presence. As well the study

¹⁰⁸ cf. Pelissie du Rausas et al., 2011, p.14.

demonstrated that all industries have benefited from the Web, 75% of the economic impact arises from traditional companies that are not just Internet players. The businesses have already experienced that Internet leads to higher productivity and greater value creation.¹⁰⁹

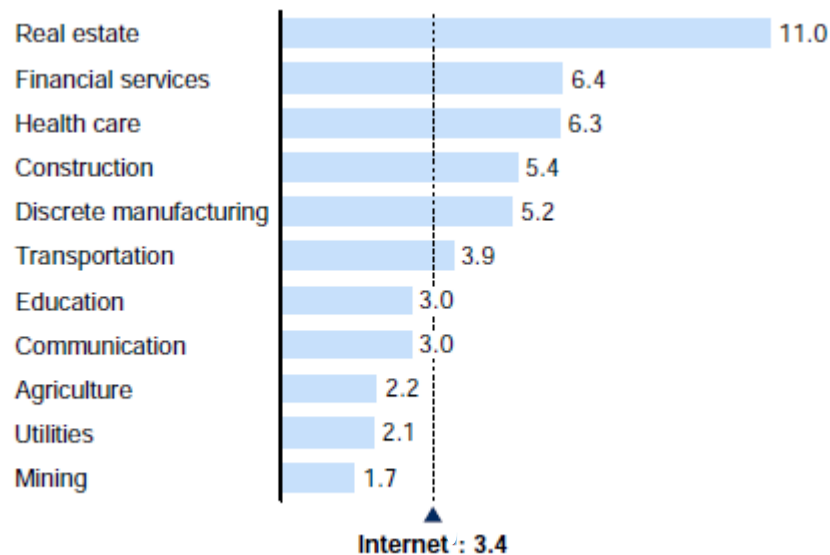


Figure 12 - Sector contribution to GDP (percentage share to total GDP, 2009)¹¹⁰

According to research conducted by consulting company A.T. Kearney, the leaders in E-Commerce achieve up to 41% improvement in cycle time and a 10% reduction in staff and can generate up to 13:1 ROI by using the full potential of B2B E-commerce.¹¹¹

As mentioned by Laudon, in 2010 B2B trade reached USD 16 trillion, while B2B E-Commerce contributed about \$3.6 trillion of that amount.¹¹² By 2014 B2B E-Commerce should grow up to \$ 5.1 trillion in the US.¹¹³

According to this data it's possible to conclude that B2B E-Commerce is an important topic both for managers and academics. "The Internet can be used to conduct marketing research, reach new markets, serve customers better, distribute products faster, solve customer problems and communicate more efficiently with business partners".¹¹⁴ For B2B the Internet's "core advantages lie in its great capacity of fast, efficient, integrated and interactive exchange of information".¹¹⁵

¹⁰⁹ Rausas et al., 2011, p.2-3.

¹¹⁰ Rausas et al., 2011, p.14.

¹¹¹ cf. Clycomb et al., 2005, p.221.

¹¹² cf. Laudon, Traver, 2011, p.794.

¹¹³ cf. Laudon, Traver, 2011, p.794.

¹¹⁴ Honeycutt et al., 1998, p.71.

¹¹⁵ Avlonitis, Karayanni, 2000, p.441.

2.2.6 International Perspective: Drivers for Using B2B E-Commerce in Different Countries

Nevertheless, it's also important to notice, that the implementation and realization of B2B E-commerce strongly differs from country to country. The Internet impact also differs strongly between the countries with the same level of development. The comparison of the Internet contribution between the countries of G8, Brazil, China, India, South Korea and Sweden is presented in Figure 13.

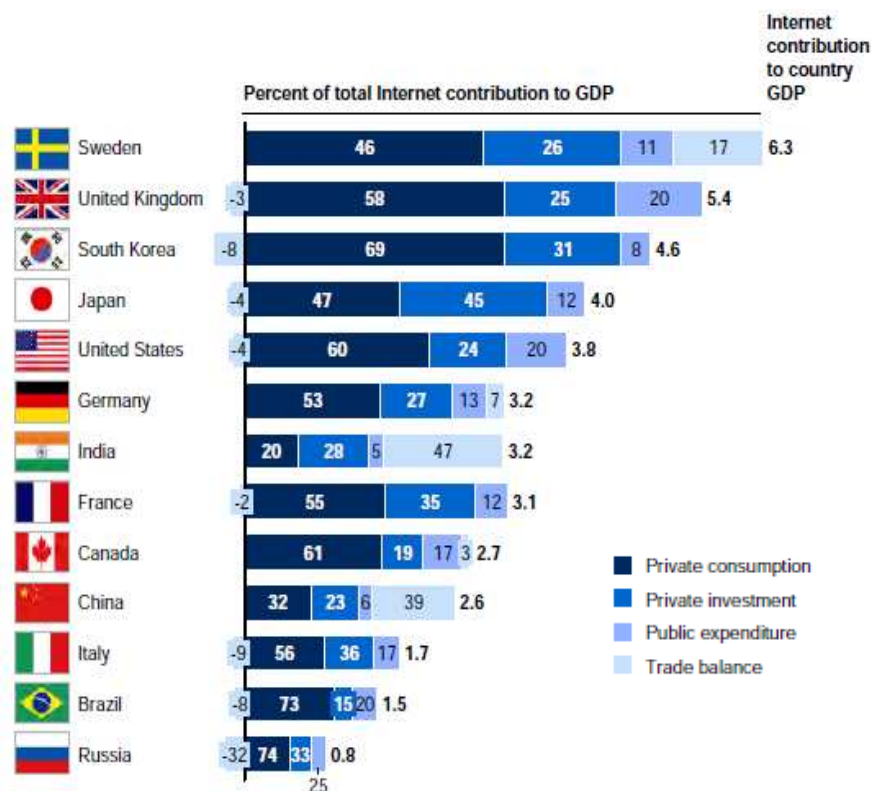


Figure 13 - Internet contribution of some countries¹¹⁶

For example, the Economist Intelligence Unit publishes yearly “Digital Economy Ranking”. It is stated in the report that when a country uses information and communication technology to conduct its activities, the economy can become more transparent and efficient.¹¹⁷ So it's much easier to manage E-Commerce in an atmosphere of trust than in the markets where each player has doubts on the integrity of the others.¹¹⁸ For example, in the “Digital economy rankings 2010” of 70 countries the leader of the list

¹¹⁶ Rausas et al., 2011, p.15.

¹¹⁷ Economist Intelligence Unit [last accessed 23.10.2011].

¹¹⁸ cf. Berthon, Pitt et al., 2008, p.87.

is Sweden, the USA is ranked on the place three. The other western European countries are places in the beginning of the list, as well as Hong Kong, Singapore and Australia.¹¹⁹

According to Berthon, Pitt et al. B2B marketers have to consider “hard” terms such as infrastructure as well as “soft” terms, like values before building E-Commerce relationships in other countries. Berthon, Pitt et al. argue, that there are three drivers, which could help companies to decide whether to use B2B E-Commerce in a country or not¹²⁰. These key drivers are the following¹²¹:

- E-readiness. It determines the ease with which a business relationship can be conducted. E-readiness can be measured as a function of six variables. Connectivity and technology infrastructure (weighted with 20%) measures the extend of access to the Internet and mobile networks, penetration of mobile-phone subscription and broadband Internet accounts as well as reliability and security. Business environment (weighted with 15%) is evaluated based on strength of economy, political stability, tax regime, foreign investment policy, labor market etc. Social and cultural environment (weighted with 15%) can be measured by educational level, Internet literacy, degree of innovation, etc. Legal environment (weighted with 10%) shows the specific laws governing Internet use and overall legal framework. Government policy and vision (weighted with 15%) reflects how government uses the Internet technologies to operate and provide public services. The last variable is consumer and business adoption (weighted with 25%) captures the online purchasing activity and amount of money which businesses and customers spend on information and communication technologies.¹²²
- The country’s values. They need to be understood as a fundamental facet of culture. There are two dimensions regarding the values: traditional vs. secular-rational and survival vs. self-expression. Traditional societies focus on religion, family, authority, whereas secular-rational societies more accept divorce, suicide, etc. Survival societies concentrate on physical security and economic accumulation. Well being, self-expression and quality of life characterize of self-expression societies.¹²³
- Corruption. It engenders the loss of social integrity and promotes mistrust between social actors.¹²⁴

The authors mention that technical infrastructure is an important, but not a sufficient condition for development of B2B E-Commerce. Mostly the economic and social

¹¹⁹ cf. Economist Intelligence Unit [last accessed 23.10.2011].

¹²⁰ cf. Berthon, Pitt et al., 2008, p.87.

¹²¹ cf. Berthon, Pitt et al., 2008, p.83-84.

¹²² cf. Economist Intelligence Unit [last accessed 23.10.2011].

¹²³ cf. Berthon, Pitt et al., 2008, p.85-86.

¹²⁴ cf. Berthon, Pitt et al., 2008, p.85-86.

development, as well as the level of corruption may corrode E-Commerce, influence the E-Readiness and therefore E-Relationships.¹²⁵ Here it will be interesting to provide some examples. For instance, North America and Western Europe present the best conditions for developing E-Commerce relations. Asia Pacific can be the second best choice to invest in E-Commerce. Central and Eastern Europe are still challenging a high level of corruption, which hampers the development of B2B E-Commerce. Africa, Middle East and Latin America are currently struggling with building the physical, economical and political infrastructure to provide a platform for E-Commerce.¹²⁶

2.2.7 Evaluation of E-Commerce Opportunities

Though many different benefits of using E-Commerce for B2B companies were already discussed, nevertheless it is crucial to keep in mind, that it is still not a universal medium for decreasing transactional costs and enhancing relationships with partners. This Subsection pays attention to the question of interdependency of business strategy and E-Commerce for B2B companies. It emphasizes to think critical and ask the right questions before implementing different new projects concerning E-Commerce. Though many different authors and empirical evidences pointed out, that E-Commerce can play a critical role in efficiency and profitability of industrial companies, it's still very important to consider the existing company's strategy and analyze how E-Commerce can match it. In this context Feeny suggests an interesting and practical approach, which can help managers to start this strategic analysis.¹²⁷

During the first step Feeny proposes to construct a coherent map of e-opportunity, based on three dimensions: E-Operations, E-Marketing and E-Services¹²⁸. The basic information on these three domains is summarized in Table 3.

Domain	Components
E-Operations (Web-based initiatives that improve the creation of existing products)	• Automation of administrative processes • Supply chain reconfiguration and integration • Re-engineering of primary infrastructure • Intensified competitive

¹²⁵ cf. Berthon, Pitt et al., 2008, p.87.

¹²⁶ cf. Berthon, Pitt et al., 2008, p.89.

¹²⁷ cf. Fauska, 2011, p.14.

¹²⁸ cf. Feeny, 2001, p.42.

Domain	Components
	procurement Increased parenting value
E-Marketing (Web-based initiatives that improve the marketing of existing products)	- Enhanced selling process - Enhanced customer usage experience - Enhanced customer buying experience
E-Services (Web-based initiatives that provide customer affiliated services)	- Understanding of customer needs - Provision of customer services - Knowledge of all relevant provides - Negotiation of customer requirements - Construction of customer options

Table 3 - Three E-Opportunities domains and their components¹²⁹

A manager has to go through all these three domains and analyze the existing processes and strategy, then check if there is a possibility to introduce E-Commerce or to replace the current processes by E-Solutions¹³⁰:

- Will E-Commerce strategically change the way a business manages itself and its supply chain?
- Can a company achieve strategic changes in downstream activities?
- Can E-Commerce give companies a new way to address an identified set of customer needs?

As soon as the first analysis is done, manager has to answer the question, if these developments can change the cost structure and positively influence the relationship with the existing customers and improve customer platform and penetration, considering the investment costs and time horizons. This evaluation can be used as a starting point for analyzing the use of E-Commerce as a competitive advantage.¹³¹

Summarizing, the second Chapter of the master thesis was devoted to the conceptual framework of B2B E-Commerce. The basic theoretical approaches were reviewed. This

¹²⁹ Feeny, 2001, p.42.

¹³⁰ cf. Feeny, 2001, p.42.

¹³¹ cf. Fauska, 2011, p.15.

Chapter has given the answers to the first three tasks defined at the beginning of the research.

As the management target of B2B companies is to understand the business buying processes and to build profitable relationships with business partners, these two issues were firstly described in detail. It demonstrated that procurement process of industrial company is highly complex process involving many stakeholders. It consists of 9 steps, from problem recognition up to the evaluation of the performance of the process. That means that during each stage of the process transactional costs occur. As it was shown the use of E-Commerce can significantly decrease these information, communication and decision costs and thus contribute to profitability of a business. It reduces not only costs for locating an appropriate seller or buyer, obtaining price and product information, it also may affect industry structure. E-Commerce trends to raise bargaining power over suppliers, leading to less asymmetry between supply and demand sides. Internet provides new effective channel to reach end users directly and gives an opportunity for all companies to get an equal access to buyers and suppliers. That means that E-Commerce can also facilitate building up and maintaining the relations with business partners. And that is the second significant opportunity of using E-Commerce, as nowadays relationship with customers appears to be one of the most important competitive advantages of an industrial company.

In practice industrial companies can use E-Commerce in form of net marketplaces or private industrial networks. Depending on what and how companies buy or sell, as well on the industry, E-distributor, independent exchanges, E-Procurement or industry consortia models can be chosen as a form of net marketplace. Different examples of companies selling either goods or services, being “brick-and-mortar” or virtual demonstrate successful use of such E-Commerce types to collaborate with their business partners.

Though in general terms B2B E-Commerce growing rapidly all over the world, there are still differences on the extend of use of E-Commerce. Implementation of B2B E-Commerce strongly differs from country to country, depending on such drivers like e-readiness, country's values and level of corruption. Also, it makes sense to emphasize that the use of E-Commerce and the level of the advantages connected with it still depends on a company and existing business strategy. To evaluate the benefits of E-Commerce for business it is recommended for executives to construct e-opportunity maps, which can help them with decisions on E-Commerce investments.

3 Marketing Strategies of Narrow Specialized Companies Serving Global Markets

This Chapter introduces the second element of the research question, global niche or narrow specialized companies. The Chapter is devoted to the fourth task of the master thesis, namely “to define key elements of the strategy of narrow specialized companies”. The task of this part of the master thesis is to identify the marketing strategies, which enable niche companies to reach their great performance and to analyze the risks connected with such strategy. The theoretical statements will be proved using different examples from business practice. The examples were collected during the interview with the representatives of the companies, such as HAAS, RHI and ABBYY. This Chapter builds an important theoretical framework for further deep analysis of E-Business opportunities of narrow specialized companies.

