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# B2B customers buying behaviour in the Jewellery industry

## Case: Brüder Nowotny, Austria

Anna Shramchuk

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Laurea Otaniemi

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**Anna Shramchuk**

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In today's B2B environment an online order opportunity is highly expected, however launching an online store alone is rarely enough. It is important to know how to bring the customers to this online store. For a successful transition, marketers firstly needs to understand the needs of the customers, as well as factors that are driving customers' purchasing decision. The goal of this research is to provide to a case company, Brüder Nowotny, appropriate solutions, how to change the current order habits of their customer, from non-online to online.

In order to understand why customers avoid using their online shop, Brüder Nowotny needs to examine needs of the customers'. This thesis will explore relevant theories used in B2B marketing and take a closer look on how to include e-commerce in purchase routine of customer. The theoretical section provides a framework for analyses made for understanding customers and industry better.

The empirical study of this paper incudes a short review of industry where the case company is operating, Jewellery industry, that incorporated the Porter five forces model of the competitive environment. The answers to the main research question was clarified by using existing customer data and by conducted phone interviews. In this study author used combination of quantitative and qualitative research methods.

Based on the research results, there are several thing to improve in Brüder Nowotny's online shop. Although the majority of the customers still ignore the online, interviews proved that there is still hope for bringing them to the online shop with right education approach and support.

**Keywords:** E-commerce, Customer Buying in B2B market, Porter Five Forces, Customer Data Analysis, Phone Interviews

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## 1 Introduction

While there are number of ways to grow the business, one of the most effective methods is to optimize existing business processes. Developing a suitable program, which could take over simple tasks and solve them more effective than a human, might be for a company critical key for surviving in competitive environment. The Austrian leading wedding ring producer, Brüder Nowotny, offers their customers' opportunity to place an order online, which is in many ways the most effective and secured way to purchase a product. However, customers are ignoring the online order system and keep on purchasing in traditional ways, via telephone, fax or email. In this paper author explores the challenges of changing customers' order habits. (KPMG, creating an optimized organisation, 2012)

In today's world, people are looking to get things done quickly and efficiently, therefore having a solid order processing system creates mostly a win-win situation for businesses and their customers. The aim of this thesis is to provide to Brüder Nowotny appropriate solutions, how to change the current order habits of the business customers, from non-online to online, and achieve previously mentioned win-win situation. (Sabri et al., 2006, 27)

As may be assumed, a new online purchasing system is taken more slowly to use in B2B than in B2C sector. B2B customers need more detailed and richer information in their purchase decision process. In this paper author tries to prove that every development should be marketed to the customer for making them use it. Furthermore, author discovers what kind of information and support the customers need for using the online order system. (Hall, 2017)

### 1.1 Purpose of the thesis

This thesis is conducted for Brüder Nowotny, Austrian leading wedding ring manufacturer, specialized in B2B market. The main purpose of the thesis is to provide a detailed study of customers buying behaviour, which would provide necessary background knowledge for creating solution, how to change the current purchasing habits of customers.

Although Brüder Nowotny has been operating over 100 years in the industry and has many customers, surviving in today's competition includes action. Sabri (2006) argues that effective purchase order management (POM) is key to staying competitive. In this case, online purchasing system is the most effective and safe way for customer to place an order and for company to process it; however, it is not as used as it should be. (Sabri et al., 2006, 27)

This thesis combines the area of specialization of author, digital marketing, with a subject that the author finds interesting: e-commerce. The whole thesis process will be beneficial for the author as well as for the Brüder Nowotny. Author is working for Brüder Nowotny as a junior key account manager. Exploring customers' needs and attitudes will help the author to develop deeper knowledge of the working field. In this thesis author will present the ideas for activating customers' online purchasing usage. This information is necessary if company want to achieve its strategic goals.

## 1.2 Research question

The topic of this thesis was chosen based on the case company's needs. Since 1881, Brüder Nowotny has been producing wedding rings for customers around the Europe. The customers in this study are organizations rather than individual people (Hall, 2017). Jewellery industry consists largely of micro-businesses and small-to-medium sized enterprises with only a few specialist larger manufacturers. Even if Brüder Nowotny has earned good position in jewellery industry, surviving in today's competition includes action.

Brüder Nowotny has developed in 2016 online purchasing system, which is the most effective way to place an order, however customers have been mainly ignoring it. Preparing for order management change is more challenging than creating channels to change. The main research questions of this paper is how to make the customers of Brüder Nowotny purchase goods more online. Subsidiary research questions will help author to answer the main research question. The subsidiary research questions are how customers are purchasing now, which typical characteristics of Brüder Nowotny's customers buying habits are and why customers of Brüder Nowotny avoid purchasing online. (White, 2017, 70)

The main research question provides the answers, which will be considered as key pillars in creating solution and recommendation towards online order issue. The research question reflects to the goal of the research. The aim of this research is to provide relevant information for a case company, which will help the company to activate their customers' online usage. (White, 2017, 70)

### 1.3 The structure of the thesis

The thesis begins with a general introduction for readers about the topic as well as purpose of the study. In this chapter author set the main research question and presented the structure and the limitation of this thesis.

In the second chapter, author introduces relevant theories for this study. This part includes introduction of industry analysis using Porter's Five Forces model, definition of B2B market, characteristics of B2B customer buying behavior, and customer analysis that includes segmentation and behaviour theories of B2B customers.

Chapter 3 includes more detailed background information of the case company. This chapter includes details, which are important in order to understand following chapters. Chapter 4 presents different research types. In this chapter author describes the research process used in this study.

The actual results and analyses are presented in Chapter 5. It includes competitive environment analysis of Jewellery market based on Porter's Five Forces model, result of the customer data analysis and results of the interviews.

The Chapter 6 consists of conclusions and recommendation for the case company. In the last chapter author writes about the main personal learning, feedback from the Brüder Nowotny's CEO and couple of thanking words.

Figure 1 demonstrates the structure of this thesis.

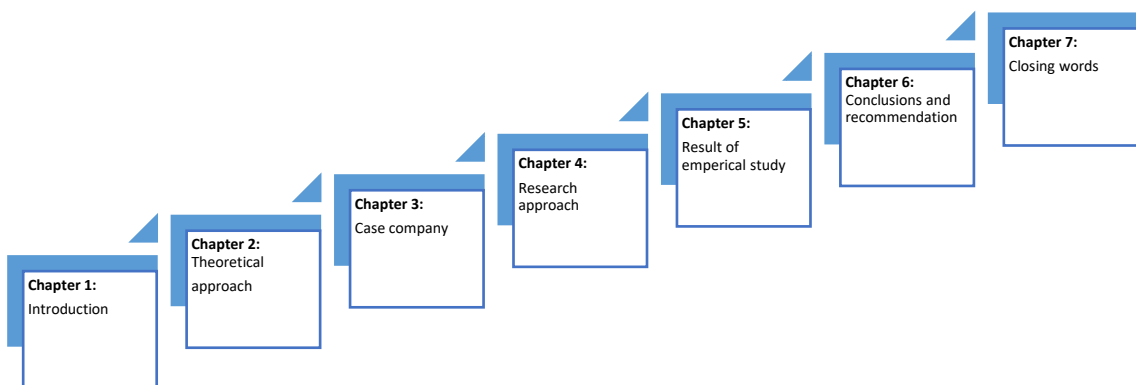


Figure 1: Thesis structure



#### 1.4 Limitation of the thesis

This thesis is made for a need of the specific company; therefore, it is important to remember that the conclusions do not necessarily apply for the other companies, even if they might be operating in the same industry. This thesis is focusing on the B2B field of business and results might not apply for the B2C field.

Another limitation of this thesis is geographical. This thesis includes an analysis of the European jewellery industry. The results of this thesis analysis might not apply in other parts of the world. This research does not cover customer buying behaviour of other industries than the jewellery industry.

## 2 Theoretical approach

### 2.1 Industry analysis

In the past, companies competing in a specific geographic region have been defined to be an industry. This traditional definition reflected to a world, where competition was limited to national markets, processes changed slowly and level of technology was low. Nowadays, industries do not have same trade barriers than before; therefore, any producer around the world may serve any market. (Alken 2015, 4)

Porter (2004, 4) defines an industry as a group of companies, which are producing products that are substitutes for each other. Likewise, but in other word, Alken (2015) describes an industry as sellers in market that consists of both buyer and sellers. (Alken 2015, 4)

Above all, both writers argue that it is important for businesses to analyse the industry for identifying potential opportunities, as well as for preventing threats. In fact, industry analysis is method used by companies for understanding and evaluating an industry's current situation and company's actual position to other companies that produce similar products or services. (Porter 2004, 4)

CFI's presents in their Industry Analysis Guide (2018) three methods that are used in performing industry analysis; Porter's Five Forces, PEST Analysis and Swot Analysis. The following Chapters 2.1.1-2.1.6 will provide detailed description of Porters Five Forces Model. Based on needs of the case company and limitation of this paper, PEST and SWOT analysis will not be further explained or mentioned in theoretical part of this thesis. (CFI, 2018)

#### 2.1.1 Porter Five Force Model of Industry competition

In 1980, Michael Porter introduced the Five Forces Model of Industry Competition. It is still these days the most famous model ever developed for industry analysis (CFI, 2018). Porter (2004, 6) presented five basic competitive forces, which give to analyser accurate impression of the industry. The competitive forces are presented in Figure 2.