Marketing strategies of narrow specialized companies represent rather interesting approach of competitive strategy of a company in global markets of goods and services. This topic seems to be relevant for academics and well as for business environment. As a rule mass media, business literature and scholars are used to pay attention to large multinational corporations (MNC), like for example P&G, GE or Siemens. Their performance and strategies are believed to be worldwide best practice and they are usually widely analyzed. But parallel to them narrow specialized companies exist. Being rather small in comparison to MNC, they have a great influence on the development of their markets, often launch them themselves and they are important international players in their niches. Narrow specialized companies can even reach the market share up to 90% and be extremely profitable.

The phenomenon of niche strategy was already widely discussed in management science literature. One of the milestones in the research was done by Hermann Simon, who introduced the term of “hidden champions”. He described narrow specialized companies that dominate global markets. In 1992 the article “Lessons from Germany’s Midsize Giants” by H. Simon was published in Harvard Business Review. Also that year an article devoted to this topic was written by Morrison and Roth and published in Strategic Management Journal. In 1996 a book with title “Hidden Champions” was introduced by Hermann Simon. Within the next years the book was translated in many different languages. In 1997 the similar niche strategy was described by Gomes-Casseres and Kohn

which was called “deep niche strategy”. This strategy was described in an article “Small Firms in International Competition: a Challenge to Traditional Theory?” In 2004 Business Week published an article “Europe’s Hidden Champions”. Due to this article the topic became also popular within broader public.¹³² In 2007 the strategy of contemporary niche companies was described again by Simon in his book “Hidden Champions of the 21st century”. Originally Simon focused on less known market leader companies from Germany, Austria, and Switzerland. The latest researches on the topic demonstrate though that this phenomenon can be also found worldwide, for example, in Scandinavia, Russia, Japan, etc.

3.1 Concept of Niche Market and its Main Characteristics

For the further discussion it’s important to notice here, that in this master thesis the wordings narrow specialized companies and niche companies are going to be used as synonyms, following Kotler, who notes that “the key idea of niching is specialization”.¹³³ Under niche one can consider a small market consisting of an individual customer or a small group of customers with similar characteristics or needs.¹³⁴ Niche marketing is often defined as focused marketing towards a limited market consisting of few customers and competitors. Hence, the main concepts concerning niche strategy are product and service differentiation, specialization, customer focus and relationship marketing.¹³⁵

At this point it is important to distinguish the difference between niche markets and market niches. Generally, there are two primary factors that limit the degree of product differentiation. They are technology and taste. If a demand for specialized product is narrow, then the differentiation among the products is limited by consumers, because of their needs or preferences. Such situation refers to niche markets. Otherwise it refers to market niche. In this case a demand for differentiation is broad, but the extent to which products can be differentiated is limited by feasible technology. In such circumstances niche markets can be considered as the last stage of segmentation.¹³⁶ According to this classification of concepts the niche markets and its players are going to be analyzed in the master thesis.

¹³² cf. Fauska, 2006, p.11.

¹³³ cf. Kotler and Armstrong, 2011, p.568.

¹³⁴ cf. Dalgic and Leeeuw, 1994, p.2.

¹³⁵ cf. Toften and Hammervoll, 2009, p.1378-1379.

¹³⁶ cf. Preball, 1992, p.399.

From the competition point of view the first moving player is usually considered to be the most successful in the niche markets. They get the opportunity to set premium prices for specialized products and hence get broader market share and higher profits. In this case the follower will have to propose much more or less specific product. But it's important to mention that more specialized product doesn't necessary command to the higher price or larger market share. If the degree of specialization is higher than the customers preferred degree in this market, then this product will be less profitable, as the one of the first moving player as the customers doesn't feel any additional value.¹³⁷

Upon the statements mentioned above, for successful growth of a company, niche should have following characteristics¹³⁸:

- markets must be out of focus of large competitors;
- enough growth potential in the future (for example based on geographical expansion or deeper product range);
- customer must have enough purchasing ability, that means that they should be eager to pay additional price premium for specialized products;
- specialized products and services should be based on key competences of a company;
- long-term good customer relations and a positive reputation of a company.

Hence, based on the market characteristics the key elements of niche marketing can be defined as following: analyzing the key competences of a company, defining the niche market, positioning of a company, building long-term customer relations and examining market profitability on regular basis.¹³⁹

Often niching can be seen as an interesting option for a company's strategy. Instead of competing with large market players head on, niche companies offer specialized products and services, so that they overcome the direct competition. That makes their businesses safer and more profitable and even may ensure a leading market position. As noted by Pepall a niche is a combination of customers and services with respect to which the firm alone has a competitive advantage over any and all competitors.¹⁴⁰

¹³⁷ cf. Preball, 1992, p.399.

¹³⁸ cf. Dalgic, Leeuw, 1994, p.2.

¹³⁹ cf. Dalgic, Leeuw, 1994, p.3.

¹⁴⁰ cf. Preball, 1992, p.397.

As a rule niche players meet the customers' needs in a better way than their larger competitors. Based on that, narrow specialized companies can charge a substantial price-premium for the additional value. Nichers make the business by archiving high margins, while mass-marketer reaches high volume.¹⁴¹ Many scholars studying this topic claim that niching is preferable strategy of "smaller" enterprises. In this case "smaller" means that they are not as large as MNC in terms of turnover, number of employees and product portfolios.

Moreover, niche strategy can provide a strong mechanism to protect a company from competitors. Using the concept of Porter's five forces of competition, niche strategy may provide following advantages¹⁴²:

- In regard to direct competitor differentiation segregates the company from rivalry in the industry because of the clients' loyalty to brand. As a result the customers are getting less price-sensitive and hence, the company achieves higher margins.
- The customer loyalty, unique offer and added value create entrance barriers for new competitors.
- The higher profitability makes a company more resistible against the prices increase from suppliers' side.
- Company gets advantageous position concerning product substitutes in comparison to its competitors by achieving the high differentiation of the offer and loyalty of the customers.
- Limited number of players in a niche reduces bargaining power of customers.

Summarizing the theoretical framework provided in this Section, a check list for choosing niche strategy for a company is provided. Figure 14 demonstrates such check list. It consists of a number of key questions. The answers to these questions have to be given by management of a company in order to make a decision on using niche strategy or not. When the answer for a key question is positive, the next question must be answered, otherwise an alternative strategy has to be chosen. As well, a company could conduct the necessary changes in order to give a "positive" answer. In such cases the question could be used as a direction for the company development.¹⁴³

¹⁴¹ cf. Kotler, Armstrong, 2011, p.567.

¹⁴² cf. Lambin, 2004, p.428.

¹⁴³ cf. Fauska, 2006, p.16.

	Questions	YES	NO
1	Does any unsolved need exist in the market? Is there an opportunity to solve a problem in a more efficient way?	+	-
2	Is market demand relative limited? Is market size large enough? What is the role of competitors?	+	-
3	Does company possess a technology to solve the customer needs in specialized manner?	+	-
4	Is this technology unique? Are there opportunities for research & development?	+	-
5	Is there a chance to build strong relationships with customers?	+	-
6	Does a company possess information on specific customer needs and their modifications?	+	-
7	Can company build a positive reputation and reach high brand awareness?	+	-
8	Can entrance barriers be shaped by a company?	+	-
	Control-Question	YES	NO
	Are there any changes in customer needs? Is there new technology to solve the existing problem alternatively?	+	-

Figure 14 - Check list for choosing niche strategy¹⁴⁴

This check list represents a universal scheme for a choosing narrow specialized strategy. It means, that it must be adapted based on a concrete market situation and company itself. Adaption implicates the sequence of questions to be answered. For example, for start-up companies which are going to define their strategy, the standard scheme can be used. But if a company has already an established technology, then just the following questions need to be asked: number three, four, the second part of the first question, two and then five to ten. In general terms, the sequence of questions must be changed depending on the basic issue, if a company adapts strategy based on existing resources or vice versa.¹⁴⁵

The check list can be also used by already existing niche companies to track the strategy and make the qualitative evaluation of the performance. From this point of view, the control-questions “Are there any changes in customer needs? Is there any technology to solve the existing problem alternatively?” seem to be critical. Every time it’s crucial to analyze the trends of the market to be sure not to lose the niche market itself. Also the second question “Is market demand relative small? Is market size large enough?” has high priority. Management should analyze profitability of the business constantly. If there is

¹⁴⁴ cf. Fauska, 2006, p.15.

¹⁴⁵ cf. Fauska, 2006, p.15.

stagnation in the market, and there is no potential for further growth company should consider alternative strategies.¹⁴⁶

3.2 Key Success Factors

This Section of the master thesis is devoted to the analysis of marketing strategies of narrow specialized companies. It will provide an answer to the question how businesses can achieve sustainable competitive advantages using niche strategies. In order to do so, the following issues are going to be discussed: the vision and goals of niche companies, differentiation, globalization, customer relations. Different examples from business practice based on conducted interviews are going to be presented in order proving the theory.

3.2.1 Definition of the Goals

The goals of niche companies define sufficiently their behavior and performance. Mostly their goals are defined clearly and ambitious and stay constant for a long period of time. The main goal of a niche company is leadership position in its market.¹⁴⁷ To illustrate this statement, the goals of two international narrow specialized companies are provided.

RHI AG can be named here as an interesting example. RHI AG is an Austrian company, which operates worldwide and produces customized refractory products and services. The company operates in four continents in more than 180 countries, reaching in the year 2006 the market share of 11% worldwide and about 35% of European market.¹⁴⁸ The goal of RHI consists of the three main components, which are¹⁴⁹:

- world leadership,
- constant innovations and
- development of leading technologies.

The same overall goal was defined for every geographical market, where the company operates. Additionally to global goal, the local quantitative goals are defined for each market. They are based on market maturity, economic and political situation in the region.

¹⁴⁶ cf. Fauska, 2006, p.16.

¹⁴⁷ cf. Simon, 1996, p.31-33.

¹⁴⁸ cf. Puntigam, 2006.

¹⁴⁹ cf. Puntigam, 2006.

For RHI China, India and South America are getting to be strategic markets, where the company is going to concentrate their forces and resources.¹⁵⁰

ABBYY Software House may be mentioned here as another interesting example. ABBYY produces wide range of high-tech products and services that are based on document recognition and linguistic technologies. The market share of the company varies strongly from country to country, achieving 10-95%. In Russia, for example, the company is the absolute market leader with the share of 90%.¹⁵¹ The goal of Russian global niche company ABBYY is defined as “leadership in the markets of the technologies, which we produce by means of quality and reliability of our technology”.¹⁵²

Additionally to absolute market share or relative market share (which can be calculated as the ratio between market share of a player and its strongest competitor) leadership can be defined by being trend-setter in the industry and being perceived as a market leader by own customers. In such cases customers are usually proud to cooperate with leader companies. Hermann Simon calls such leadership position “psychological market leadership”. That means that global niche players are often leaders in innovations, they set the trends and rule of a maker. They define the future development of the market and industry standards.¹⁵³ This idea can be compared with what Hamel and Prahalad called “intellectual leadership”.¹⁵⁴

Austrian company HAAS, a global leading producer of wafer and biscuit machines with worldwide market share up to 60% can be named here as an example. The customers of HAAS perceive the company as worldwide leading partner in the baking industry.¹⁵⁵

Within the niche companies the goals are used not just for promotion, though they are often used in marketing communication, they define the basic strategy of the company. Company’s efficiency, profitability and development, as a result, are closely connected and depend on market leading position. Hence, niche companies try to reach and keep their market leading position in order to use their advantages.¹⁵⁶

¹⁵⁰ cf. Puntigam, 2006.

¹⁵¹ cf. Zhiguleva, 2006.

¹⁵² cf. Zhiguleva, 2006.

¹⁵³ cf. Simon, 1996, p.28.

¹⁵⁴ cf. Hamel, Prahalad, 1994, p.47.

¹⁵⁵ cf. Franz Haas Waffel- und Keksanlagen-Industrie GmbH [last accessed 15.11.2011].

¹⁵⁶ cf. Simon, 1996, p.31.

3.2.2 Product and Service Differentiation and the Role of Innovations

As it was mentioned previously, specializations, as well as product and service differentiation, play a critical role for niche companies. That is obvious, as the markets are limited by its size. The companies should be absolute specialists in their industries in order to be profitable. Beside that they have to offer something special to the market in order to be chosen by customers. Differentiation is creating or offering something what is considered to be unique by customers. Differentiation is preferably achieved by building additional value to customer based on company's strengths.¹⁵⁷ Niche companies offer products which are uniquely different from the competitor's ones. They provide innovative, technologically advanced solutions.¹⁵⁸

The figure 15 clearly illustrates the model of the deep, specialized product and service range of niche companies. While mass-marketer operates on different markets, serving a wide range of different non-specific products, specialist operates in the narrow markets with few products or services, but they provide a huge amount of deep specialized products and services.¹⁵⁹

Niche companies are specialized on solving a concrete problem of customer. Often they provide not only a product, but a creative and innovative system solution. For example, ABBYY Company implements the concept "from one sheet of paper in one language to another sheet of paper in another language".¹⁶⁰ It provides the products for the whole cycle of document translation, starting with document scanning and text recognition, followed by translating and correcting spelling mistakes. So the product assortment includes optical character recognition software and electronic dictionaries in many different languages. Each of these products includes a great number of modifications, based on the specific customer needs. For example, ABBYY provides specialized software for different applications: for small or large businesses to manage and steer document flows, for universities to correct tests, for Russian Tax Inspection Agency to transport the filled tax-forms to IT data bases, etc.

¹⁵⁷ cf. Toften, Hammervoll, 2008, p.1381.

¹⁵⁸ cf. Parrisch, Cassill et al., 2006, p.702.

¹⁵⁹ cf. Simon, 1996, p.31.

¹⁶⁰ cf. Zhiguleva, 2006.

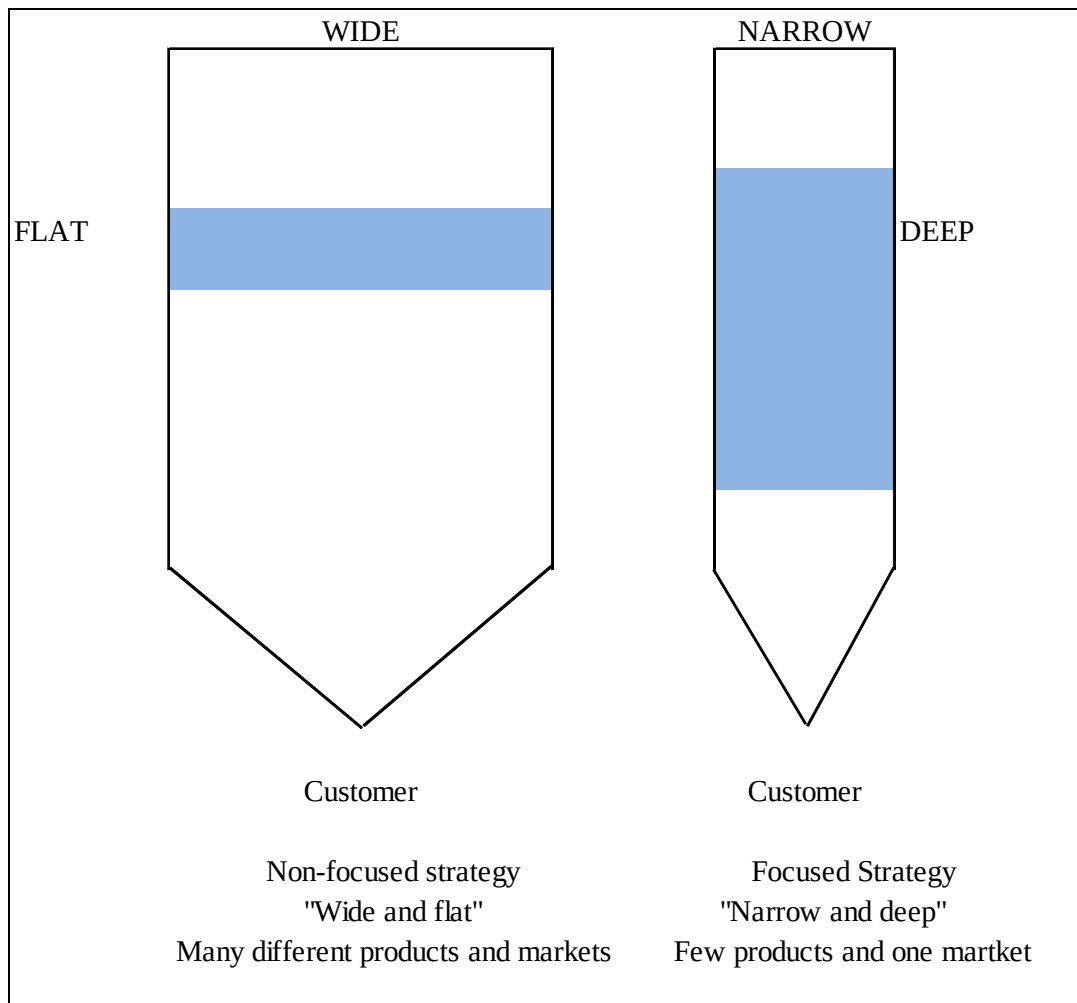


Figure 15 - Narrow and deep vs. wide and flat product strategy¹⁶¹

As one can see from this example, niche companies provide really specialized solutions for different customer needs. ABBYY Software House also develops the solutions together with the customers. They analyze the customer's business processes, the existing IT applications and infrastructure. Based on broad experience in different industries ABBYY develops a tailored-made solution in order to optimize the internal processes of the customer and not to change the existing IT-system. Moreover during the software implementation phase ABBYY provides the training for end users to teach them how to use the software in a most efficient way. After implementation of software is done, company offers a wide range of after-sales services, such as user help desk, further fine-tuning, software updates etc.¹⁶²

HAAS company can be also named here as an interesting example. The company offers tailor-made solutions to their customers. Based on excellent experience in the market of waffle machine, HAAS can provide the whole spectrum of innovative solutions. At first

¹⁶¹ Simon, 1996, p.32.

¹⁶² cf. Zhiguleva, 2006.

together with customers they define a need and make product specification. Then they produce the machines at a plant, owned by HAAS. “After sales services” are provided during the last phase of the project.¹⁶³

The company differentiates itself with excellent process knowledge and know-how. A customer provides information on how the end-product, like waffle or a cookie should look like and HAAS provides the whole infrastructure to produce such goods. All the machines produced by HAAS are fully adapted to customer needs. That means that probably each machine they produce is different and individual, there is no mass production. That means that the joint development of the products may lead to increased efficiency of the customer processes.¹⁶⁴

Based on these examples, it's possible to conclude that specialists usually sell value-added products. That means that using their products the customer may also improve and develop their own business. They help their customers to increase productivity and consequently profitability.

3.2.3 Customer Relationship as Competitive Advantage and Source of Innovations

During the last decades the development of strong and enduring relations with customers is concerned to be the basis for competitive advantages. The selling strategies can be placed on a continuum. At one end of the continuum there is transaction selling. It is most appropriate and efficient way of selling goods for simple, standardized products with less service or after sales support. At the opposite side of continuum relationship selling is placed. It is considered to be an effective approach if complex products or solutions are offered and they are associated with high degree of risk for customers. In such cases the interdependences between buyers and sellers are rather strong. They share critical information while trusting each other. That leads to longevity of relationship and enables both parties to gain financial rewards from these coordinated strategic investments. Such relations give companies better insights into the latent needs of their partners. That enables sellers to develop new offers for the customers and to be in advance position over the competitors and to argument premium prices.¹⁶⁵

¹⁶³ cf. Ley, 2011.

¹⁶⁴ cf. Ley, 2011.

¹⁶⁵ cf. Slater, Olson, 2000, p.815.

Moreover, maintaining the loyalty of existing customer is essential. The cost of replacing one lost loyal customer is much higher than maintaining the relations with existing one. So that's clear that companies must support and force the long-term relations with their partners.¹⁶⁶

As it can be derived from Subsection 3.2.2, niche companies work very close with their clients to provide them the best solutions. Specialized and customized product leads to interdependence between niche companies and their clients. So in order to be successful in long-term run companies have to build and hold on the close relationships with their customers. There are different aspects of how close customer relationships can be an advantage for narrow specialized companies.

At first, customers are the most valuable information source for the companies. Close relations and direct customer contact leads to better understanding of customer's business and therefore niche companies are able to provide the best suitable solutions. Customers are getting to be the source of ideas for product and service innovations. Moreover, knowledge of different business cases out of customer business can help companies to find the most efficient solutions for the other clients and implement the accumulated knowledge. In order to find out how niche companies themselves feel about the importance of close relationship with customer, interviews with their representatives were conducted. During the interviews with niche companies, their representatives were asked to evaluate the seven different sources of market information using the Likert-like scale, where seven was ranked as the "most important source of information" and one as "absolutely not important". The results of the interviews are summarized in Figure 16. All three companies which were analyzed, like RHI, HAAS, Mayr Melnhof (the world-leader in coated recycled carton board and Europe's leading producer of folding cartons) mentioned that the most important source for innovations and process optimization for future development are the clients of the company.¹⁶⁷

Source of Information	RHI	HAAS	Mayr Melnhof
Clients	7	7	7
Exhibitions	4	7	2
Competitors	3	3	3

¹⁶⁶ cf. Slater, Olson, 2000, p.815.

¹⁶⁷ Fauska, 2006, p.46.

Source of Information	RHI	HAAS	Mayr Melnhof
Specialized Press	5	4	2
Suppliers	1	3	5
Universities, R&D Institutes	4	7	4
Internet	5	6	5

Figure 16 - Sources of market information for niche players¹⁶⁸

At RHI even the concept of “lead consumer” was introduced some years ago. “Lead consumer” is used as indicator to track the trends and development of the industry, where the customers come from. RHI consider the direct customer relations as an important competitive advantage, “they see the eyes of the customers and speak the same language”.¹⁶⁹

At HAAS the development of new baking machines is usually done even together with customers. They may also conduct research & development projects in cooperation with their clients at the laboratory at HAAS plant. For example, some baking machines of the company are the result of close cooperation between HAAS and Ferrero.¹⁷⁰

Secondly, customers play an important role in building the company’s reputation and brand name. As already mentioned, the markets of specialized companies are relative small, so in the marketplace mostly everyone knows each player. That means that the information about the company’s successful projects flows rather fast. The word-of-mouth advertizing is getting to be one of the most critical promotion methods. For example, HAAS, being a partner of one of the largest Russian sweets and candy producer Rot Front, can use this reference to force the position and find new clients in the Russian market.

And thirdly, knowing customers helps niche companies to differentiate themselves from competitors. The knowledge on customer’s business enables companies to provide the most efficient and appropriate solution to their clients. One of the differentiators used by HAAS is their more than 100-years experience working together with their clients.¹⁷¹

¹⁶⁸ Fauska, 2006, p.47.

¹⁶⁹ cf. Puntigam, 2006.

¹⁷⁰ cf. Ley, 2011.

¹⁷¹ cf. Ley, 2011.

Direct customer contact also helps companies to offer the top service level. Complaints, coming direct from the customers can be used to improve the products and service level and to steer the relations.

A customer for niche companies was already for a long time something what now Prahalad und Ramaswamy call “co-opting customer”. In the past in corporate relations the roles of suppliers, distributors, customers were well-structured and clearly defined. Nowadays this paradigm has shifted to the situation where everyone and anyone can be a part of the action and influence the businesses. As mentioned by Prahalad and Ramaswamy not only the suppliers have become close collaborators in the development of new products, but consumer must be considered as the agent who transforms the industrial system most dramatically. As opposite to “customer as a passive audience” in the past, “customers as active players” play an active role in creating value and competing for it. They become a new source of competences for companies. The customers from their side bring knowledge and skills, their willingness to learn and be engaged in an active dialogue. “Customers as active players” co-create and extract the business. Their role has been changed and extended into collaborators, co-developers and even competitors.¹⁷² As the researchers mention, “companies and lead customers have joint roles in education, shaping expectations, and co-creating market acceptance for products and services ... Active dialogue with customers to shape expectations and create buzz”.¹⁷³

In order to achieve these close relations with the customers most of the niche players use direct sales model.¹⁷⁴ That helps companies to simplify and ensure the information flows coming from customers to the company. In this case the relations are also getting to be interactive. They overcome just supply-demand relations and the communication between companies also takes place between different departments. HAAS Company uses exclusively their own sales representative with much experience in the market to place the complex system products. In most of the cases not only the sales representative interacts with the customers, but also engineering departments of partner companies cooperate. As well mechanicals from HAAS work closely with plant representatives from clients’ side

¹⁷² cf. Prahalad, Ramaswamy, 2000, p.80.

¹⁷³ Prahalad, Ramaswamy, 2000, p.80.

¹⁷⁴ cf. Simon, 2007, 159ff.

etc.¹⁷⁵ But still it should be obvious that the direct selling is an expensive and extensive activity to reach the market.¹⁷⁶

According to Homburg there are two dimensions in terms of customer relationships. They are efficiency and interaction (see Figure 17).

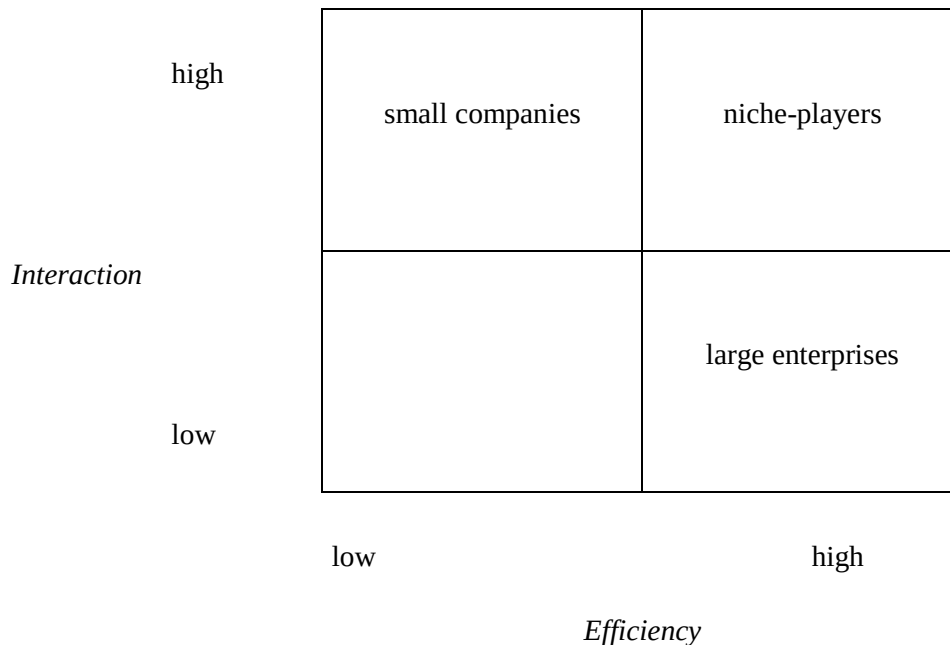


Figure 17 - Niche players in Efficiency-Interaction matrix¹⁷⁷

Under efficiency one can understand the quality of products and services, flexibility and level of consultancy. Interaction means active openness and passive openness, like honesty and receptivity. Thus, based on the matrix with “low” and “high” characteristics, niche players may be placed in the right above quadrant of the matrix. That means that the relations with customer are highly efficient and interactive.¹⁷⁸

Nevertheless it’s still important to consider a number of problems which can be connected with the strategy of being close to the customers. In this case the niche companies can be especially affected by such problems. It’s critical to bear in mind that “close relations with customers are not always synonymous with good relations”.¹⁷⁹ Different researches in strategic management state that at the first stages of cooperation the partner-companies strongly depend on each other. Later on, after the knowledge and know-how were shared between the partners, the relations are getting to be less stable.¹⁸⁰ Especially it might be

¹⁷⁵ cf. Ley, 2011.

¹⁷⁶ cf. Slater, Olson, 2000, p.815.

¹⁷⁷ cf. Simon, 1996, p.86.

¹⁷⁸ cf. Simon, 1996, p.86.

¹⁷⁹ Anderson, Jap, 2005, p.75.

¹⁸⁰ cf. Inkpen, Paul, 1997, p.177-202.

dangerous when there is no explicit conflict between companies and the relations seem to be stable. Such phenomenon according to Anderson and Jap is named the “dark side” of close relationships.

There are three mechanisms of how the dark side of close relations can appear: the expectation of immediate benefits, the development of strong interpersonal relations and unique processes adaption and investments (see Table 4).

Incentives to Partner (also Vulnerabilities to the Dark Side)	Strategies for Suppressing the Dark Side	Remedies for the Dark Side
Immediate Benefits	• Reevaluate older relationships • Keep profitability in mind	Make crises functional
Strong Interpersonal Relationships	• Develop backups • Focus in potential losses	Capitalize on and leverage personnel
Unique Processes Adaptation and Investments	• Take mutual hostages • Develop common goals	Don't allow conflicts to linger

Table 4 - Dark side of close relationships¹⁸¹

So the reasons for relationships can be also considered as a back side of the medal. The same factors that force the partnerships in the global markets also lead to the phenomenon of dark side of close relationships. And there are a number of actions which companies have to consider in order to maintain the successful and profitable relations with their partners.¹⁸²

The expectation of immediate benefits means that, if partnership relations are short-oriented, then both parties have an incentive to explore each other as soon as possible to exit from the cooperation. On the other side, if the relations are long-oriented then the companies have to experience benefits regularly otherwise the motivation to continue and maintain the relationships will become lower. To avoid this problem it is recommended to evaluate the relations on regular basis. This can be done by job rotation. A new look on the existing processes may open new dimensions and visions. Also long-term relations may become rather costly at some point of time, when the customers, for example, expect lower

¹⁸¹ Anderson, Jap, 2005, p.79.