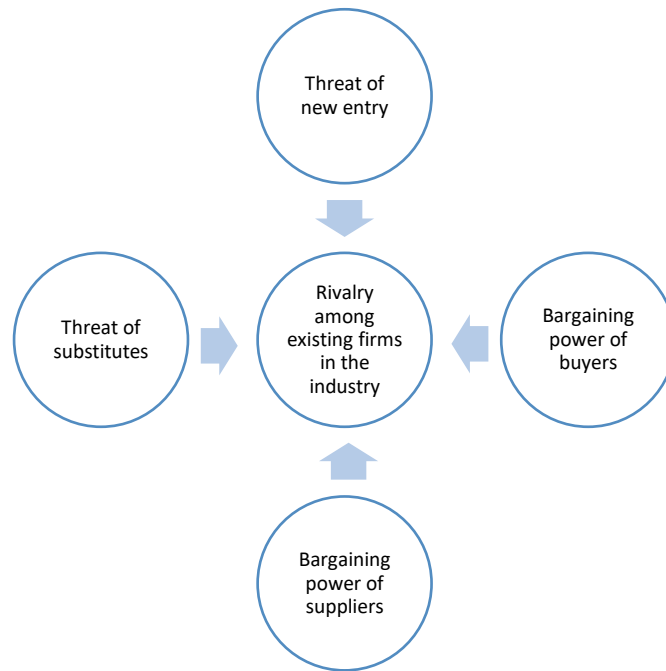


Figure 2 Five forces model of industry competition (Porter 2004, 4)

As can be seen from Figure 2, five competitive forces are threat of new entrants (2.1.2), bargaining power of suppliers (2.1.3), bargaining power of customers (2.1.4), threat of substitute products (2.1.5), and industry rivalry (2.1.6). E

### 2.1.2 Threat of new entrants

The treat of new entrants refers to the threat created by expected reaction from existing competitors. Barriers to entry are factors or conditioners that can deter new competitors from entering into the industry. Porter presents following six sources, which can increase the threat of entry and make entering for newcomers unprofitable; cost disadvantage, capital requirement, brand loyalty, government regulation, access to distribution channels and switching costs. (2004, 7-13)

Economy of scale refers to situation, where the operating companies achieve cost advantage through an increased volume of production by reducing cost per unit produced. Those companies are creating barrier the industry, which are leaving new entrants with two options to entry, with large scale and strong reaction from competitors or small scale and price disadvantage. According to Porter both of the options “undesirable” (2004, 7).

Furthermore, need to invest large amount of capital for entering a market creates a barrier to entry. Capital can be required for example, for covering costs of production facilities, customer credits, inventories or start-up losses. In some industries, like computer industry, huge amount of capital is required for research and development. Even if capital may be available on the capital market, entering some markets can require too risky use of the capital. (2004, 9-10)

Advertising, product differences or being first into the industry can develop customer loyalty and establish brand identification, which is afterwards hard to beat. New entrant may be required to spend time and capital for overcoming existing customer loyalties. Investing in branding is risky, since if a brand fails, it has no salvage value. (2004, 9)

Switching costs are causing one more barrier to entry. Porter defines switching costs as “one-time costs facing the buyer of switching from one supplier’s product to another’s”. Switching costs may be cost such as new product designing, employees training or some new equipment. High customer switching costs are forcing new entrant to the situation, where it has to convince a customer to pay additional costs required to make a change (2004, 10).

For entering a market with new product, new entrants needs to secure distribution channels. Hooley et al. (2008) define distribution channel as a chain of businesses involved in the process of delivering product or service physically to the customers. It may be difficult to enter the market, because established companies have tied up distributors to serve only them based on long relationship or special contract. This barrier to entry is sometimes so high that new entrants have to develop for them self completely new distribution channels. (Porter 2004, 10-11)

Finally yet importantly, government can influence barriers to entry by setting different limitation or safety measures to an industry. For example, government can create a regulation for pollution control, as well as standards for product, which as a result raise the capital cost of entry. (Porter 2004, 13)

Every industry, is having its own set of barriers to entry, some of them apply stronger and create higher threat of entry to new competitors. In conclusion, it is important to keep in mind, that in some industries barriers to entry are so high barriers that overcoming them is uneconomical and therefore not possible. (Hooley et al. 2008, 282)

### 2.1.3 Bargaining power of customer

According to Porter (2004, 24) the structure of the industry is influenced by buyers or customers. Buyers bargaining power means ability to negotiate. Negotiation power depends on the characteristics related to market situation and the importance of the buyer's purchase from industry as compared with its overall business. Powerful buyer can negotiate for better quality of goods or additional services as well as for lower prices. Moreover, such a buyer can force different companies into price wars and take advantage out of it.

Buyer can be in powerful position, because of different circumstances. For example, if a certain buyer purchases a large volume of goods or services relative to seller sales or there are only few buyers presented in the industry. Furthermore, if the products purchased from the industry are standard, for a buyer switching to alternative supplier may be possible without high costs. Today, when information is more available than ever before, buyers can fully inform themselves over market demand, actual market prices and even supplier costs, and use this information in price negotiation. (2004, 24-26)

Porter divides buyers in the two groups based on their price sensitivity. High profitable buyer is less price sensitive and therefore do not use much of bargaining power. By contrast, buyer with the high purchasing costs makes lower profit and consequently bargains for lower price. (2004, 25)

To sum up, buyers tend to use their bargaining power, when they are purchasing undifferentiated or expensive products, which quality do not matter. Porter argues that companies, who want to improve their position, can do it through strategy, firstly by reviewing buyer groups and secondly by selecting the least powerful group. (2004, 26)

### 2.1.4 Bargaining power of suppliers

Suppliers can use bargaining power over participants in industry by threatening to raise prices or to change the quality of purchased good. Powerful supplier is having a lot of similarity with powerful buyers. (Porter 2004, 27)

Several condition can make supplier powerful in negotiation. If a supplier is dominating the market, as a monopoly, it has higher potential influence prices and quality. As well as, when a supplier is not depending on one industry, rather it has customers in many industries; the bargaining power of the supplier is significant. Often suppliers' bargaining power is out of the firm's control.

### 2.1.5 Threat of substitutes

A substitute product offers similar or even same benefit to the customer as the compared product. Bellow presented Figure 3 shows three different rings from different producers, which are substitute goods for each other's. The same customer could use the rings for a same purpose, in this case engagement. If the price of product A from Tiffany co. rises or falls, the demand of product B from Ruesch or product C from Meister is likely to increase or decline. (Zhang & Bockstedt, 2016)

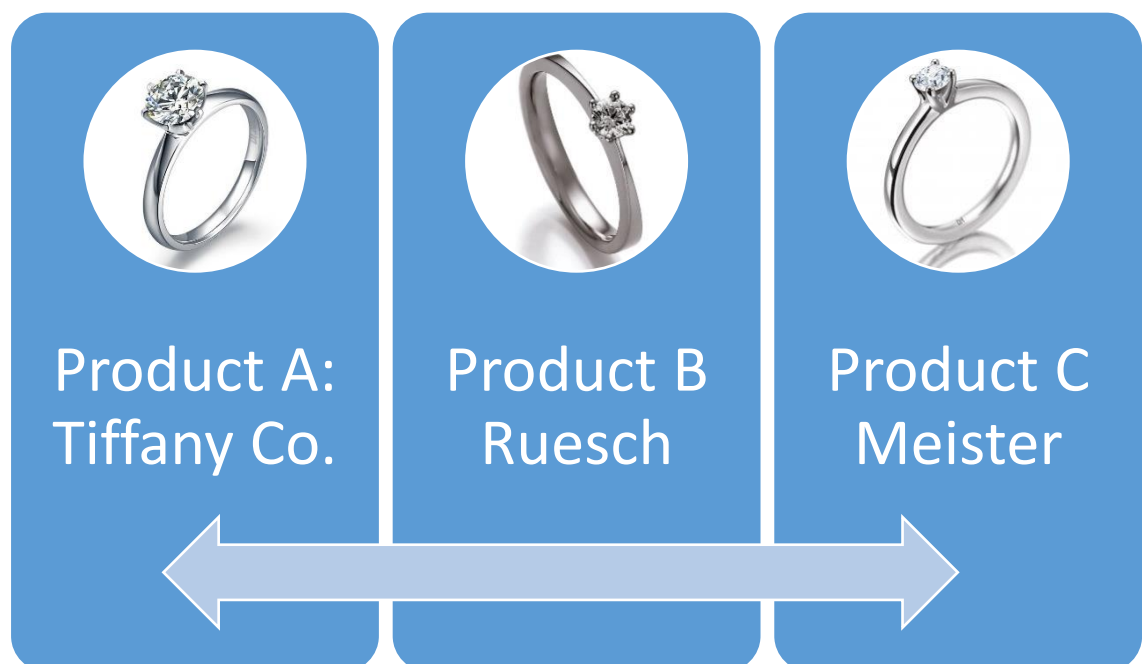


Figure 3: Substitute example – Engagement rings

The substitutes may offer prices that are more attractive or represent the more known brand and therefore influence firms' ability for making profit. Threat of substitute in the industry may be created by different situation.