¹⁸² cf. Anderson, Jap, 2005, p.78.

prices for their loyalty. In this case the key performance figure such as profit, not revenue must be considered. Companies have to know, that the low-margin products cause the same costs for services, etc and in such situations the costs could be higher as the profits.¹⁸³

The second directive for building strong relations in the global markets is interpersonal relations based on mutual trust. That's an objective fact, because it's not the companies who communicate, that are employees of the companies who communicate with each other. But at the same time these strong interpersonal relations can lead to the agreements between employees, who follow their own goals and can negatively influence the performance of the company. This problem is especially known in the sales departments. If a sales representative, who has very good relations with his clients, leaves the company, a part of the clients could also stop buying at that company. This problem can seldom occur within niche players because of the unique products, but still it must be taken into considerations. The following actions may be used as preventive methods against this second dark side of close relations. At first, the relationships must be built up not just between two concrete managers of the companies, but also other individuals should be involved in the interaction. It is recommended to build backups for key positions. So if one key employee leaves the company there is another competent employee to take over his position. Secondly, the companies have to focus on potential losses of clients if a manager leaves the company. The understanding of this problem leads to interactions which involve different individuals from both parties.¹⁸⁴ For example, at HAAS company negotiations with clients are conducted not only by regional sales representative, but also head-quarter representative and engineers are always involved in this process.¹⁸⁵

Thirdly, in order to build strong relations companies usually make adaptation of their products according to the needs of their partners. Such investments can improve the productivity and efficiency and hence lead to greater returns. But over the time the companies may lose the motivation to improve their processes and may fail to innovate. Partner companies should have incentive on regular basis to make investments in assets, human capital, innovations, which can lead to synergy.¹⁸⁶

If there are already some prerequisites for dark side development, then a number of methods exist to treat it. If such problem already exists it can be used beneficially.

¹⁸³ cf. Anderson, Jap, 2005, p.78-81.

¹⁸⁴ cf. Anderson, Jap, 2005, p.78-81.

¹⁸⁵ cf. Ley, 2011.

¹⁸⁶ cf. Anderson, Jap, 2005, p.78-81.

Companies should use it as an opportunity to get together to discuss the problems, to make decisions on the future development, to make corrections of goals of the relationships. Also new employees may bring new experiences and visions for the future development. Regional sales representative can also give good inputs on current situations.¹⁸⁷

3.2.4 The Role of Internationalization

Internationalization plays a critical role for success of narrow specialized companies. Six reasons for internationalization could be identified which motivate companies to explore new geographical markets. The most common interpretation of internationalization of a company is a growth strategy. Like argued by Ansoff, it is a way to find new market with the existing products in order to be able to grow.¹⁸⁸ Due to narrow markets and limited demand companies prefer to enter new geographical markets than to diversify in the national markets in order to reach sales growth and increase profits. For example, RHI AG, reaching the leading position in Europe, has limited opportunities to gain sufficient business growth in this established and stagnating market. Thus, in order to use chances for growth they enter new fast developing markets, like China, South America and India.¹⁸⁹

This new combination, specialization and globalization have a very important consequence. Even very small niche markets can become relative large, when they spread through the whole world. Figure 18 illustrates the statement graphically. Niche companies assume that customer needs from one narrow market are much more similar, than the latter from different industries in one region. So based on these two characteristics, specialization and globalization, even very small companies get enough opportunities for growth. Narrow market may aggregate in a relative large one.¹⁹⁰

Furthermore, niche companies often make relative large investments in R&D in order to produce innovative and high quality goods. The investments must be made before any sales occur. So the companies have to enter different markets as soon as possible in order to receive enough cash flow back as soon as possible. ABBYY Software House is

¹⁸⁷ cf. Anderson, Jap, 2005, p.81.

¹⁸⁸ cf. Ansoff, 1965, p.63.

¹⁸⁹ cf. Puntigam, 2006.

¹⁹⁰ cf. Simon, 1996, p.120.

constantly involved in R&D projects of the software packages and their updates. They should bring product to many different markets immediately in order to stay liquid.¹⁹¹

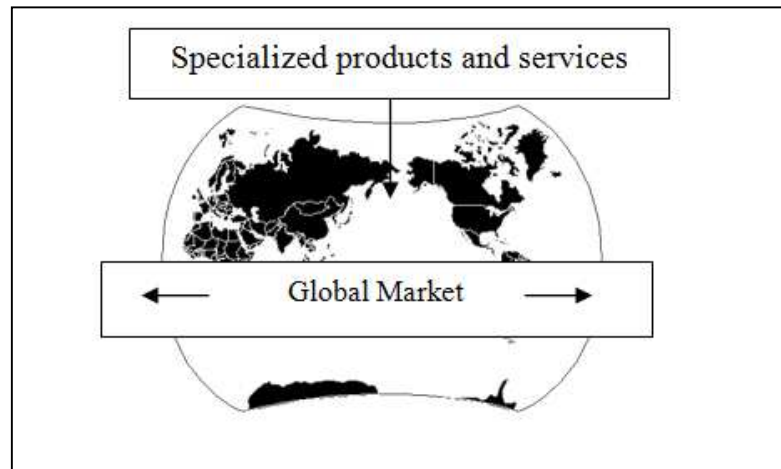


Figure 18 - Globalization of niche companies¹⁹²

The third reason for internationalization of the companies is their goals and leadership position. As they define themselves as leaders in the market, they need to enter new geographical markets immediately in order to secure their innovations from being copied and secure their reputation.

Internationalization also plays a critical role for the development of product and service innovations. Innovations can be considered as a result of company's interaction with the environment. It means that companies operating in different markets tend to be more innovative and can gather much more new ideas for product development and differentiation. Doing business in different countries can help companies to get a broad knowledge on customer businesses and applications. The best practice examples can be analyzed and implemented worldwide.¹⁹³

The intent to be closer to customers, one of the most important characteristics of niche players, is the next important reason for internationalization. On the one hand it helps company to decrease some costs connected with logistics. On the other hand it helps to stay constantly in touch with clients, to speak their mother-tongue and be informed about all the process changes of customer's business and their plans for the future. The representative of HAAS Company mentioned that they speak the language of their clients and that it one of the most important success factors for the company. As they enter new

¹⁹¹ cf. Zhiguleva, 2006.

¹⁹² Simon, 1996, p.120.

¹⁹³ cf. Simon, 1996, p.121.

markets, not only the local representatives, but also some partners from the HQ should be able to communicate with the client in his mother tongue.¹⁹⁴

Method of Internationalization			
Direct			Indirect
Type of Product	„Me too“	Behavior of Competitor	
		Free-riding strategy	Alliance strategy
	Unique	Independent entrance into new geographical markets (usually used by niche companies)	
			Cooperation with large international corporations

Figure 19 - Methods of internationalization¹⁹⁵

The sixth reason for internationalization is a common way to be closer to less expensive resources. This fact is usually considered while choosing a new place for production units. RHI can be taken here as an example. The company is backward integrated. Due to internationalization they may reach markets with lower raw material prices than in their local markets. Prices of raw materials are the main criteria for the decision concerning the location of new production units.¹⁹⁶

Hence, niche strategy leads companies to internationalization. Though traditionally it was considered that in order to be successful in global markets a company must have really large size.¹⁹⁷

The next question which arises within this topic is the approach for internationalization which can be used by niche companies. Figure 19 illustrates the answer to this question. In this classification the approach for internationalization depends on two parameters: type of the product which company serves (unique or “me too product”) and the way it enters new

¹⁹⁴ cf. Ley, 2011.

¹⁹⁵ Fauska, 2006, p.28.

¹⁹⁶ cf. Puntigam, 2006.

¹⁹⁷ cf. Chandler, 1990, p.134.

markets (direct or indirect). As one can see from Figure 19, niche companies prefer to enter new geographical markets on their own, not to take part in alliances or to enter markets indirect as a part of another product.¹⁹⁸

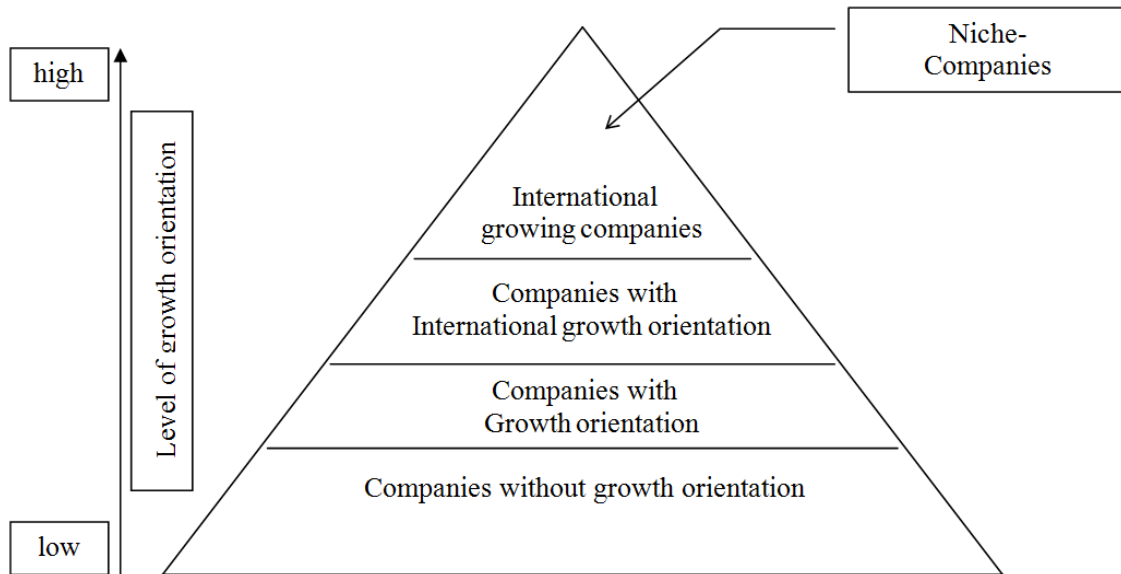


Figure 20 - Triangle of growth of a company¹⁹⁹

Moreover while talking about internationalization of niche companies, it's necessary to mention that these companies focus internationally directly after the launch of the business. They grow internationally, like it is shown in Figure 20.

For niche companies globalization is as an important growth driver. The reason for it is that the needs of the customer in the same niche are quite identical across different region. Hence, in order to grow it's much easier for niche companies to expand new geographical markets as to use diversification strategy in the local market.²⁰⁰

3.3 Risks of Niche Strategy and Recommendation How to Reduce Them

As it was shown in Sections 3.1 and 3.2 marketing strategy of niche companies is based on three main components: specialized products and services of superior quality, wide geographical expansion and direct customer contact. Referring to many examples in business practice, it's possible to conclude that this strategy can be very efficient. However the strategy also includes number of risks, which niche companies may face. In this master

¹⁹⁸ cf. Puntigam, 2006.

¹⁹⁹ cf. Nummela, 2005, p.15.

²⁰⁰ cf. Simon, 2007, p.155.

thesis the challenges of niche companies were identified and some management recommendations on how to prevent or illuminate them are given²⁰¹:

- Extinction of the niche market itself, risk of product substitutes. This problem might occur if new technologies or processes are invented to solve the existing problem of customers or if the processes of the customer are changed in such way, that clients don't need to use the product of niche player anymore.
 - At first niche company have to consider this risk and focus on the problem which can be solved by the product.
 - Companies have to provide more efficient solutions for customer problems and not just modify or develop their product per se. Companies have to analyze the operations of their competitors from different countries. They should also gather information activities of the competitors of their clients. Moreover, it is recommended to cooperate with R&D institutes and universities.
 - It is recommended to build up an efficient information flow system from the customer. Information about changes in the business processes, products or business unit development can be critical.
 - Niche players should be also specialists in the industries, where their clients operate. During the projects it is recommended to involve the industry specialists to offer the most customized solution.
 - Companies have to launch continuous market research to track not just their competitors and customers, but also to get the information on the activities of customer's competitors.
- Customer shifts to another supplier. Companies may face this risk if a competitor offers a product which influences the cost structure of the customer positively, for example, by offering lower prices.
 - Companies should generate interdependences between them and their clients so that the costs connected with switch of supplier will be substantive higher as the savings of using another product.
 - The advantages of working with the company must be obvious. Customer must perceive added-value by cooperating with the company (for example,

²⁰¹ cf. Fauska, 2006, p.24.

due to industry knowledge, ease of use, supply chain efficiency, superior services, goodwill, etc.).

- Customer must have advantages for its own business from using the company's products and services, which should add value to the processes of the client.
 - Wide geographic expansion and as a result broader number of customers can decrease this risk.
 - Companies could also compete on emotional level and consider non-rational customer preferences.
 - Company can be integrated into the processes of a customer. That could secure long-term stable relationships.
 - Constant interactions between the regional subsidiaries, monitoring of local competitors and search for best practice may also decrease the risks.
- Risk of losing the leading position in the niche market.
 - Constant increase of the quality of product and services, short cycle time of innovations, decrease of costs may help to reduce this risk. But still it's important to remember that the parameters of improvement can reach their limits and the next development won't add any value for the customer. In this case customers won't have any reason to pay additional price premium for the product.
 - Companies have to compete not just on product level. All relevant departments which are involved in interaction with customers, such as customer service, accounting, repair centers, logistics etc. have to compete for the customers.
 - New player is going to enter the market. Nowadays this risk is mostly connected with the products which made by companies in China. They use the strategy of "free-rider" and often just copy the products. Thus they provide similar products but on dramatic lower price level.
 - Company should consider the growth of the market to understand whether the market size is sufficient to be attractive for other companies.
 - The innovations of products and services must be protected by patents and licenses.
 - Company has to invest in their brand and build loyal customers.

- Highly differentiated products and services can help the companies to overcome this problem.
- Sensitive and customized pricing systems must be taken into account
- Risks connected with global approach.
 - Market research is recommended before entering new markets.
 - Companies should try to form good relations with key stakeholders of new markets.
 - Companies have to play the rules of the new markets.
 - Companies should conduct regular quality control of the production units in the markets. It could happen that the quality level can decrease while transferring and implementing one technology from one country to another (due to different quality of raw materials, attitude to quality, qualification of employees, etc.).
- Very high expectations from the customer side. As niche players offer sophisticated solutions, the customer in their turn can get used to high level service and exploit the situation on their bias.
 - Company has to define a policy where they should reflect the level of customization and the extra mile they are going to provide and the standard processes. During the negotiations with customers this issues must be discussed and documented.