For example, threat of substitute is high, if the switching costs of customer are low, as well as, when the substitute is cheaper or equal in quality compared industry's product. All in all, substitutes are making the industry more competitive and decrease profit potential. In other hand, low threat of substitute increases profit potential and makes an industry more attractive. (Porter 2004, 23-24)

### 2.1.6 Industry rivalry

Mostly industries consist of several players, who are all trying to make profit. According to Porter (2004, 17), the intensity of rivalry among competitors in an industry shapes the industry. Companies strive to improve their positioning against competitors by using different tactics in pricing, advertising and consumer service. Ries & Trout (2001, 2) defines positioning as a new approach to communication. Moreover, this type of communication includes positioning the product in the mind of prospect.

Several factors increase intensity of rivalry in the industry. For example, when industry growth is low, companies can grow only by capturing market share from competitors and that leads to highly increasing competition. Moreover, if products are substitutes, customer is making a choice based on price, brand or service, which as well leads to increased competition in price and services (Porter 2004, 17-19).

Some industries have high exit barriers. It may be economic, strategic or emotional barrier, which stops a company leaving the industry, even when the market is not profitable. Examples of exit barriers are government and social restriction, fixed costs to exit or strategic relationships established by the company (Porter 2004, 20).

## 2.2 Business-to-Business

### 2.2.1 Business-to-Business marketing

The term business-to-business (B2B) refers to organizations or individuals selling products or services to another companies or organizations (Hall 2017, 1). B2B market may include customers such as retailing and wholesale firms, as well as, institutions like hospitals and charities. (Zimmerman & Blythe 2005, 2)

B2B marketing and selling differs from customer (B2C) marketing in several ways. Even if an organization and an individual customer may purchase similar or even same products and services, there are many differences to point out such as; time to purchase, number of stakeholders involved and the buying process (Hall, 1-2). It is important to keep in mind that business buyers generally purchase for increasing their company's profit later. (Zimmerman 2005 & Blythe, 2)

Hall (2017) argues that there are also differences between marketing to small businesses and medium or large enterprises. The marketing used for small businesses is called “transactional B2B marketing” and for medium or large businesses “relationship B2B marketing”. The main differences are presented in following Table 1. (Hall 2017, 3-4)

Transactional B2B marketing – Small businesses	Relationship B2B marketing – Medium or large businesses
Product driven	Trust-based relationship
Large target audience	Focused target audience
Simple buying process	More complex buying process
Small size of purchase	Large size of purchase
Single stakeholder in buying process	Multi-stakeholder buying process
Emotional buying decision	Rational buying decision (emotions invested)
Increasing and generating revenue	Increasing pipeline and revenue Increasing and generating leads

Table 1: Differences between Transactional B2B & Relationship B2B marketing (Hall, 2017 3-4)

Transactional marketing is a one of marketing strategies, where the focus is on selling single product. By contrast, relationship marketing focuses on building loyalty and emphasizes customer retention. In general, transactional marketing and relationship marketing have been presented in literature as an opposite marketing strategies. (Jarema 1990, 48)



### 2.2.2 Business customer buying process

Morris etc. (2001) argues that B2B buying process is more than just a physical exchange of good or services for payment. It consists of different stages, which logically result in vendor or product choice. B2B buying behavior occur to be more rational than B2C buying behavior. Purchased goods may be critical for the company or involve large sums of money; therefore, decision is made normally following a logical process. (Morris etc. 2001, 73)

Hall (2017) divides business customers buying process to five different stages, which are presented in Figure 4.

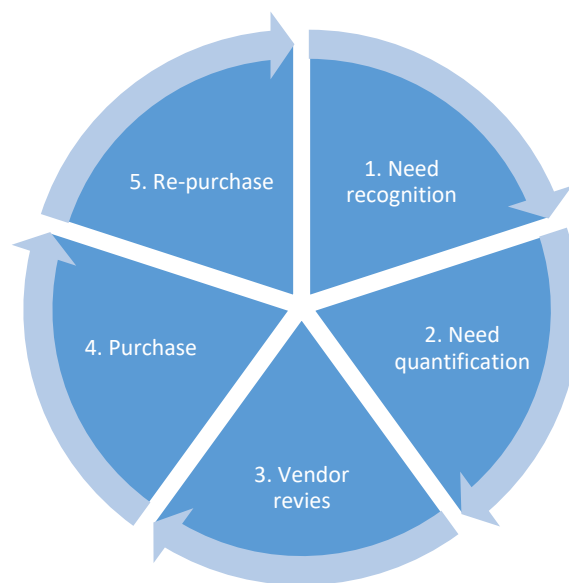


Figure 4: Business customers buying process (Hall 2017, 35)

First, “*Need recognition*”, includes recognising a need and then action such as purchasing a portfolio of product. Second, “*Need quantification and research*”, includes getting commitment, for example from stakeholders, to fulfilling the need. Third, “*Vendor review*”, consists of buyer’s research. This stage includes searching for vendors who may be able to supply product or service to cover the need and requesting proposals. Forth, “*Purchase*”, is based on findings and includes purchase. Fifth, “*Post-purchase*”, where customer repurchase from the vendor or moves to new vendor. (Hall 2017, 35-36)

Business buying process includes different participants, who are in other words part of the buying centre. Kotler (2009) presents seven roles for members of the buying centre; initiators, users, influencers, deciders, approvers, buyers and goalkeepers. An initiator is a person, who request a needed good for an organization. The same initiator may also take role as a user, for example, if the requested good is meant to improve their producing process.

An influencer is a person, who can help to make a right decision based on the experience or knowledge. A buyer selects vendor and participates in negotiations. Decider make a final purchasing decision. Deciders or buyers may also be approvers, whose role is to authorise the purposed action. A gatekeeper has a power to decide, which information or seller reach the buying centre. (Kotler 2009, 274)

Industrial buying decisions are influenced by many factors. When purchased product is not highly differentiated, buyer may make purchasing decision based on price, facility of buying or location of the shop. In the case of highly differentiated product, buyer normally behaves contrariwise. (U.C. Mathur 2008, 438)

### 2.2.3 Business customer buying behaviour

In order to understand B2B customers' buying behavior better, Doole, & Lowe (2005) are comparing B2B customers' buying behavior to individuals' behavior. In principal B2B customers' buying differs from individual in several ways. First, business customers buying process is normally more complex and including more than one person for making decision. Second, buying process may take a long time or even be postponed indefinitely. Third, the purchases business customers make may be infrequent or one-offs. Fourth, factors such as delivery time, reliability, quality and after-sales support are generally of paramount importance. (Doole & Lowe 2005, 66)

Business buyers tend to purchase in larger volumes than an individuals do. Those business buyers, who place repeatedly an order for same products, occur to be more open-minded for online purchasing. The routine purchases may be completely automated, when the buyer is looking for improving efficiency. As a result, fully automated orders reduce time requirement and the potential human errors. A business customer spends more time on seeking and studying information for making a buying decision than an individual (Glynn 2009, 130).