In summary, the main characteristics of global niche companies are that they serve B2B markets; they offer specialized products and services, reach leading market positions and establish close customer relations.

In general terms, there are two main features of the marketing strategy of niche companies which make them so successful. First, it's product and service differentiation. They provide deep product assortment. Due to this focused product strategy, companies offer innovative specialized goods and services, often even system solutions. They provide customized solutions based on specific customer needs and possess the process know-how. That means, that niche companies not only sell products, they increase productivity of customer's business and gain efficiency for customer processes. Secondly, globalization of niche companies is the next key success factor. Even very small niche markets can become

relative large when they spread through the whole world. It also gives a chance to get a wide range of knowledge on customer business and applications.

In this Chapter author provided a practical check list for companies to evaluate the opportunities of choosing niche strategy for their companies. Moreover, some practical recommendations for niche companies were given. Despite of many advantages of such strategy, there are still number of risks connected with narrow markets. These risks were identified and some corrective measures and recommendations to avoid them were proposed.

4 Analysis of E-Commerce Usage by Global Narrow Specialized Companies: a Case Study

This chapter is devoted to case study conducted within the master thesis and its analysis. It explores the usage of E-Commerce by global narrow specialized companies and its findings give an answer to the main research question of the master thesis. Besides that, at the end of this Chapter the directions for the further research are formulated and possible approaches are presented.

4.1 Case Study as a Research Method

For analysis of the use of E-Commerce by global orientated narrow specialized companies a qualitative approach was chosen. This Section of the master thesis explains the choice of a case study as a research method. Moreover, it describes a research process and notes the limitations of the research, which should be considered.

4.1.1 Methodological Approach

As the research questions of the master thesis are “how” and “why”, the investigator has little or no control over events and the focus is on contemporary phenomenon as opposed to historical event, case study can be found as an appropriate research strategy.²⁰² According to Eisenhardt “the case study is a research strategy, which focuses on understanding the dynamics within single settings”.²⁰³ Case study may be used in different areas to build theories and to contribute to knowledge generation. As mentioned by Ghauri and Grønhaug case studies can be applied also for research of business situations.²⁰⁴ Hence, case study research can be considered as an appropriate research method for this the master thesis as such questions like “how” and “why” niche players use E-commerce arise. The topic comes from business area and it is an interesting issue of contemporary business and IT development.

Yin identifies three types of case study research: exploratory, descriptive and explanatory case studies.²⁰⁵ The aim of the case study being conducted within this master thesis is to

²⁰² cf. Yin, 2003, p.1.

²⁰³ Eisenhardt, 1989, p.534.

²⁰⁴ cf. Ghauri and Grønhaug, 2002, p.24.

²⁰⁵ cf. Yin, 2003, p.2.

explore why niche companies use or don't use E-Commerce and how E-Commerce matches the overall strategy of the company.

According to Yin, five steps of research design have to be conducted. It represents a logical plan which helps to find the way from initial set of questions to be answered to some set of conclusions on the studied topic. These five steps include the formulation of study questions, propositions, units of analysis, the logic of linking data to the propositions and criteria to interpret the findings.²⁰⁶ In the master thesis the research questions were already defined (see above). Based on the theoretical framework provided in Chapters 2 and 3, some guesses could be made concerning the topic. But in order not to influence the study, no propositions were made. The research is going to explore how in real-life niche companies apply E-Commerce in their business and how and why they evaluate the role of E-commerce. The unit of analysis for this case study is the use of E-Commerce in international niche companies.

As mentioned by Eisenhardt, the situation is ideal for the theory-building research if there is no any theory to consider and no hypotheses to test. Such situation is currently impossible, but still it's crucial to try to attempt this "ideal" because the propositions or predetermined theoretical perspectives may bias and hence limit the findings.²⁰⁷

While talking about case study design itself, Yin identifies four types, which can be placed into 2x2 matrix. He distinguishes between single and multiple case study designs and between holistic (with single unit of analysis) and embedded (multiple units of analysis).²⁰⁸ As for this research the single case study design with one unit of analysis will be used. As mentioned by Yin, a single case study can be used when representative or typical case is analyzed. In such circumstances the case represents a typical situation of one company, which is believed to be typical for other firms.²⁰⁹

For this research Hilti Company was chosen as a case study. As it is described in Subsection 4.2.3, the company is representative for a population of international niche companies. Like Yin states, while building the theory from case study, analytic generalization can be used not depending on how many cases were involved in the case study.²¹⁰ The researches "should try to aim toward analytical generalization in doing case

²⁰⁶ cf. Yin, 2003, p.21.

²⁰⁷ cf. Eisenhardt, 1989, p.536.

²⁰⁸ cf. Yin, 2003, p.39-40.

²⁰⁹ cf. Yin, 2003, p.41.

²¹⁰ cf. Yin, 2003, p.41.

studies ... and should avoid thinking in such confusing terms as “the sample of cases” or the “small sample size of cases”, as if a single case study were like a single respondent in a survey or a single subject in an experiment”.²¹¹

Generally there are six main sources of information which can be used for case studies.²¹²

These six sources with their strengths and weaknesses are presented in Table 5.

Source of Evidence	Strengths	Weaknesses
Documentation	• Stable – can be reviewed repeatedly • Unobtrusive – not created as result of case study • Exact – contains exact names, references, and details of an event • Broad coverage – long span of time, many events and many settings	• Retrievability – can be low • Biased selectivity, if collection is incomplete • Reporting bias – reflects (unknown) bias of author • Access – may be deliberately blocked
Archival Records	• Same as above for documentation • Precise and quantitative	• Same as for documentation • Accessibility due to privacy reasons
Interview	• Targeted – focused directly on case study topic • Insightful – provides perceived causal inferences	• Bias due to poorly constructed questions • Response bias • Inaccuracies due to poor recall • Reflexivity – interviewee gives what interviewer wants to hear
Direct Observation	• Reality – covers events in real time • Contextual – covers context of events	• Time consuming • Selectivity – unless broad coverage • Reflexivity – event may proceed differently because it is being observed • Cost – hours needed by human observers

²¹¹ Yin, 2003, p.33.

²¹² cf. Yin, 2003, p.41.

Source of Evidence	Strengths	Weaknesses
Participant Observation	• Same as above for direct observation • Insightful into interpersonal behavior and motives	• Same as above for direct observation • Bias due to investigator's manipulation of events
Physical Artifact	• Insightful into cultural features • Insightful into technical operations	• Selectivity • Availability

Table 5 - Six sources of evidence for case study: strengths and weaknesses²¹³

4.1.2 Research Process and Sources of Evidence

The data for this case study came mostly from three sources of evidences, namely from interviews and direct observations and partly from documentation and archival records provided by company.

As interviews are considered to be essential source of case study information, within this research interviews with key stakeholders on E-Commerce topic from headquarter as well as from regional subsidiary of global niche company were conducted. One interview with the head of E-Business Next Generation from the headquarter of Hilti was conducted. The role of this position is to develop and implement E-Business strategy for the whole company. This position reports to global strategic marketing manager. Moreover, an interview with the marketing manager from one local organization of Hilti was carried out. The marketing manager reports to the general manager and is responsible for the marketing strategy of the company in the local market. The Austrian market was chosen for analysis of regional subsidiary. This local organization is considered to be the best practice within Hilti and is considered to be representative for the whole company. It was important to get information and opinion on E-Commerce topic not just from the headquarter perspective, but also it was essential to understand how local market organizations evaluate the importance and role of E-Commerce in order to analyze the situation as a whole.

For this research the form of “in-depth interview” was chosen. After the stakeholders were defined, they were contacted per email to organize interviews. Fortunately, the stakeholders agreed to take part in the research. After that the personal interviews were

²¹³ Yin, 2003, p.41.

conducted by the author. For the interview the certain set of questions and their sequence were defined in advance. They were used as directions for deep discussions in a conversational manner. Each question was formulated as an open one. The questions used for the interviews are listed in Appendix 1. The interviews began with a short presentation of the project and its purpose. The purpose of the project was described i.e., learning about how niche companies use E-Commerce and which role plays E-Commerce for the company. General information about the company was reviewed prior to the interviews in order to have enough time to discuss the topic of E-Commerce. The duration of each interview was about one and half an hour.

Direct observations were used as another source of evidence in the conducted case study. The author got the opportunity to observe, how E-Commerce is working in practice and to learn E-Commerce processes, for example how to find a product and place an order, the features of the homepage which can be used by customers, etc. The deep understanding of E-Commerce processes was critical for the successful creation of the case.

Also documentary information, such as archival records were reviewed to compose the case study. Documentary information is likely to be relevant for every case study and topic, whereas the most important role of them is to corroborate and argument evidence from other sources.²¹⁴ The documents devoted to business model, multi channel distribution system, E-Commerce strategy and policy, different kinds of reports and charts on E-Commerce were reviewed and analyzed. It was an important source of information and provided an overview of the importance of E-Commerce for the company. Moreover, the information provided at the homepage of the company was taken into consideration.

As one see from the information sources description, many different sources of evidence were used to conduct the case study. As it is mentioned by Yin, the main strength of case study data collection is the opportunity to use multiple sources of evidence.²¹⁵

However, each sources of information also includes its special threats, as it is demonstrated in Table 5. To overcome them the author should develop personal skills for the conduction of case study. As recommended by Yin, the investigator has to pay much attention to the following skills²¹⁶:

²¹⁴ cf. Yin, 2003, p.85.

²¹⁵ cf. Yin, 2003, p.85.

²¹⁶ cf. Yin, 2003, p.59.

- to ask good question and objectively interpret the answer;
- to be a good listener and not be trapped by own ideas and conceptions stated in the theoretical part of the paper;
- to be flexible and use the opportunities of new encountered situations and discussed topics;
- to be focused on the issues being studied;
- to be sensitive and responsive to contradictory evidences and to be free from bias.

The author of the research considered each of these skills and tried to develop and implement them during the case study.

4.1.3 Limitations of the Research

The research was conducted using “single exploratory case study” as a research method. According to Yin, one case within case study research might be enough, but generally he recommends to analyze at least three of them.²¹⁷ Thus, the use of just one case study for analysis may be mentioned as the limitation of the research.

As the respondents, with whom the in-depth interviews were conducted were German speaking, the guidelines and the questions for the interviews were composed in German language. Interviews were conducted in German language as well. However the analysis and the interpretations of the results were done however in English language as English is the language of this master thesis. The use of two languages and translation from German into English could lead to language disruption. It may be considered as another limitation of the research.

During in-depth interviews the answers of the respondents were written down by the interviewer, but not audio recorded and transcript from the tape after that. That was done in order to let the respondents feel comfortable and open during answering the questions and giving the comments. This also might be interpreted as a weakness of the research.

After the detailed approach and the limitations of the case study were introduced, the next Section of the master thesis will be devoted to the case study itself as well as to analysis and the main finding. Moreover, some recommendations were derived from the findings of the case study.

²¹⁷ cf. Yin, 2003, p.41.

4.2 Case Study: Hilti Online

This Section of the master thesis opens with a short overview of Hilti. It provides a brief history review and a contemporary market situation of the company. This information will help further to understand the company's strategy and attitude to E-Commerce. It also demonstrates that Hilti can be used as an example of global narrow specialized company.

4.2.1 Facts and Figures: History and Recent Situation

Hilti is a global player in specialized market of construction industry providing deep assortment of cutting-edge products and services for fastening and demolition. In 2010 the company reached sales of 3.9 billion CHF.²¹⁸ Figure 21 illustrates the sales figures and demonstrates an intensive development of the company over the last sixty years.

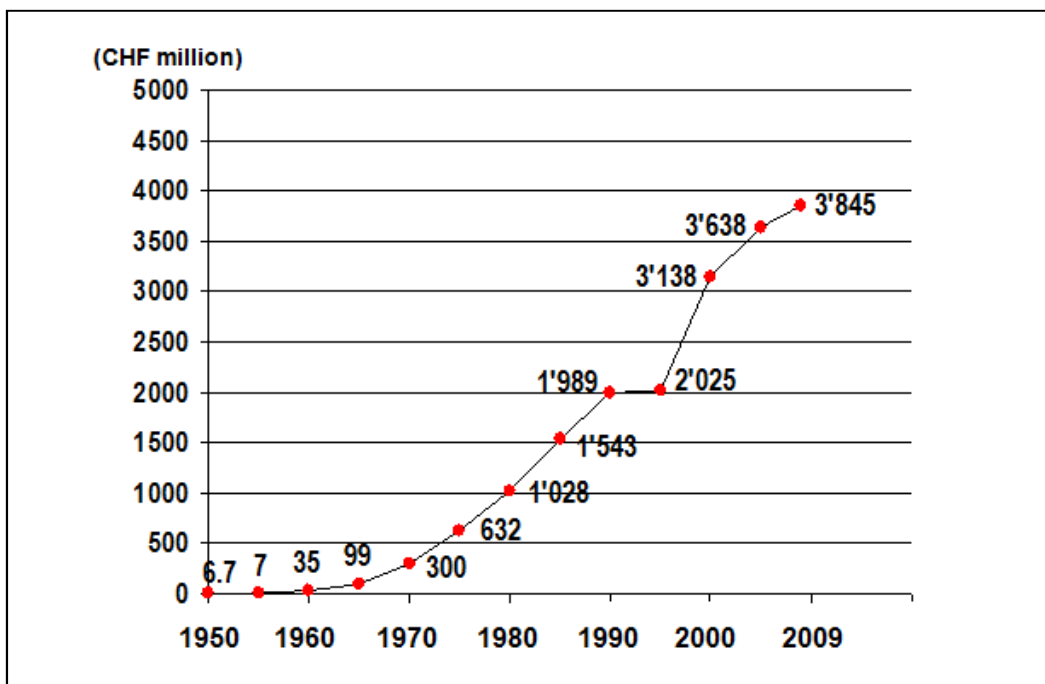


Figure 21 - Sales development of Hilti Company over the last 60 years

Hilti has a leading position in many of its markets reaching with some product lines a market share up to 50%. This leading position is based on outstanding innovation, top quality, direct customer relations and effective marketing. The clients of the company are professional construction companies, industrial enterprises or civil engineers. Hilti acts in B2B markets. Important global partners worldwide are Bilfinger Berger, Hochtief, Alpine,

²¹⁸ cf. Hilti Corporation [last accessed 05.11.2011].

Strabag, Gazprom and many others.²¹⁹ In 2010 about 20,000 people were employed by Hilti. The company has representations in more than 120 countries worldwide. Two-thirds of the employees work directly with customers. That means that worldwide the company has about 200,000 customer contacts every day.²²⁰ The Customer is considered to be one of the most important partners for the company. Moreover, Hilti has its own production units and R&D centers in Europe (Lichtenstein, Germany, Austria, Hungary), in Mexico and in China.²²¹

The headquarter of the company is situated in Schaan, Principality of Liechtenstein. All the shares of the company are still owned by Martin Hilti Family Trust, the company is not noted at any stock exchange.