## 2.2.4 B2B e-commerce

E-commerce, electronic commerce, is defined as activity of buying and selling products and services via internet (Havalдар 2005, 286). There are businesses, who operate completely online, online-only businesses, and businesses that operates both online and physical, bricks-and-clicks business. Following figure will display e-commerce classifications. (Zhou 2004, 58)

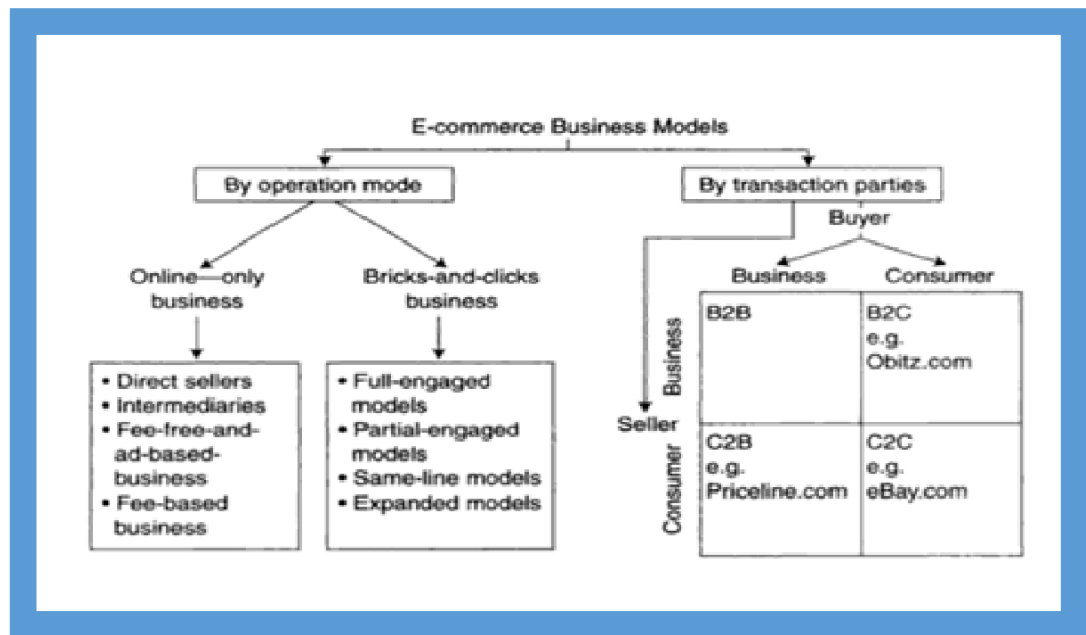


Figure 5: E-Commerce classification (Zhou 2004, 58)

Regarding research conducted by Accenture Interactive, the most of the B2B customers, who took a part in research, are nowadays expecting to be able to purchase products online. 89% of B2B organizations are offering online purchasing option to their customers. Additionally, almost all of them provide for their customers support over the phone. The most used way to promote the online channel is by email (Accenture Interactive, 2015).

Havalдар (2005) compares traditional order taking process with web-based order taking process. Traditional order placing involves manual typing from customer as well as from seller, which takes more time. Since traditional order processing is consisting of manual typing, possibility for typing mistake is potential, which may lead for situation where customer gets wrong product and decides to cancel the order.

Web-based order taking process is easier and costing less for supplier. Regarding to Havildar's calculations, web-based order processing costs are from 50 to 70 cent less than orders processed through traditional way. (Havaldar 2005, 288)

In the survey made by Sana Editorial Team about B2B digital transformation, researcher presented the main reasons why B2B customers want access the web store in the first place. From 300 B2B companies, who participated on the survey, 72% said, that they are accessing web store, because it is easy way of purchase. 52% of the B2B customers are ending to shop online, because of ability to easily browse an online catalogue. Additional reasons are access to more product details and online order history as well as insight into available inventory and delivery times. (Sana Editorial Team, 2018)

## 2.3 Customer analysis

### 2.3.1 Segmentation

Industrial market segmentation means dividing the market place into parts, called segments, which are definable by similar factors such as company size or price sensitivity. Industrial marketers may do segmentation by a two-step process, first step consists of identifying subgroup that shares common macro characteristic and then dividing this macro segments to a subgroups, which share common micro characteristic. Macro-segmentation may be made by dividing companies based on their size, usage rate of the product being sold, company structure, geographic location, the end market they serve. Micro-segmentation may include factors like the perceived importance of purchase, attitude toward vendors; decision used in selecting vendors, and demographics and personality characteristics of key members of the buying centre. (Morris etc 2001, 140)

Macro characteristics are easier to identify, since the information can be purchased from existing database or secondary data sources. Macro bases provides to marketers general guidance in developing the marketing mix for products or services. In other hand, micro characteristics are harder to define, because information is usually not ready available. Collecting information for micro segmenting may be expensive, as it for example may require conducting market survey. (Havaldar 2005, 97-99)

### 2.3.2 Target market

Kotler (2009) writes that after identifying market segments, the marketer chooses some of them to be target markets. The target markets are consisting of organizations, who share similar characteristics. For each target market, company creates suitable positioning and markets it with variable marketing methods, which result to deliver a certain brand image for a target audience (Kotler 2009, 17-18).

Targeting is also defined as a company's decision when and how to communicate with various segments. If marketer do not know how to reach persons from the buying centre, direct marketing may occur to be useless. Marketer should address the marketing to the right member of the buying centre, since not all of the members need to have awareness of the brand. (Bush, 16-17)

## 3 Case company

Brüder Nowotny, more known under the brand Collection Ruesch, is a ring manufacturer in Austria. Since 1881, Bruder Nowotny has been producing engagement, partner and wedding rings to customers, more specific jewellers, around Europe. "The company is currently one of the most successful ring makers in the world, by working with state-of-the-art equipment, highly motivated employees and having the best jewellers as customers." (Brüder Nowotny's Homepage, 2018)

Family Ruesch manages Brüder Nowotny KG already in fifth- generation. The company has over 60 employees including sale representatives, customer service representatives, accountants as well as production workers. Overall, Bruder Nowotny is supplying goods for 1500 jewellers in Europe more specific Germany, Austria, England, Poland, Belgian, Netherlands, Czech, Hungary, Spain, Italy, France, Denmark, Sweden and Finland. (Brüder Nowotny's Homepage, 2018)

As many other industries the jewellery industry as well has been influenced by development of technology. For example, 3D techniques and computer-aided systems have become working tools for jewellers in order to design pieces that are more individual. Bruder Nowotny invested heavily in developing tools that are serving the needs of jewellers these days. Before Bruder Nowotny gave their customers three different option for placing an order: telephone, email and fax. In 2012, the company developed the online order system, which is the most cost effective way for company to process the order. (Brüder Nowotny's Homepage, 2018)

According to service manager of Brüder Nowotny, Mrs. Gold, manually fulfilled order cost more likely production errors than online placed orders. In the jewellery industry, production errors cost a lot of money each year, because materials are highly valuable. Even if raw materials may be reusable, the labour force spent for each unit will never be credited. Therefore, the company has proposed to study the customer behavior in purchasing process deeper. (Brüder Nowotny, 2018)

The most customers are currently mainly ignoring the online portal. In order to understand why, Brüder Nowotny needs to understand behaviour and needs of the customers better.

## 4 Research approach

### 4.1 Research types

Oxfords dictionaries (2018) defined term “research” as the systematic investigation into specific subject, with the intention to provide facts and new conclusions for chosen subject. Adams etc. (2014) mentioned, that academic approach to define the term “research” is complex, although in essence, research is supposed to improve our knowledge, provide new aspect for seeing thing and help us understand the world better. (Adams etc. 2014, 2)

There are various types of research, which all are aimed to achieve different outcome. Adams etc. (2014, 2), in his introductory text on research, presents following research “types”; descriptive research, explanatory research and predictive research. (Adams etc. 2014, 2)

Descriptive research is supposed to describe the phenomenon such as social system. However, this type of research is not providing answer why something in the social system is as it is. Explanatory research provides deeper outcome than descriptive research. Besides describing phenomenon, explanatory research is attempt to explain why something is as it is. The aim of predictive research is to not only describe and understand, but also to predict future relevant to particular phenomenon. Predictive research is proven the most difficult and problematic to accomplish. (Adams etc. 2014, 2)

## 4.2 Customers research methods

There are two main approaches to research numeric (quantitative) and non-numeric (qualitative). Qualitative research is widely used in the behavioural sciences, where the key element is to understand such things as attitudes, opinions or behaviour impressions. (Krishnaswami etc. 2010, 6). Quantitative research, in other hand, is widely used in natural science, where the key element is to test hypothesis with numerical data (Creswell 2003, 18).

The purpose of this thesis is to understand why customers behave in certain way. Customer behavior research studies and analyses customers' behavior. It may not only answer the question what customers buy, but also why, when and where they buy. There are five different ways for collecting data in order to understand customer behavior; interviews, projective techniques, questionnaires, observation with checklist and agent based modelling. (Furaiji & Latuszynska 2012, 78).

In the interview, an interviewer asks prepared questions from a respondent. Interviews may be executed with two different question types: closed-interview questions or open-ended interview questions (Furaiji & Latuszynska 2012, 82). Open-ended interview questions allow respondent to answer with sentences, list and stories, and as result, it offers to interviewer deeper findings. Closed-ended interview questions are limiting respondent with the answer options, which makes information quantifiable and makes responses more comparable (Farrell 2016).

Projective techniques are used for finding out unconscious feelings and attitudes without that respondent's awareness (Furaiji & Latuszynska 2012, 79). Nunez (2015) argues in her article "Projective techniques in qualitative market research", that projective techniques are useful, because many people do not understand their own behavior; moreover people are not able to articulate their motivations or desires. This type of data collection, allows researcher to examine customers' deep motivations as well as, beliefs, attitudes and values.

A questionnaire is a list of questions, what may be send to respondent per mail, fax or post. For approaching a large number of the customers, a questionnaire may be a quick and efficient way (Furaiji & Latuszynska 2012, 82). In questionnaire researcher creates a standardized questions, which will be asked from different people. (Ian 2013, 3-4)

Observation is a way of studying customer's behavior without asking questions and making them think about response, rather watching behavior with their natural settings. Observation provides to researcher rich dataset, because in optimal situation the customer do not change their normal behavior (Furaiji & Latuszynska 2012, 82). Customer observation may be conducted in the places, such as supermarket or restaurant, with video-or photo-cameras. (Wright 2006, 81)

Agent-based modelling (ABM) is one of the approaches to understand systems, such as customer markets. Researches creates artificial agents for a every character in the customer market, like people, companies, branched, dealers or projects with attributes and behaviors like in the real world. (Furaiji & Latuszynska 2012, 83-84)

### 4.3 Mythology of this research

#### 4.3.1 Chosen method

Based on the research questions formulated in the beginning of this thesis, approach to this research will be combination of quantitative and qualitative research methods. The target group of this research are the customers of Brüder Nowotny, jewellers, which are divided to two groups; online active and non-active customers.

Sub questions of this research such as, how are customers buying now and what are typical characteristics of buying habits will be answered by using already existing data. This type of approach is called secondary analyse, because it requires analytical techniques to data that have been collected for some other purpose (Kiecolt, Brinberg & Nathan 1985, 10).

A qualitative method will be used in approaching non-online active customers. Author and employer decided of holding phone interviews, because the customers are geographically isolated. According the Brüder Nowotny's experience of the jewellery field, the telephone survey is the most successful survey models in Germany. (Brüder Nowotny, 2018)

Since author did not want to limit customer's answers to the forms that only she believes to be true, survey will be completed with open-ended questions. This method gives more freedom to the interviewee to bring his/her own views and provides richer answer to research question. The type of this research (3.2) is explanatory research, because it will not only describe the phenomenon, but also try to explain why customers act in certain way.



### 4.3.2 Research process approach

The aim of research process is to help researcher in order to find an answer to research questions. The Figure 6 presents Kumar's (2008, para 2.1) figure of the research journey.

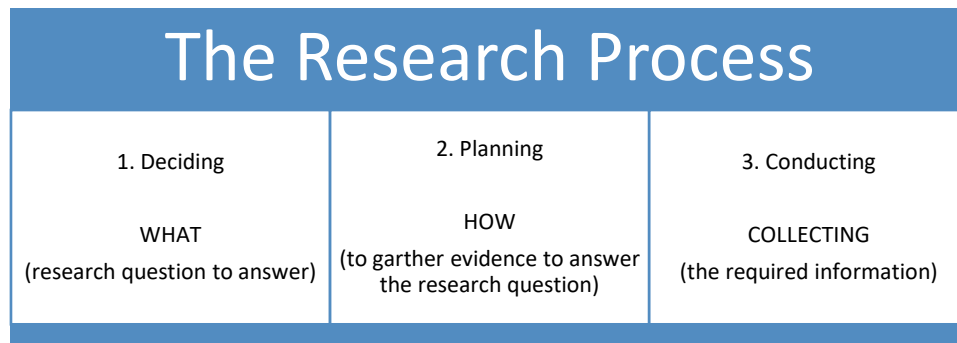


Figure 6: The research journey (Kumar 2008, para 2.1)

The first step of research process is deciding what to research, which includes formulating a research problem. It is the most important step in the research process. The research problem should be formulated as clear and specific as possible (Kumar 2008, para 2.2). O'Leary writes that good formulated research question is "fundamental". (O'Leary 2018, 11)

**Research problem:** *Brüder Nowotny has developed an online ordering system, which is not used as wide as the company was expecting.*

**Research Question:** *How to make the customers of Brüder Nowotny purchase goods more online?*

Secondly, researcher needs to plan how to conduct the study. This step is including selecting a particular design, measurement procedures, sampling strategy and frame of analysis. Besides, researcher needs to decide which research instrument will be used in order to collect data. Research instrument can be for questionnaires, field diaries or interviewed guides. (Kumar 2008, para 2.2)

*In qualitative approach research instrument will be telephone.*

*In quantitative approach author will use secondary data and organize it to understandable for with Excel.*

The last step of research process is conducting a research study, which includes collecting data, processing and displaying data and writing research report. (Kumar 2008, para 2.2)

## 5 Result of empirical study

### 5.1 Supply chain of the fine jewellery industry

La Londe and Masters (1994) define a supply chain as “a set of firms that pass material forward”. Members of supply chain may be raw material and component producers, product assemblers, wholesaler and retailers. In order to understand how the jewellery market works, it is important to be familiar with its supply chain. Global fine jewellery industry consists of five key roles as shown in the following figure. (Mentzer 2001, 5)

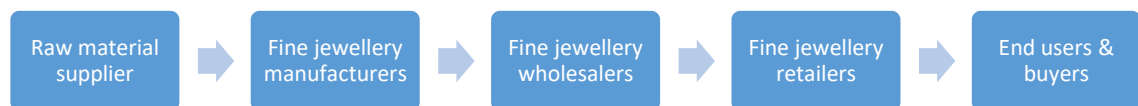


Figure 7: Supply chain of the fine jewellery industry (IPSOS Report 2015, 53)

### 5.2 Competitive environment of Jewellery market

In order to analyse the competitive environment of the jewellery market, author applied to the research Porter’s five forces market analysis (Chapter 2.1.1-2.1.6). The purpose of Industry analysis is to help Brüder Nowotny to identify the opportunities and threats of the changing industry.

Every industry, as well as jewellery industry, is having its own set of barriers to entry, some of them apply stronger and create higher threat of entry to new competitors. Many manufacturers in jewellery industry have been established over 100 years ago, such as Brüder Nowotny, Meister and Fischer. All those companies are now large players of the industry and because of economies of scale, they can offer the products at lower price than the new entrant. Economies of scale refers to declines in unit costs of a product as the absolute volume per period increases. In other words, entrants have two option to come to the market, with large scale and strong reaction from competitors or small scale and price disadvantage. (Hooley et al. 2008, 282)

Financial requirement in order to compete in jewellery industry is very high, capital is necessary for production facilities. Most jewellery is produced from the precious metals as silver, gold, platinum and palladium. Nowadays different techniques, how to work with the metals may be available for everybody, but at the same time using those techniques require expensive machines, secured workplace and educated employees. In conclusion, entry barrier to the Jewellery industry is high. Firstly, because of the high capital costs in the fine jewellery manufacturing. Secondly, entrants may find difficulties to survive in the market, because the competitors' stable customer and suppliers networks.

Porter (2004, 19) mentioned that, when the industry growth is slow, competition becomes more aggressive. According to World Gold Council, European jewelry demand for gold jewelry decreased 4% in the second quarter of 2017. Due to the slow growth of the industry, competition between companies in Jewellery industry is very aggressive. In other words, competitive rivalry among existing companies is high, as well as, threat of substitute products. The high threat depends on the performance of competing product and on end users willingness to consider substitute. Brüder Nowotny is confronted by threats from a number of substitutes available in the market. However, company has loyal customers, good reputation and enough of the market share to survive in competition. (Gold Hub, 2018)

Customers and fine jewellery retailers have a little bargaining power regarding manufacturing prices. Jewellery is considered a luxury and customers are prepared to pay for unique pieces or limited selection. From other side, bargaining power of suppliers is high. Mining companies have absolute control over the selling prices. Since diamonds and precious metals are required for fine jewellery producing, the power of the material supplier is large.

### 5.3 Result of the customer data analysis

Customer data used on this analysis has been collected from the CRM system of the company. In other words, the data is from internal data source, which includes customer supply data, transaction data, invoice data et cetera. Necessary data has been available in unstructured datasets; therefore, author shaped and transformed it to required information and knowledge in order to understand and describe customers buying behavior.

Overall, Brüder Nowotny has 1350 actively ordering customers, from them 198 have placed at least one order online. Author divided online buying customers to two groups for presenting finding more clearly to the company. Customers operating in Germany are in the first group and customers operating in Austria or other European countries are in the second group. The group division is required, because of the big amount of customers situated in Germany and their buying volume. Analysis considers the busiest months of the wedding rings industry; May, June and July (Hochzeitsportal24, 2016).