Hilti was founded in 1941 as a mechanical workshop in Schaan, Principality of Lichtenstein, employing five people at the beginning. It manufactured the components for Swiss textile machines industry. After the Second World War the company founded its first business unit, the development of the first power actuated fastening system. Internationalization of the company started also rather early, already in 1952 the first sales representation was founded in Italy. During the next ten years the internationalization of the company continued by entering new geographical markets such as Sweden, Ireland, Great Britain, France and Australia, etc.²²²

The next important milestone in the history of the company was the foundation of technical center in Schaan. Already in the sixties years of the last century the company recognized the importance of technological advancement. So the technical center was founded. In 1962 two new product lines were introduced. They were drilling and anchoring. In 1967 the first in-house developed rotary hammer TE 17 was launched into the market. During the next decades the internationalization of the company continued. New geographical markets were explored. Hilti entered the markets of the USA and China. In 1985 three divisions were formed, namely drilling and demolition, power-actuated fastening and anchor technology. As well, the company introduced screw fastening and chemical construction products. The beginning of 90s was marked by the expansion of Eastern Europe market.

²¹⁹ cf. Connert, 2011.

²²⁰ cf. Hilti Corporation [last accessed 05.11.2011].

²²¹ cf. Hilti Corporation [last accessed 05.11.2011].

²²² cf. Hilti Corporation [last accessed 05.11.2011].

In 1997 the “Champion 3C Strategy” was defined. This strategy was a very important milestone in the company development which defined the strategic direction for the next decades. The detailed information on this strategy will be provided in Subsection 4.2.3. In the late 90s company presented new products, like laser positioning tools and cutting sanding tools to the market.²²³ Recently the company has seized new market opportunities and become an active player in the market of fastening solar systems.²²⁴

In the early 2000s new opportunity of use of E-Commerce were initially recognized by the company and in 2002 the first Hilti Online web site was launched. Year 2005 was associated with the standardization of the processes and new worldwide information management system was launched. Most of Hilti local organizations use SAP as ERP-System.

Based on this brief history review of the company, it's possible to conclude that already shortly after the foundation the company recognized the opportunities connected with business globalization and entered new geographical markets rather early. As well, one can see that the company constantly developed the range of its products and modified the existing ones in order to serve most innovative system solutions of high quality.

4.2.2 Marketing Mix

In this Subsection the “4P” of Hilti Company will be introduced. It will mould an understanding of operative marketing of the company.

4.2.2.1 Product

Though the company serves a narrow market of construction industry, being specialized on systems for demolition and fastening, the product range of Hilti is really deep. Product lines of the company include mining, cordless, measuring systems, direct fastening, drilling and demolition, anchoring systems, diamond coring and cutting, installation systems, cutting and sanding, screw fastening, fire stop and foam systems. The company provides a deep product range of tools and consumable goods for construction sites. These products are specialized on the trade where the customer comes from. The system solutions in form of product baskets are provided to customers in order to fulfill all their applications. Based on

²²³ cf. Hilti Corporation [last accessed 05.11.2011].

²²⁴ cf. Connert, 2011.

that, customers are segmented into building construction, interior finishing, mechanical, electrical, civil engineering, steel/metal and solar trades. Here it's also important to mention that the sales representatives are also specialized by trade of the customer. It enables them to gain a deeper understanding of the customer's business processes and applications.

Services play also an increasingly important role for the differentiation of the company and can secure the leading position within the next decades. Services of Hilti play a significant role to differ the company from its competitors. The three main services are fleet management, lifetime service and engineering support. Fleet management refers to operational or financial leasing of Hilti tools. It depends on the country and local regulations which form of leasing is offered by Hilti. Within fleet management customers pay a fix fee a month for a defined period of time, for example three or five years. This fee already includes all the repairs connected with the tool, theft insurance, steering of the tools, etc. Fleet management is a representative example of services, which add the value for the customer. It may make the processes of a customer more efficient and as a result can impact the profitability of its business. To illustrate this statement one example will be provided. Fleet management can improve the job site productivity of customer: during the repairs of the tool customer receives a fill-in tool or customer can loan an additional one for some days. That means that the down time of the construction site can be minimized. As the tools can be leased for three to five years, just new high performance power tools will be used by customers. The back office productivity is also influenced by fleet management. As the future costs of the tools are fixed for the next years it makes it easier to plan the budget. If the operational lease is used in the country the customers do not need to book and activate the tools, as these assets are booked within Hilti accounting system. As consolidated invoice is sent to a customer and there is no repair invoices to be booked, administration costs may decrease by using fleet management.

For Hilti fleet management also plays a crucial role. Primary it helps to build and foster customer relations. It forms not just "buy-sell" interactions, but it forms partner relations. As the tools pool of the customer is managed by Hilti, the company gets partly integrated into the processes of the customer and that leads to long term partnership. It gives an opportunity for a company to demonstrate a large number of additional services provided by Hilti and, hence, make these relations deeper. Additionally, the probability that a

customer will sign the fleet contract with Hilti after the initial contract is over is relative high. So this service also ensures additional sales for the company in the future.²²⁵

Lifetime service refers to best in class repair services, offering no repair costs within two years after purchase, lifetime manufacturer's warranty and repair cost limit. This offer and short repair cycle time have a positive influence on the partnership with clients. In-house engineering department helps to build the customer relations during the planning process and helps customers to choose the most efficient and suitable materials.²²⁶

4.2.2.2 Price

Offering superior quality products and services and being a system solutions contractor, Hilti also surcharges the premium prices for its products. Prices for most of the products of Hilti are relative high in comparison to the ones of the competitors. Hilti operates in high price, premium segment.²²⁷

Nevertheless, it's obvious, that customers have to compare the whole package proposed by Hilti and their competitors, including tool repair and delivery services, paying conditions and other costs. For the price premium charged by Hilti customer receives additional sufficient value. As for the company itself, premium prices ensure the profitability in the narrow market, it decreases risks and allows to invest in research & development for further innovations.

4.2.2.3 Promotion

The company uses a set of promotion tools which are typical for B2B markets and specialized companies. Personal sales are the most important instrument to provide information about the company and its products. Sales people are considered to be the first brand ambassadors. They represent the company, demonstrate the tools and consult the clients. As well the sales representatives are responsible for customer acquisition and building long-term relations.²²⁸

Depending on a country and Hilti brand awareness the company also takes part in professional trade shows in construction industry to position the company and to mould the

²²⁵ cf. Hilti Corporation [last accessed 05.11.2011].

²²⁶ cf. Hilti Corporation [last accessed 05.11.2011].

²²⁷ cf. Connert, 2011.

²²⁸ cf. Connert, 2011.

reputation in new markets. For the existing clients in the stable markets company organizes customer events on regular basis in order to foster the relations.

Moreover direct mailing and sales promotions activities are used to promote the company and its products.

Regularly Hilti organizes seminar and trainings for engineers to provide technical information on their products, to introduce new tools and technical software.

The web site of a company plays also an important role to shape brand awareness and to promote the company in the Internet. Hilti does not use any advertising methods, like commercials, outdoor advertising or sponsoring. All types of communication to customers are organized and done by the company itself and focused on the specific group of customers.

4.2.2.4 Place

Since the very beginning Hilti uses the concept of direct sales to provide the products to the customers. For Hilti it's crucial to be available whenever and wherever the customer needs support. Depending on the region Hilti uses 4 to 5 sales channels to reach their customers. They include sales representative, customer service, Hilti center, website and "pro shop". All the channels are Hilti-branded in the same way and provide the same competent information on products and services, offer the same quality of products and consistent prices.²²⁹ Hilti uses multi-channels approach, for example, customers can order online, but pick the goods in the Hilti center and give them back by contacting customer service.

The most important and also the most expensive sales channel is sales representative. They are mostly responsible for new customer acquisition, building long-term relations with them, demonstration of complex tools, explaining the services and helping them to find the right offer. Each sales representative has his defined the customers, which he visits directly visits in their offices or at a construction site.²³⁰

Customer service is responsible for giving all relevant information about Hilti products and services if a customer contacts Hilti by telephone, fax or email. Customer service

²²⁹ cf. Connert, 2011.

²³⁰ cf. Stampfl, 2011.

representatives are the first contact for a client or potential client who contacts Hilti non-personal. Their responsibilities include order entry, product consulting, complaint handling, and providing information on delivery. Another important task of customer service is outbound activities. They support in promotion of special offers or to seek for new customers.²³¹

Hilti center is also one of the most important sales channels for the company. It gives opportunities to customers who have their offices or construction sites near Hilti centers to visit them, to try a tools and materials, get professional consultation and buy the tool direct over-the-counter. Hilti centers have the most often sold products always on stock. So customers can get their tools or consumable products immediately without waiting for delivery.²³²

Website of Hilti, the online sales channel of Hilti, which is called Hilti Online, will be described in detail in Subsection 4.2.4.

Hilti “pro-shop” concept is used only in some countries. This means that in the construction hypermarkets a part of special department is devoted to Hilti products, where the representative of Hilti promotes and demonstrates products and services. This special part of the department is Hilti branded and can be easily identified with the company. This channel plays an important role for smaller customer acquisition and their development.²³³

All the sales channels complete each other and important for the whole distribution strategy. Based on special needs, customers can define the most suitable and efficient sales channel for them in different situation. Moreover, Hilti should also manage the routing of the customers depending on their segmentation to raise the efficiency in the channels and to achieve market reach productivity.

4.2.3 Strategy and Key Success Factors

At the end of 1990s based on the broad historical background and experience Hilti defined its new strategy which was named “Champion 3C Strategy”. The key elements of the strategy are customer, competence and concentration²³⁴:

²³¹ cf. Connert, 2011.

²³² cf. Connert, 2011.

²³³ cf. Connert, 2011.

²³⁴ cf. Hilti Corporation [last accessed 05.11.2011].

- The goal of Hilti is to be the best partner for the customers. The needs of the customers are the drivers for any actions within the company.
- Company competences are based on excellence in innovations and quality, direct customer relations and effective marketing.
- Hilti concentrates on markets and products where they can reach and sustain the leadership position.

The vision of the company is formulated as following “We create enthusiastic customers and build better future”.²³⁵ Under enthusiastic customers one can understand that the company creates success for their customers by identifying their needs and providing innovative and value-adding solutions. “Better future” refers to different stakeholders of the company. With the customer and suppliers company develops “win-win” relationship. For employees it provides opportunities for growth. The company plays responsible towards society and environment. For the business itself the mission is to achieve significant and sustainable, profitable growth.²³⁶

Figure 22 provides the existing business model of Hilti. The basis for any Hilti action and decision are its values and purpose. The values of the company are integrity in everything they do, courage, teamwork, commitment to company and personal growth.²³⁷ As one can see from Figure 22, the purpose and values can be considered like a fundament and they stay unchanged over time. The values and purpose are shared and lived by the employees of the company. “Our culture journey”, a kind of internal training, helps employees to learn and understand the values of the companies and define their own ways to live and execute them. People are considered to be one of the most important and strategic resources of the company. The search for the most talented employees is getting more important over the last years. The business development is based on the “Champion 3C Strategy”. All decisions concerning new markets, products, services, employees and suppliers must be aligned with this strategy. The next element of the model is “customer needs”. They influence the creation and development of innovative and value-added solutions. “Customer needs” are reflected in product portfolio, market reach, supply chain and professional services. Innovative and value added solutions in their term lead not only to customer, employees, partners and suppliers satisfaction, but also influence the whole

²³⁵ Hilti Corporation [last accessed 05.11.2011].

²³⁶ cf. Hilti Corporation [last accessed 05.11.2011].

²³⁷ cf. Hilti Corporation [last accessed 05.11.2011].

society and environment positively. Based on that satisfaction with superior offer the company can gain sustainable profitable growth. And at the end it is the most important goal of any business. Hilti Business Model also includes corrective feedback loops. The red arrows demonstrate that from customers, employees and other partners the company can get the inputs for corrective measures in "management", "strategy" and "people" in order to develop the business.²³⁸

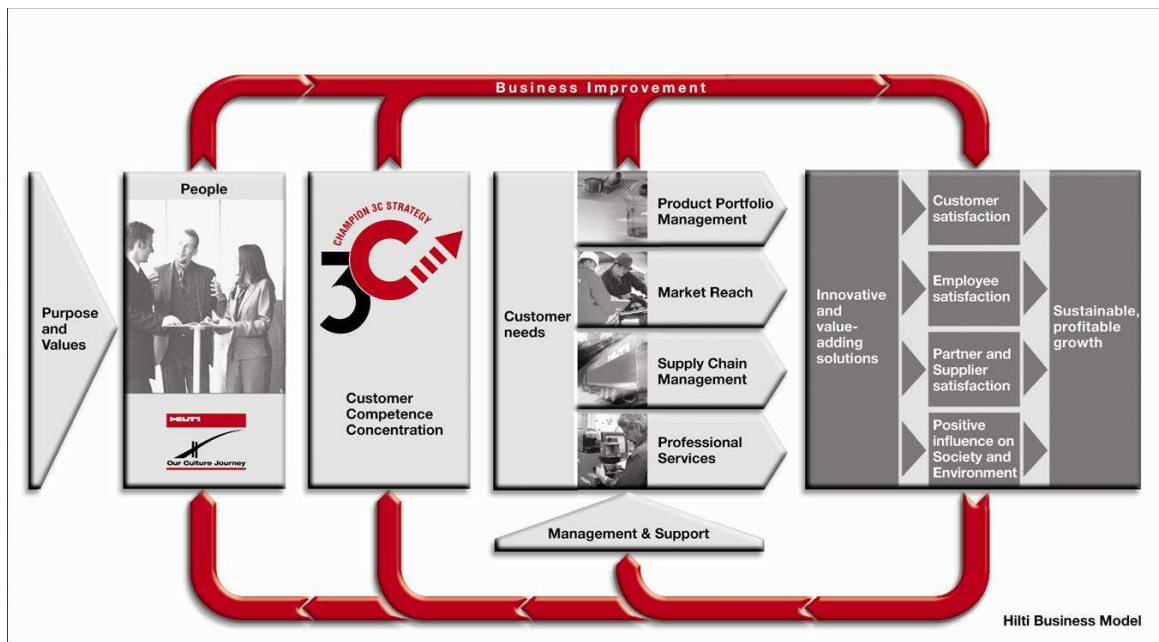


Figure 22 - Hilti business model²³⁹

The key competences of Hilti are direct sales (means the direct customer contacts), innovative products and services with superior quality and efficient marketing. Direct customer relations are considered to be a core element of Hilti strategy. It is the most important and at the same time the most expensive sales channel of the company. From another perspective it's not just a sales channel it's one of the most important differentiators from the competitors and key success factor. Direct sales model helps company and its representatives to understand the needs of the market in detail. For example, in the Austrian market sales employees have about 800 face-to-face customer contacts a day. The sales personnel with their superior customer applications knowledge play a driver role for innovations as well. The feedback on products comes direct from customers and sales representatives forward it straight to research & development department. Such feedback loop runs continuously. In-house production of many Hilti

²³⁸ cf. Hilti Corporation [last accessed 05.11.2011].