Table 2 shows how many rings have been ordered in Germany monthly in the main wedding season 2017 and 2018. The July turn out to be the strongest month for online orders. Last line of table 2 demonstrates the growth of usage of online ordering system. According to the results, the online ordering system of Brüder Nowotny has seen success in growth of usage.

Year	May	June	July
2018	647	727	745
2017	381	406	414
<b>Growth</b>	<b>69,81627</b>	<b>79,06404</b>	<b>79,95169</b>

Table 2: Amount of online orders in Germany in 2017 & 2018

Table 3 shows how many rings have been ordered in other European countries monthly in the main wedding season 2018 and 2017. Last line of the Table 3, demonstrates the growth of usage of online ordering system. July turn out to be the strongest month for online orders. In other European countries in June and July 2018, less people placed their order online than in June and July 2017.

Year	Mai	June	July
2018	167	143	187
2017	90	157	220
<b>Growth</b>	<b>85,55556</b>	<b>-8,9172</b>	<b>-15</b>

Table 3: Amount of online orders in European countries in 2017 & 2018

Figure 8 demonstrates the amount of online active and online passive customers. Online active customers are those, who have purchased products through Brüder Nowotny's online shop at least once in the past year. Online passive customers are opposite of above mentioned active once. Moreover, online passive customers may not even know that Brüder Nowotny has online shop.

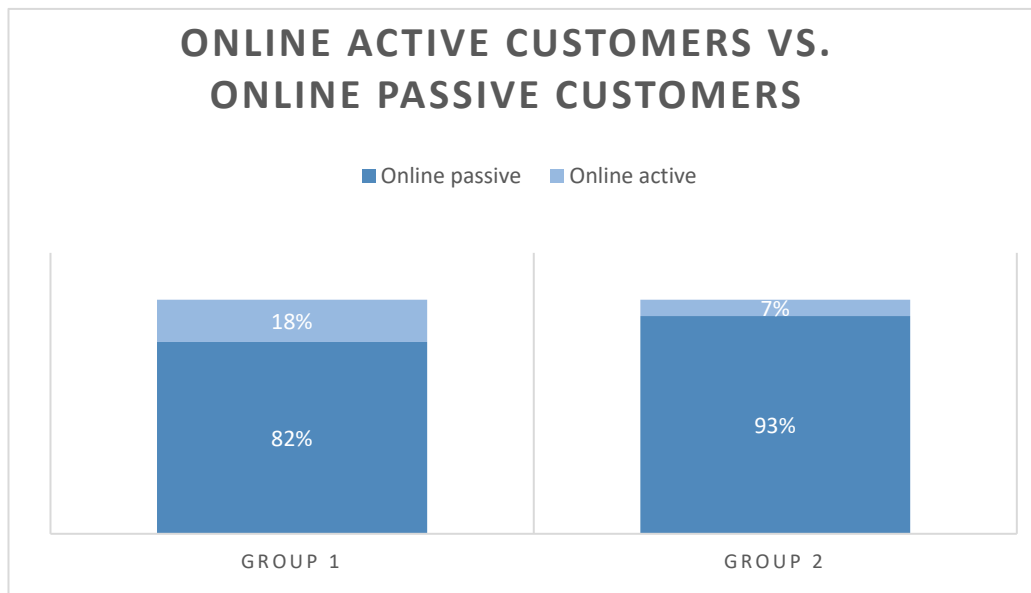


Figure 8: Online active customers vs. online passive customers

There are overall 920 customers situated in Germany, 168 of them are/have been purchasing products online. In other words, from all the German customers only 18% have placed their order online in wedding season 2018. Furthermore, from online active customers, only 3 % use the online ordering system as one and only portal for placing an order.

The group two consist of about 430 customers, only 30 of them purchase products online. Above all, that means that only 7% of European customers have placed their order online in wedding season 2018. For 2% of the European customers it has been a main portal to purchase products.

Figure 9 shows what kind of products customers purchase online. 57 % of rings purchased online were made out of very affordable metals as silver, titanium and steel. 39 % of purchased rings were gold rings. 5% of rigs were made out of platina or palladium. Above all, 58 % of the rings were ordered without stones and the rest 41% with stones

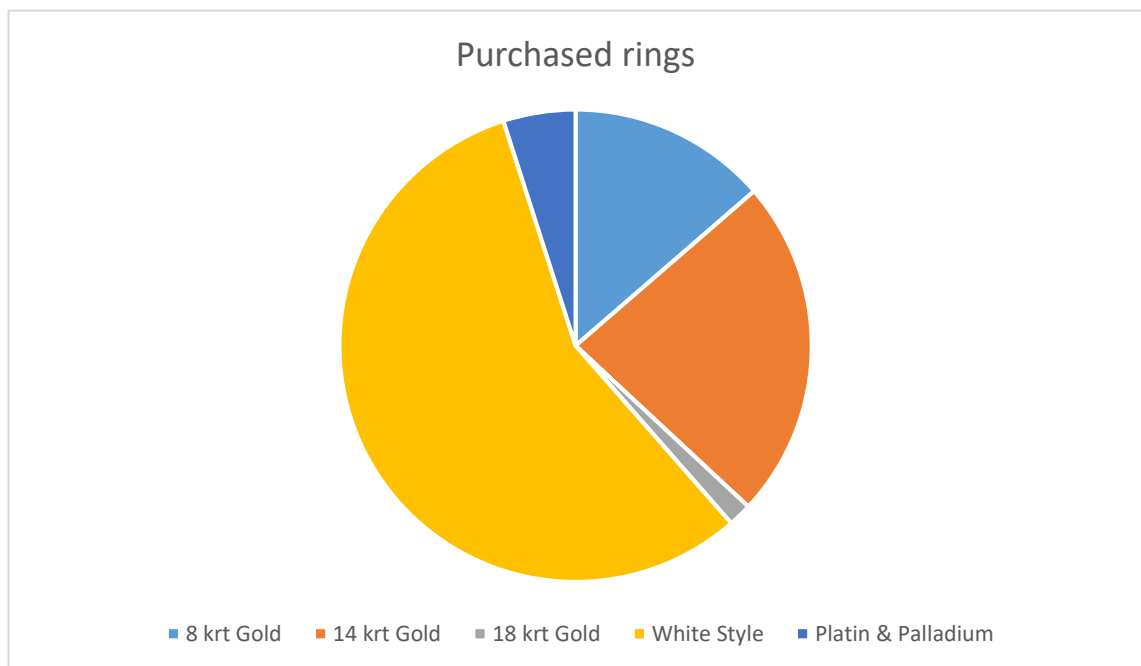


Figure 9: Purchased products

#### 5.4 Result of phone interviews of active online customers

For the phone interviews author reached 15 of online purchasing priority customers chosen together with the employee. Interviews lasted about a 5 minutes and. The purpose of the interviews was to find out the answers to following questions;

1. Why do customers want to buy online?
2. Why the customers, who already purchase online, use also other purchasing channels?

Phone interviews showed that there are several reasons why customers of Brüder Nowotny do purchase online. Figure 10 presents six reason mentioned by customers.

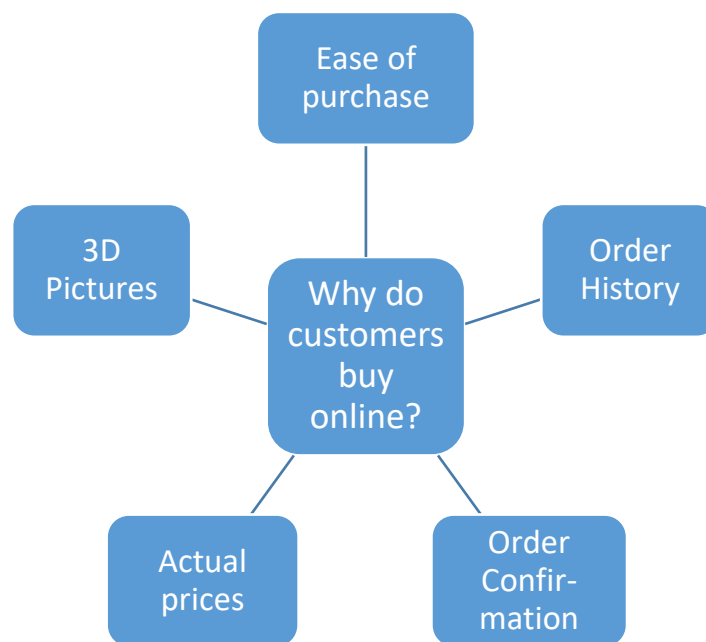


Figure 10: Reasons for purchasing online

Since author did not want to limit customer's answers to the forms that only she believes to be true, interview was hold with open-ended questions. Seven of fifteen respondents mentioned in different forms that they prefer purchasing online, because of actual retail prices visible online.