²³⁹ Hilti Corporation [last accessed 05.11.2011].

goods enables the company to execute the process. That means that the company can offer mostly to each customer not a mainstream product, but a customized solution.²⁴⁰

Other important factors that contribute to success of the company are a strong brand, the reputation of the company and the corporate culture. Hilti brand is a commitment for the high level of product consulting and customized services. The strong corporate culture fosters the motivation of employees to deliver high performance.²⁴¹

Such strategy, direct sales and deep customer relations help the company to find new solutions for the existing problems, improve the quality of the product and to understand the trend of market. These two components can be named as the most important success factors which enable the company its leading market position.

4.2.4 E-Commerce in Practice

E-Commerce by Hilti is used in form of web site in the Internet, which provides information and can be used for purchasing. It is called Hilti Online. Additionally, Hilti provides an opportunity for its customers to integrate ERP-Systems of buyers and seller.²⁴² This last type is not going to be analyzed within this master thesis.

In the organizational structure E-Commerce topic is placed in the sales channel management. E-Commerce is considered to play the role of one of the sales channels of the company as it was already mentioned in Subsection 4.2.2.4. E-Commerce is used as an information portal for the customer and it gives an opportunity to carry out some transactions of order process. Twelve percent of the sales worldwide are conducted via Hilti Online.²⁴³

Already in year 2000 the opportunities of E-Commerce were recognized as well as the technical infrastructure was prepared to launch the web site. That year the first pilot project started in the USA. Two years later based on knowledge and know-how of American office, other countries started to operate in the Internet. It's important to mention that that year the SAP as ERP-System was introduced which technically facilitated the online business. In year 2010 a new design of the website was globally introduced.

²⁴⁰ cf. Connert, 2011.

²⁴¹ cf. Stampfl, 2011.

²⁴² cf. Stampfl, 2011.

²⁴³ cf. Connert, 2011.

Depending on the country Hilti Online exists in two formats, “light” version and “standard” version. The “light” version provides just information on products and services and allows to communicate with customers. The “standard” version can be additionally used to conduct transactions online, such as order entry, administration of the tools in fleet management, sales history, etc.²⁴⁴

For the development of Hilti Online and system maintenance the special department in HQ is responsible. They are responsible for general E-Commerce strategy of the company and global content. The local E-Commerce teams manage the local content of the website and support processes. The main server is also located in HQ. The basic platform for Hilti Online is BroadVision which provides Hilti tools to do business on the web. This platform is integrated with SAP R/3. As soon as order is entered in the online platform, a data record is created and transferred to SAP R/3 in a form of IDoc. If the elements of the entered order are compatible with SAP, the order will be transported to ERP-System automatically; otherwise some manual corrections need to be done. The next year Hilti plans to use SAP as E-Commerce platform. That can ensure the seamless processes of order entry and higher process efficiency and consistency.²⁴⁵

Hilti Online provides information to their existing and potential customers, such as online catalogue, search for products, technical description of the products and technical data, services overview. It also gives the opportunity directly from the web site to download different software, developed by Hilti. These services can be provided to any user who enters the web site of Hilti. In order to use the full version of Hilti Online a company must be an existing client of Hilti and must be authorized for Hilti Online. In this case it can make orders, create order lists, track and trace the order. The customers, who have Fleet Management tools can also manage their tools online, download the list of the tools and allocate them to different cost centers. But still there are some functions which are not offered by Hilti Online at the moment. For example, there is no possibility for online payment, to view order documents such invoice or delivery notes. These services are still provided by customer service. Hence, it's possible to conclude that within the existing version of Hilti Online the whole purchasing process is not possible to carry out by E-Commerce.

²⁴⁴ cf. Stampfl, 2011.

²⁴⁵ cf. Stampfl, 2011.

4.2.5 Advantages of E-Commerce

The use of E-Commerce as a selling channel involves a great number of advantages for the company in comparison to other channels. Mostly there are three types of advantages, which can be defined²⁴⁶:

- reduction administration costs;
- promotion activities with cost advantage;
- increase of sales force resources for customer relations and development;
- price advantages.

Using E-Commerce can decrease the administration costs in different departments, for example in customer service and in finance departments. As customers enter their orders online on their own less customer service representatives are needed. As the customers enter the orders themselves, the probability of making a mistake, which leads to additional work around, decreases, as the number of interfaces is lower. If Hilti provides an opportunity to display and print invoices, delivery notes, credit notes and other relevant order documents, the clients can do that anytime they need without contacting the finance department. As soon as customer can download all the orders and invoices done during a specific period of time, time resources of controlling department can be also released. Moreover, as the client gets such services online, they can do it anytime and immediately. That means that the probably that the customer satisfaction will rise is rather high under the condition that online platform does not fail technically.

That means that for Hilti, E-Commerce may help not just to decrease the personnel costs and number of claim, but also gives an opportunity to release the personnel and allocate their resources. The customer service team members can do direct marketing, making outbound calls and presenting new products or get feedback on services. If a claim comes from customer side and personal communication is needed, employees of Hilti will have more resources to solve the problem quicker, to find really personal and special solutions. These measures could not only increase sales numbers, but also customer satisfaction.

As the share of customers using Hilti Online increases, the promotion campaigns which are conducted online might be more effective. Flyers and other booklets can be done just electronically without printing them out, that can reduce print and distribution costs.

²⁴⁶ cf. Connert, 2011.

Moreover a greater number of customers can be reached easier. That will lead to greater efficiency of the processes and higher profits.

As it was mentioned in Subsection 4.2.2.4, Hilti has five sales channels and the most expensive of them is sales representatives. Still many orders are done by territory representatives. That means that at the moment a huge block of the tasks of sales representative is administration of customer orders. That's not an optimal process as there are still cheaper channels where order entry can be done. As soon as customers purchase using E-Commerce, the resources of sales representatives can be allocated to conduct other more strategic tasks. That time can be used to introduce new tools or consumables, where personal interaction is needed. The demonstration of complex tools at the construction sites of the customers can be done. As well the sales representatives could have more time for training to build up sales and technical competences. In this case the level of service provided to each single customer may increase.

Sales representatives will get an opportunity to penetrate their customers, selling a broader number of products, as they get time to talk about new tools and consumable products with the customers. As well, they will get an opportunity to increase the coverage of the customers. That means that they will get time to drive and visit new customers and try to position Hilti products there. Hence, these measures might lead directly to increase of brand awareness and higher customer satisfaction and loyalty.

The last block of advantages of E-Commerce for Hilti is "price advantages". As the customer communicate with Hilti representatives there is sometimes an opportunity to negotiate on prices. At Hilti Online the agreed prices are used for the products. No additional price negotiations can be done. As a result it helps company to save the profits. Of course, it's important to mention here, that as soon prices are fixed for customers there cannot be any opportunity to change them between the different sales channels. Otherwise it leads to inefficiency and "wars" between the channels and as a result influences sales and profit numbers.

4.2.6 Risks of Use of E-Commerce

Still there are a number of risks connected with Hilti Online for the company, which ought to be considered while defining E-Commerce strategy. The main risks can be defined as following²⁴⁷:

- Unsatisfied customers if technical problems occurs with online services;
- Disregard of direct customer relations;
- Difficulties to transport added value to customers;
- Not possible to position complex tools and services;
- Less suitable for new customer acquisition.

As it was mentioned before there are still a number of technical problems that slows the use of Hilti Online. In order to bring customers online the purchasing platform must work perfectly and fully replace the services of customer service (as one can compare Hilti Online with customer service easily). Suppose that the company pushes their customers to use Hilti Online. Before the platform does not work perfect technically and does not provide full range of online services in comparison to offline, the customers may feel cognitive dissonance that leads to customer dissatisfaction with the company. That is not efficient for relations with customers. As soon as customers can not do all transactions online, they will need to contact customer service or sales representative. In this case it will cause double work, to solve the problem and to make sure that the client is satisfied with Hilti again. Technical gaps connected with Hilti Online may course dissatisfaction of the customers. So, if company promotes and invests money and resources in E-Commerce, online platform must be on a high level technically otherwise it could be a source of customer claims and dissatisfaction.

As it was already mentioned, direct customer relations are one of the most important key success factors for niche companies. Bringing clients to E-Commerce can damage the direct customer relations if the web site is not interactive and no feedback is coming from customers. It's important to bear in mind that customers are the source of innovations and their feedback is critical for future development of the company. Thus it's important to use E-Commerce, but also to consider the direct customer contact, which can be more intensive and deep offline.

²⁴⁷ cf. Connert, 2011.

As the demonstration of tools and services and personal interactions are limited in online sales channels it's getting rather difficult to transport additional value via E-Commerce. As a customer makes a buying decision online on their own, there is no opportunity for Hilti to argument the additional value of their company. As soon as customer perceives the price of Hilti product as high there is no opportunity to argument it.

Another important risk of E-Commerce for Hilti is that using it it's probably impossible to sell complex tools and solutions. Often customers have a problem and expect a wide range of solutions to choose from and a high level of consulting services. That can be done just by personal interaction. As it was already mentioned, Hilti is known for it system solutions provided to the customers, so this point should be considered while talking about E-Commerce sales channel. Furthermore, that is clear that the demonstration of tools can be very limited. If customer needs to try a tool or experience it for few days, sales representatives must arrange a visit to the construction site of the client.

Summarizing the previous risks, it can be concluded that the acquisition of new customers can be hardly done online. In order to build new customer relations tools demonstrations, argumentation of added-value, explanation and consultancy on Hilti services are needed. And that can be done via E-Commerce only with rather many limitations.

4.2.7 Role of E-Commerce

E-Commerce within Hilti has been used since 2002. That year the opportunity of E-Commerce was recognized and IT infrastructure was ready to launch Hilti Online web site. As it was described in detail in Subsection 4.2.5 E-Commerce can play rather important role for the company as an instrument to decrease the administration efforts, increase the productivity and to open new avenues for process optimization.

For the next five years E-Commerce strategy was defined as a part of global multi channel Hilti strategy. At the end of 2012 a new version of E-Commerce is expected to be launched. The version is expected to have technical advantages over the old one, to be more end user friendly and have a number of new features for the customers, which will enable more customization, personalization and interactivity. Additional functions (like for example, document flow, full order management, online consulting) and a better integration with other sales channels will be provided. As well, a new generation of Hilti Online is expected to be based on SAP platform. That will ensure smoother processes, less

losses and manual workaround due to a reduced number of system interfaces. Also the opportunity of using mobile devices such smart phones is not to be neglected and must be considered by the company for the next years.²⁴⁸

As one can deduct, E-Commerce plays an important role and can be applicable for existing clients with a huge number of transactions ordering consumable goods. In contrast, it is not the most suitable sales channel for tools due to limited opportunities of demonstration and services consultancy. For example, fleet management is expected to be really difficult to sell using E-Commerce. Customer acquisition and positioning of tools are still the main tasks of salesman.

4.3 Key Findings and Recommendations Derived from the Case Study

Based on the conducted case study the following theoretical inputs can be done concerning the role and the use of E-Commerce by global niche companies.

Niche companies as well as global multinational corporations already at the beginning of 2000 recognized the opportunities which E-Commerce offers to increase their efficiency and profits. Despite of the specific characteristics of niche companies, like for example, direct personal selling, many of them launched already that time web sites, including either just information for the customers or even offering some online transaction. The opportunities of E-Commerce are mostly connected with significant cost reduction. As it shown using different examples the administration costs occurring before, during and after a sales order may be significantly reduced.

Another important aspect is that E-Commerce is nowadays considered as “must-have” sales and information channel for the customers. As niche companies are highly innovative, use of E-Commerce and professional web site is signs of good reputation. It strengthens a brand and confirms a positive image. Thus, E-Commerce is often introduced by niche companies regardless of whether the customer will broadly use that sales channel or not. One can conclude that E-Commerce forms the reputation also for niche companies.

Nevertheless there are a number of factors related to the strategy of niche companies that limits the use of E-Commerce. Using direct customer contacts for innovations and continuous improving of the processes, customers can never be fully switched to E-

²⁴⁸ cf. Stampfl, 2011.

Commerce. The feedback which is received from customers during personal conversations and discussions can still not be received through other communication channels.

Moreover, niche companies sell not just a product. They offer their customers complex innovative system solutions, where much customization of the product is needed to deliver it. Such products are very difficult to sell using E-Commerce. “Straight rebuy” sale though can be done in such a way.

As specialized companies offer their customers not standard mass products, but also added-value in form of different services, whereas the advantages of those are not obvious at the first glance, an experienced salesman is needed to clarify the advantages of niche products. The transport of added-value to expound the price premiums can be hardly done via E-Commerce.

The acquisition of new customers for specialized companies can be hardly done in the Internet as the products are highly complex and need clarification and demonstration by sales consultants.

Still E-Commerce can be successfully used by niche companies as an additional sales and information channel for the existing customers. Standard repeated orders can be easily conducted via E-Commerce. Here it is also important to mention that ordering online must have clear advantages for the customers over the other channels.

As a key element for successful online strategy, full integration with other processes and channels can be recommended for niche companies. Customers must have an instant opportunity to switch between online and offline. Niche companies have to track the online behavior of their customers and give the offline support to the customer when needed.

As niche companies use indirect sales very seldom, it is clear that external E-Commerce sales platforms won't be used by such companies. Such platforms seem to be mostly inapplicable for niche companies to supply the customers.

4.4 Avenues for Further Research

Within the master thesis exploratory single case study was constructed and analyzed to provide new theoretical inputs on how niche companies considering their market strategy use E-Commerce. This topic provides different directions for further research to get deeper

understanding of the issue. At first, some additional case studies could be conducted to get a broader picture of the current situation.

It seems to be interesting and essential to find out, whether such use of E-Commerce is typical for all niche companies or there are any significant differences between them. To answer this question, there are additional factors and questions which could be considered for future research:

- Does the use of E-Commerce within specialized companies depends on the industry where company operates or such behavior is typical for all niche companies?
- Does the use of E-Commerce depend on size and age of niche company?
- As niche companies are usually global players, is there difference in use of E-Commerce between geographical locations within one niche company?
- Is there any difference how niche companies of different origins use E-Commerce?
- How E-Commerce does influence the internationalization process of niche companies?

Secondly, the theoretical issues deducted from case studies should be also proven statistically. That will also give new insights on how E-Commerce is used by niche companies and will make the knowledge derived from case studies more significant.