The second most important reason for purchasing online is ease of purchase, which was mentioned by five respondents of fifteen. Five of the customers mentioned that they are using online shop because of available product details. Additional reasons, which motivate the customers to purchase online, were automatic order confirmation and online order history.

Figure 11 presents the reasons, mentioned by the customers, to purchase other way than online. According to findings, 40% of customers purchase the product via telephone, email or fax only when it is not available online. 33% of customers mentioned that they purchase other way than online only, if they are contacting the office directly. 20% of the customers prefer making complicated order other ways than online. 7% of the customers mentioned other reasons for placing order not online.

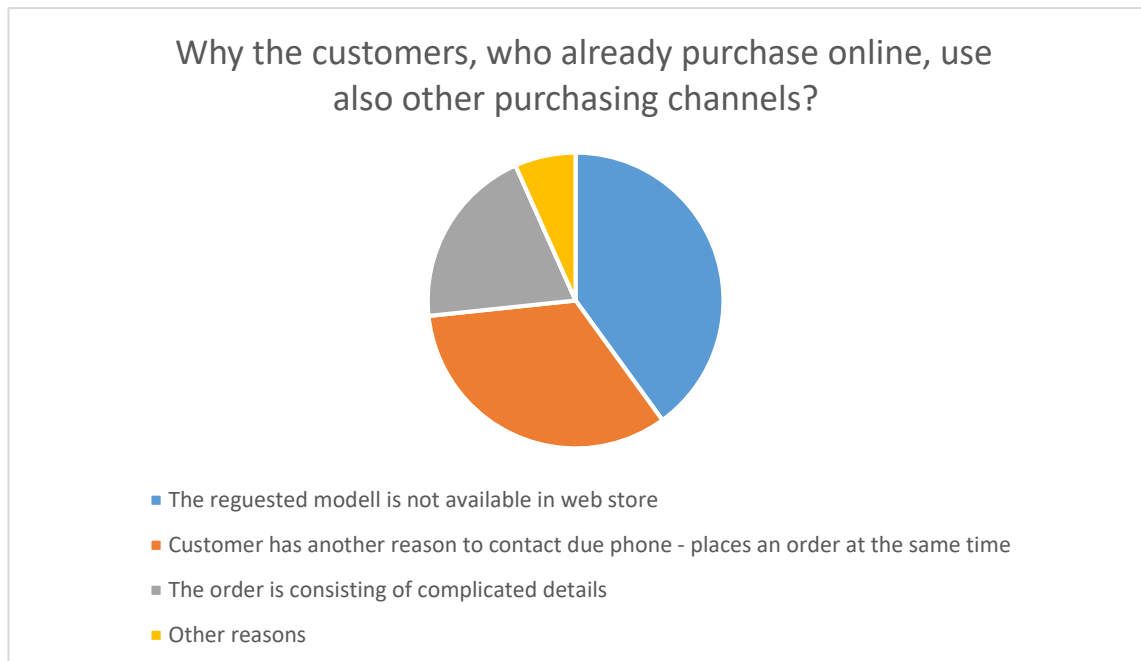


Figure 11: Reasons to purchase other way than online



### 5.5 Summarized interviews with active online customers

The first interviewed customer purchased the biggest amount of orders based on the reviewed data, overall 49 units per month. 62% of the orders of this customer in wedding season 2018 were made online. The customer is on the branch already 150 years and has several shops in Austria. During the interview the customer mentioned, that they use the online shop actively for a price calculation, as well as because of an ease of purchase. Author and customer end up to solution, that they purchase a lot online, because of the company visit to manufactory, where the employees have had short introducing of the online shop and ordering online. Mostly they do place their orders online. According to the interviewed employee, they purchase product via telephone only, when they cannot find them online.

The second interviewed customer is one of the best customers in Finland. The customer orders mostly by email, only 3 % of the orders were placed online. In this case, customer ended up to the online; because of the product details and pictures, what the customer was collecting for his website. The customer purchased the products from the webpage actively for a month. In the end, it was unpractical for the customer, because only part of his purchased product were findable online and other part he had to order by email. Afterwards, knowing what have been already purchased, and what not, became hard.

The third interviewed customer orders the products from the online shop, because of automatic order confirmation, which is sent to the customer after the order is processed. The customer contact office by mail only if they have not for some reasons received the order confirmation or if they have special inquiry for making the ring.

## 5.6 Result of phone interviews of non-active online customers

For the phone interviews author reached 15 non-active priority customers chosen together with the employee. Interviews lasted about a 5 minutes and. The purpose of the interview was to find out the answers to following questions;

1. Why do customer avoid buying online?
2. Could the customer imagine buying online?

Phone interviews showed that there are several reasons why customers of Brüder Nowotny avoid purchasing online. Figure 11 presents seven reason mentioned by customers.

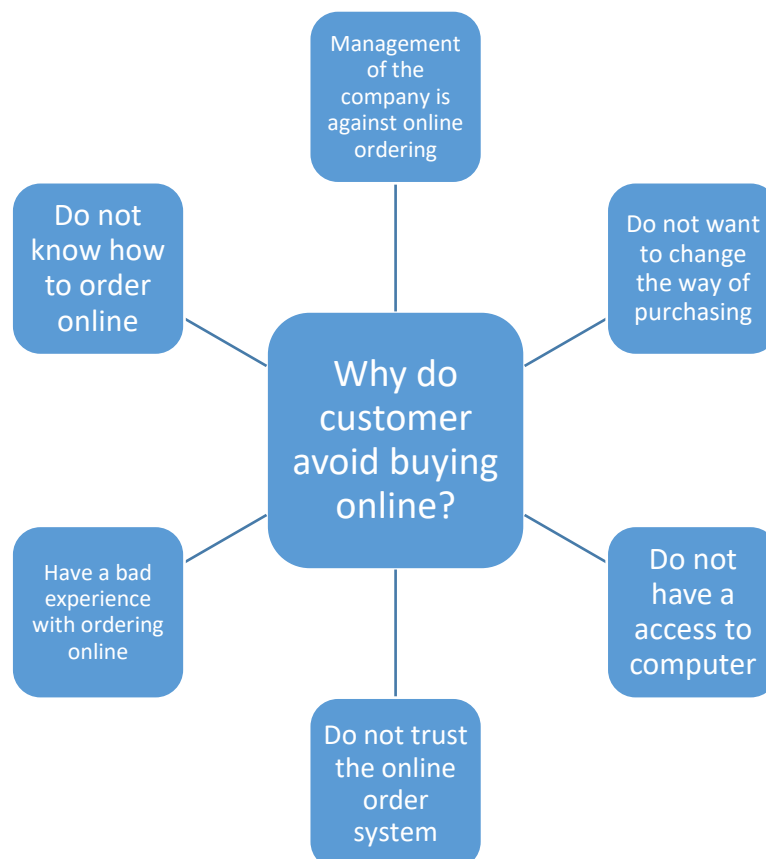


Figure 12: Reasons to avoid purchasing online

Five of fifteen respondents mentioned, that management of the company is voting for traditional purchasing and therefore they cannot purchase online even if they would like to. The three of fifteen respondents said, that they do not want to change their ordering habits because they do not trust the online order system. One customer also said that he simply do not want to change his ordering habits. Two of fifteen mentioned that they can not use the online shop, because they do not have a computer in their shop. Four of fifteen respondents mentioned, that they do not know how to use the online shop.

Figure 13 demonstrates the customers' attitudes towards online buying. From the interviewed customers, nine could imagine themselves purchasing online. Four of the customers could not give a clear answer. One customer could not imagine himself ever ordering online.