Thirdly, in the master thesis the analysis of “seller-side” of specialized companies was done. For the next stages of the research it could be interesting to find out, if there are any specific issues connected with E-Commerce from the supplier side.

Fourthly, as the use of mobile devices increases dramatically nowadays, the topic of use of M-Commerce by specialized companies can be also investigated.

Fifthly, if one regards the extended meaning of E-Commerce, it seems to be rather interesting and important for niche businesses to analyze how could innovation platforms in the Internet impact the knowledge obtaining of niche companies. The Internet platforms are considered to be an important source of knowledge for further development of the companies.²⁴⁹ In this case the usage and the influence of such Internet innovation platforms should be investigated.

²⁴⁹ cf. Mladenow, Fröschl, 2011, p.81.ff.

And finally, as the technologies of E-Commerce developing with extreme high speed, it makes sense to review the topic in few years to see how the use of E-Commerce by niche companies has changed due to significant technical improvements. Here one can raise the question: will it be possible to overcome the limitations of use of E-Commerce for niche companies by the improved and advanced Internet technologies? On the other hand, over the time it will be essential to analyze whether E-Commerce may affect the strategy of global narrow specialized companies, which so far were considered as constant and whether niche companies expect adapt their business models.

As it was described, there are many different opportunities to continue the research on this topic. There are main two reasons for doing that. On the one hand, for scholarships the research could give additional theoretical inputs on the topic of niche strategy and the use of E-Commerce for such companies. On the other hand, the research may also have managerial implications. It could provide companies an interesting platform for benchmarking in use of E-Commerce. The learning gained during the research could be transferable to other niche companies. And hence, it could help managers of niche companies to make decisions on investments in E-Commerce and to execute them.

5 Conclusion

The objective of this master thesis was to explore how global narrow specialized companies use B2B E-Commerce based on a representative example. This objective was reached by analysis of the desk research and performed exploratory case study of a global niche company. The objective and the chosen methods of the research defined the structure of the master thesis. It begins with two theoretical chapters, giving a broad overview of the existing literature on B2B E-Commerce as one element of the research question, and strategies of global narrow specialized companies as the second one. According to the definition and management goals of B2B companies, the analysis of procurement process was done and the importance of relationship marketing for B2B companies was emphasized. It was claimed that E-Commerce may affect the efficiency of industrial companies positively by reducing the efforts (and therefore costs) for coordination, information and communication. Furthermore it facilitates the relations with business partners based on intensified collaboration, transparency and flexibility.

The next Chapter was devoted to exploring the key success factors in marketing of global niche companies. Based on the analysis of existing literature and conducted interviews with representatives of niche companies, such as Franz Haas Waffel- und Keksanlagen-Industrie GmbH, RHI AG, ABBYY Software House Inc. the following theoretical insights on marketing strategies were emanated. Niche companies define their markets rather narrow; that means that they are specialists on narrow markets, offering a very deep range of products and services to their customers. Based on this characteristic they know their markets and customers perfectly well and are able to offer innovative value-adding system solutions. Close customer relations, interpersonal communication and open feedback play a crucial role for niche companies to establish and maintain their position. Due to differentiation strategy markets of niche players are considered to be limited. But here the second parameter of marketing strategy, i.e., globalization, should be considered. As a result even very small niche markets may become relative large in terms of turnover, when they become global. Furthermore, such international experience enables companies to get a wide range of knowledge on customer behavior and applications.

After the theoretical insights on B2B E-Commerce and global niche strategy were investigated and discussed in detail, the answer to the key research question can be given.

For this purpose a single exploratory case study was conducted. The case of “Hilti Online”, an E-Commerce platform of Hilti Company, was chosen for the case study.

The research resulted in some theoretical implications. The findings of this research indicate that niche companies recognize E-Commerce as a medium to gain efficiency and profitability for their company. Mostly, this is connected with the reduction of transaction costs. Also, E-Commerce in form of professional web presence may strengthen the brand and the reputation of niche company.

The research also indicated that there are a number of factors connected with the strategy of niche companies that limits the use of E-Commerce. These factors differ the usage of E-Commerce by niche companies from the usage by mass market companies. Customers of niche companies can never be fully switched to E-Commerce as the direct personal contacts and customer feedback are the key sources of innovations and drivers for process improvements. As specialized companies offer their customers complex innovative system solutions, where customization and specialization are needed, it is hard to sell such products and services solely online. Moreover, the acquisition of new customers is still the prerogative of traditional sales channels, as the products are highly complex and need to be demonstrated. As well as the clarification of premium prices should be done by sales consultants.

Nevertheless, the findings indicate, that E-Commerce can be successfully used by niche companies as an additional sales and information channel for the existing customers. If a customer makes a standard repeated order, the procurement process can be easily done via E-Commerce as soon as this form of ordering has clear advantages for the customers over the other sales channels.

The master thesis attempts to explore on the basis of one representative example how global narrow specialized company exploits the benefits of E-Commerce and may contribute to the knowledge in this field. As it was demonstrated, due to special characteristics of niche companies, their usage of E-Commerce should be investigated separately from mass market players. Moreover, the results of the study might have an impact on executives. The master thesis provides guidance for managers and gives them an outlook on how E-Commerce can be used by specialized companies. Hence, it may support managers in decision making on E-Commerce investments, during definition, implementation and execution of E-Commerce strategy.

The master thesis also leads to a number of interesting and challenging paths for future research. It represents a basis for further studies of the topic. Within this master thesis the directions for further research and possible approach for next investigations were discussed. The major questions for further research include the following ones. First, the key findings of the study should be tested statistically in order to understand, if the learning may be transferable to different niche companies or if there is a significant difference in the usage of E-Commerce between them. Next, the extended meaning of E-Commerce should be also considered. It might be important to examine, how niche companies could benefit from other aspects of the Internet, taking for example innovation platforms for knowledge obtaining, and not only in terms of “buying-selling” relations. This could be reached by conducting in-depth interviews with representatives of niche companies and observations of their behavior. Finally, for the future development of niche companies it will be crucial to understand, whether it is possible to overcome the limitations of using E-Commerce by advanced Internet technologies. Answering these questions may contribute further to generate deeper knowledge of global niche companies as well as B2B E-Commerce and could have a broad practical impact.

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Appendix 1 - Guide for In-depth Interviews for the Case Study

The goal of the interview: nowadays E-Commerce has been becoming an increasingly important source of competitive advantages for business-to-business (B2B) companies. Though many different authors and empirical evidences pointed out, that E-Commerce can play a critical role in efficiency and profitability of industrial companies, it's still very important to consider the existing company's strategy and analyze how E-Commerce can match it.

In this research we are going to make a case study to find out how narrow specialized companies use E-Commerce und how they adapt E-commerce to suit their business strategies.

Questions were defined in German language, because the interviews are going to be conducted in German as a mother-tongue of interviewees.

Block 1 – Strategy

1.1 Was sind die Kernkompetenzen von dem Unternehmen?

1.2 Wie differenziert sich Hilti von seinen Konkurrenten?

1.3 Nennen Sie bitte 3 Erfolgskomponenten von dem Unternehmen? Warum genau diese? Was verstehen Sie unter...?

1.4 Welche Rolle spielen Direktvertrieb und direkte Kundenbeziehungen für die Firmenstrategie?

1.5 Wo (wie) gewinnt die Firma die Innovationen?

Block 2 – E-Commerce Rolle

2.1 Wie wird E-Commerce bei dem Unternehmen genutzt?

2.2 Seit wann wird E-Commerce bei Ihnen genutzt? Warum?

2.3 Wie wichtig ist E-Commerce für ihr Unternehmen und warum?

2.4 In welchen Unternehmensbereichen wird E-Commerce genutzt?

2.5 Wo ist das Thema E-Commerce in der Unternehmensorganisationsstruktur abgebildet?

2.6 Ist eine E-Commerce-Strategie für die nächsten 5 bis 10 Jahre definiert? Wie lautet diese?

2.7 Welche Investitionen sind in den nächsten Jahren im Bereich E-Commerce geplant?

2.8 Wie hilft E-Commerce von Konkurrenten zu differenzieren?

Block 3 – E-Commerce in der Praxis

3.1 Wie funktioniert E-Commerce bei Ihnen in der Praxis?

3.2 Wie viel Prozent aller Geschäfte werden online abgewickelt?

3.3 Was sind die Hauptvorteile von E-Commerce für Ihr Unternehmen?

3.4 Was sind die Hauptvorteile von E-Commerce für Ihre Partner (Kunden, Lieferanten)?

3.5 Was sind die größten Risiken von E-Commerce für ihr Unternehmen?

3.6 Warum nutzen/nicht nutzen Kunden E-Commerce bei Ihrem Unternehmen?

Block 4 – E-Commerce und Strategie

4.1 Wie lässt sich E-Commerce mit der Firmenstrategie vereinbaren?

4.2 Wie sehen Sie die Rolle von E-Commerce in 5 Jahren?

4.3 Welche Services können nicht online abgewickelt werden?

4.4 Welche offline getätigten Services können durch Online-Services ersetzt werden?

4.5 Wie lautet die Onlinestrategie der Konkurrenten?

4.6 In wie weit wurde das Onlinekonzept an die Strategie angepasst?

4.7 Was waren/sind die größten Herausforderungen bei Implementierung/Durchsetzung von E-Commerce?

Appendix 2 - Abstract (in English Language)

Since the last decades E-Commerce has become an increasingly important source of competitive advantages. Though many different scholars and empirical evidences indicated, that E-Commerce may play a critical role for facilitating efficiency of industrial companies, it appears to be crucial to examine whether it prevails also within different business strategies.

Within this master thesis the use of E-Commerce by global narrow specialized companies is analyzed. The main objective of this master thesis is to explore how global narrow specialized companies use B2B E-Commerce and how this matches their business strategies.

A single exploratory case study and a desk research were chosen as research methods. A case of “Hilti Online”, an E-Commerce platform of Hilti AG, was conducted based on in-depth interviews with representatives of the company.

The findings of this case study indicate that global narrow specialized companies recognize E-Commerce as a medium to gain profitability for their company due to reduction of transaction costs. E-Commerce can be successfully used by such companies as an additional sales and information channel for the existing customers and standard orders. Also, E-Commerce in form of professional web presence may strengthen their brand and their reputation. Nevertheless, the research also showed that there are a number of factors connected with the strategy of global narrow specialized companies that limit the use of E-Commerce. E-Commerce is less applicable for the sales of complex innovative system solutions and services, and acquisition of new customers,

The master thesis attempts to explore on the basis of one representative example how global narrow specialized company exploits the benefits of E-Commerce and may contribute to the knowledge in this field. Moreover, the research has an impact on executives. It may support managers in decision making on E-Commerce investments, during definition, implementation and execution of E-Commerce strategy.

The master thesis also leads to a number of interesting and challenging paths for future research. Within this master thesis the directions for the further research and possible approach for the next investigations are discussed.

Appendix 3 - Zusammenfassung (in deutscher Sprache)

In den letzten Jahrzehnten hat sich E-Commerce zu einem wichtigen Element für Wettbewerbsvorteil entwickelt. Obwohl in zahlreichen empirischen Untersuchungen demonstriert wurde, dass E-Commerce für Effizienzsteigerungen in Industriebetrieben eine signifikante Rolle spielen kann, muss erst untersucht werden, ob dies tatsächlich auf verschiedene Unternehmen mit unterschiedlichen Strategien zutrifft.

In dieser Masterarbeit wurde die Benutzung von E-Commerce durch globale, eng-spezialisierte Unternehmen analysiert. Das Hauptziel dieser Arbeit war es der Frage nachzugehen, in welcher Art und Weise diese Unternehmen E-Commerce anwenden und wie das zu ihren Unternehmen Strategien passt.

Als Forschungsmethoden für die Erstellung dieser Arbeit wurden Einzelfallstudie und Sekundärforschung angewendet. Die Fallstudie von „Hilti Online“ beschreibt die Anwendung der E-Commerce Plattform der Hilti AG und wurde auf Basis von Einzelinterviews mit den Verantwortlichen erstellt.

Die Ergebnisse dieser Recherche zeigen, dass globale, eng-spezialisierte Unternehmen E-Commerce benutzen können um ihre Produktivität zu steigern. Dies geschieht in erster Linie durch eine Reduktion der Transaktionskosten. Diese Unternehmen können E-Commerce auch als zusätzlichen Vertriebs- und Informationskanal für bestehende Kunden einsetzen. Außerdem steigert E-Commerce in Form eines professionellen Webauftritts die Reputation des Unternehmens. Trotzdem demonstriert die Arbeit, dass es einige Faktoren gibt, die direkt aus der Strategie eng-spezialisierter Unternehmen abgeleitet werden können, welche die Anwendbarkeit von E-Commerce für diese Unternehmen limitieren. E-Commerce kann für Positionierung und Verkauf von komplexen, innovativen Systemlösungen und für Akquisition von neuen Kunden nur eingeschränkt genutzt werden.

Diese Masterarbeit zielt darauf ab, anhand eines repräsentativen Beispiels, zu untersuchen wie eng-spezialisierte Unternehmen E-Commerce für ihre Zwecke anwenden. Darüber hinaus haben die Ergebnisse der Arbeit hohe Bedeutung für Führungskräfte und unterstützen diese bei der Entscheidungsfindung betreffend Investitionen, bei der Implementierung und Anwendung von E-Commerce.

Des Weiteren öffnet diese Arbeit Horizonte für weitere wissenschaftliche Untersuchungen und zeigt konkrete Fragestellungen und Vorgehensweisen dafür auf.

Appendix 4 – Curriculum Vitae of the Author

Polina Fauska

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Education and main research papers:

October 2009 – April 2012

University of Vienna

Faculty of Business, Economics and Statistics

- Field of study: Managerial Accounting and Electronic Business

Seminar Papers:

- Business Strategies and B2B E-Commerce Opportunities of Global Narrow Specialized Companies
- Web Analytics (Analysis of RUWA GesmbH & Co KG Web Site Performance and managerial Recommendations)
- The Essentials of B2B E-Commerce

September 2001 – June 2006

St. Petersburg State University

Graduate School of Management

- Field of study: Marketing and Strategic Management

Seminar Papers:

- International Marketing Strategies of Narrow Specialized Companies
- Contemporary Developments in Marketing as a Result of its Evolution
- Positioning of Goods and Services in Marketing Management Process
- Models of Management in the 90th: Comparison Analysis

October 2004 – February 2005

Vienna University of Economics and Business

International Exchange Program

- Field of study: International Marketing

Seminar Paper:

- Analysis of Ukrainian Furniture Market as Search of Opportunities for Rehau

Research Areas of Interest:

- Relationship Marketing
- Industrial Marketing
- E-Business
- Strategies of niche companies