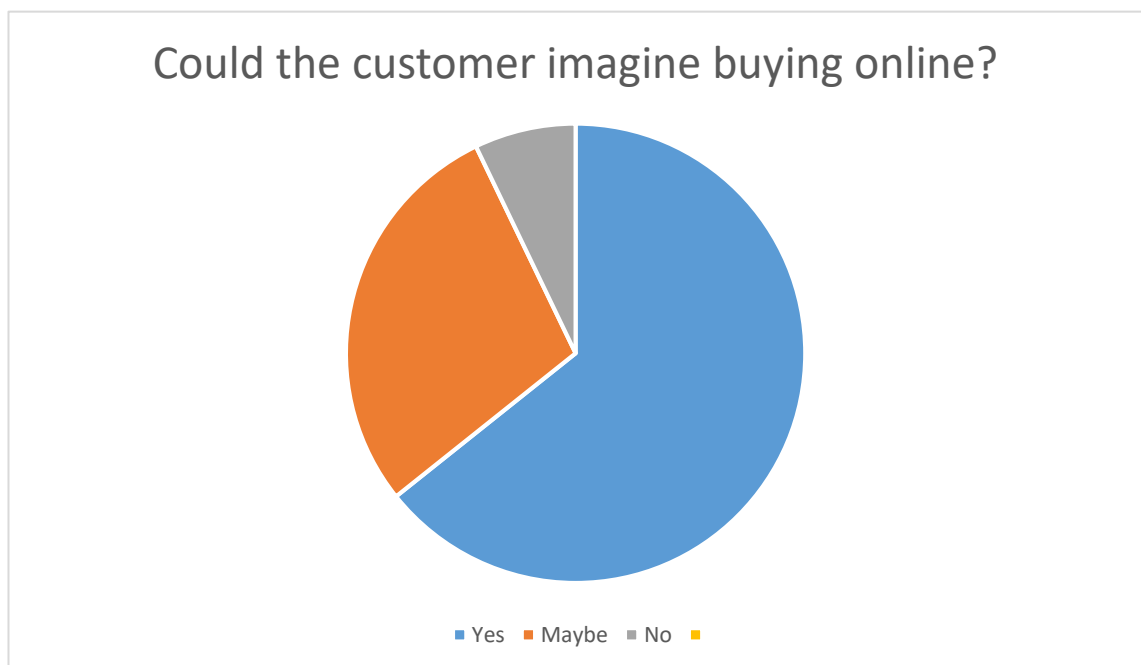


Figure 13: Attitude towards online purchasing

### 5.7 Summarized interviews with non-active online customers

First interviewed customer is operating over a hundred years on the jewellery branch. Customer purchase the products only via telephone and fax. The Customer have been from very start ordering by the phone and he is satisfied with it as type of communication with a partner. The customer do not simply want to change his ordering habits. When interviewer introduced possibility and benefits of purchasing products online, the customer said, "If I would consider ordering online, I would have done it".

The second interviewed customer have a couple of shops around Austria. All the shops are listed under same customer ID. The shop located in X is having young and digitally orientated employees, who order mostly online. The interviewer concentrated on the second shop, which is having more work experienced employees. The shop manager said that the team is avoiding ordering online, because of lacking computer skills. She agreed that ordering online would bring such a benefit as decrease of typing mistakes. Additionally, she mentioned that she is open for an idea of ordering online, but until now, she do not know how to do it.

The third interviewed customer is offering optic services next to selling jewellery. They have never ordered online. Until now, there is only one computer in the shop. This computer is used only for optical services of the shop. As an interviewed employee told, they do not have any other electronic devices for purchasing products online. She mentioned that, they are going to get soon a second computer and then she will try purchasing online.

## 6 Conclusion and recommendation

### 6.1 Conclusion

In the jewellery industry, competition is high, due to the slow growth of the industry and many strong market players. Brüder Nowotny is well-established company with strong relationships with distributors and large customer base. The aim of this thesis was to provide to Brüder Nowotny appropriate solutions, how to change the current order habits of the business customers, from non-online to online. The findings of this paper show that the customers are prepared to change their order habits, but they may need some assistance.

The customer data analysis showed that from all the customers only 14,6% have used the online shop. As can be seen from the results, the major of the customer still preferred the traditional way to purchase goods. Above all, the analysis still proved that usage of Brüder Nowotny's online shop have increased positively and based on the interviews could be increasing in future as well.

Based on discussion about problems in online purchasing with online active customers, the first priority would be to optimize the online shop. All the products produced by the Brüder Nowotny should be available in online shop. According to the analysis of the result of product characteristics, customers purchased more standard and cheap rings online that complicated and expensive. Although, the mostly mentioned reason for purchasing other ways than online was lack of those complicated and expensive rings from online shop.

Discussion with non-active customers brought out very valuable information for the company. This information will help the company to change attitudes of the customers regarding online orders. The most of interviewed customers could imagine themselves using an online shop. Must be remembered, that it should be not taken for granted, but at least Bruder Nowotny knows from which customers to start and what their concern towards online shop are.

Author created special segmentation for all the customers regarding their online behavior. Table 4 demonstrates this segmentation. There are three different customer types, which should all be approach in different ways based on their needs. This segmentation will help the company in approaching the customers with right marketing material and needed support.

Customer type	Characteristic	Needs
<b>Online Expert</b>	Over 50% of all the orders are placed online	Low support Sharing Updating news
<b>Online Newbie</b>	Under 50 % of all the orders are placed online	Strong support Step-by-step education
<b>Oldies / Fax Fans</b>	Have not placed any orders online. Do not know that online shop is existing or do not know how to use it.	Strong support Step-by-step education Customized marketing

Table 4: Customer segmentation based on online behaviour

## 6.2 Recommendation

Despite the fact that online shop of Brüder Nowotny has been used more than last year, the company still needs develop it more and start to market it. The company is now aware of the attitudes and behaviour of some of its customers. In the following paragraphs author presents recommendation to the company.

Author would highly recommended creating short instructional videos for showing the customers how they can place their order online. Based on YouTube's research, the average customer prefers watching a video that reading a text-based advertisement. Besides that, a video is good way for maintaining customer relationship and putting a human face on the company. Miller (2018) writes that companies should let for example the management team or normal workers speak directly to the customers through video. It will make impersonal relationship more personal (Miller, 2018).

The sales team should be oriented to encourage customers to order online. The sales team should be able to demonstrate how easy the online ordering is. Additionally, the sales team should refer to the online portal, whenever it is possible. For example, when the customer is calling for asking a retail price, after answering the question of the customer, the sales person should advice customer about possibility to check it from online portal for the next time.

Sales team should keep taking orders by phone, mail and fax, but Author would recommend them adding detailed information how to manage online account, in the order confirmation email. Based on Accenture Interactive's 2014 State of B2B Procurement study, the most firms rely on the email marketing for promoting their online store. (Accenture 2014)

Some of the non-active customers are and will be until the end absolutely against online ordering. To the customers, who do not have a computer or other electronic devices at their shop, online ordering is for granted not an option. Author recommends concentrating on bringing online customers, who have possibilities to order online, but are not using it.

Offering free shipping or faster delivery time, for instance, will encourage non-online customers to order online. Author would suggest offering free delivery on orders placed online on the start of the wedding season. Author believes, that it would bring customer to try online ordering, because it would be limited time the most cost-effective way to order. The goal is to make customer understand the benefits of online ordering. When customers are used to the online shop, they would more likely order in future from there too.

Customers of Brüder Nowotny, who are approaching the company by phone, end up on-hold waiting line. The customers are on this on-hold waiting line, hearing a music, for about 20-30 seconds. Author suggests updating on-hold customer experience with a useful message, which could consist of a helpful or educational information. For example with following message; "For a limited time, we are offering a free shipping to all orders placed online. Visit our homepage [www.collection-ruesch.at](http://www.collection-ruesch.at) and place your order".

## 7 Closing words

The whole study was adopted to the needs of Brüder Nowotny. Cornelia Gruber-Ruesch, CEO of Brüder Nowotny, was very pleased with the results of the research. She said that the research included interesting findings, which were presented in a good visual way. The findings will support her and the rest of management team on developing successful organisational strategy. According to Mrs. Gruber-Ruesch, the findings of this paper will help Brüder Nowotny to improve the daily business routine and bring more customers online. In my opinion, as well as Mrs. Gruber-Ruesch's, the thesis met its before settled goals.

During this research, I had opportunity to get to know our customers better. After all, the interviews turn out to be a great way for establishing stronger customer relationship. It was not only interesting to hear feedback from the customer, but also to understand that there are problems, which we need to solve. I learned to see problems more as opportunities.

I am very satisfied with this paper, even if there were difficulties with formulating the results as well as sticking to the planned timetable. After all, one of my ideas, a short tutorial video, is already in the making and will be presented on the year's biggest jewellery trade fair. This video projects offers me possibility to use my marketing knowledge and be creative.

Finally, I would like to thank Bruder Nowotny for giving me opportunity to use their customer base for my study. As well, I would like to thank my supervisor, Marjaana Marmo, for giving me valuable feedback and leading me though the thesis project.



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## Appendices

### Appendix 1: List of supportive questions for phone interview with online active customers

Questions 1-3 will be answered by the author beforehand. Questions 3-6 will support the author to hold phone interviews.

1. What is the customer number of the interviewed company?

2. How many orders did customer place online? (During Wedding Season 2018)

- 1-10 orders                       31-40 orders  
 11-20 orders                     Over 41 orders  
 21-30 orders

3. How many orders did customer place in traditional ways? (During Wedding Season 2018)

- 1-10 orders                       31-40  
 11-20 orders                     over 41  
 21-30

4. Why do you prefer to purchase products online?

5. Why do you purchase products in the traditional way?

6. How can we improve our online shop?

