The Role of the Internet in Export Marketing

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Abstract

This study examines the empirical link in export market ventures of the relationship between the Internet (when it is used for communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage purposes) and export marketing performance. Data were gathered via a mail survey of Australian exporters. The sample consisted of 133 Australian firms coming from a wide cross-section of industries. The findings indicate that when the Internet was used to achieve a competitive advantage for the firm and reduce the costs associated in doing international business these uses of the Internet were significant in discriminating between high and low export marketing performance. Furthermore, the international experience of the export venture’s management was a significant factor in discriminating between high and low export marketing performance.

1. Introduction

The Internet has experienced dramatic growth. The world online population has been estimated to be around 1.5 billion by 2007, a marked increase compared to the year 2000, at 418 million people [26]. Furthermore, the number of host computers linked to the Internet is estimated to have risen from 1.3 million in 1993 to 233.1 million in 2004, again representing a substantial increase [15]. Commercial websites have also proliferated. According to [30], the number of websites has increased from 2.8 million in 1998 to more than 9 million in 2002, representing an increase of more than threefold over a 4-year period.

In Australia, the Internet has also undergone a similar trend. Australia ranked fifth amongst the Organisation for Cooperation and Development (OECD) countries, behind Denmark, Japan, Finland and Sweden, in relation to the proportion of businesses with ten or more employees using the Internet in 2001 [32]. The Australian Bureau of Statistics [2] estimated out of 680,000 Australian businesses, 83% were using a computer as at June 30th 2003. The percentage of businesses having access to the Internet was 71%, or 485,000 businesses. Approximately 23% of Australian businesses (or 157,000 businesses) reported having a web presence, either with their own website or a presence on another firm’s website. Also, the proportion of businesses with Internet use that reported placing orders for goods and services over the Internet during 2002-2003 was 39%. For this same period, 19% of businesses with Internet use indicated they had received orders via the Internet or web. This is approximately double the number of businesses with Internet use that reported receiving orders via the Internet or web during 2001-2002. Internet income earned by 91,000 Australian businesses has reached approximately $24.3 billion for 2002-2003, more than double that of 2001-2002 [2]. This change is considered to be a good indicator of the increasing practices of Internet commerce, defined as the use of information technology – the Internet, and its applications, to support business activities [33]. As such, given the importance of exporting to a nation’s economy [22] and the increasing use of the Internet in business activities it is timely to constitute a study that examines the different uses of the Internet in exporting and whether Internet usage when used for these purposes is a significant predictor of export marketing performance.

2. Literature Review

The Internet has been identified as one of the most significant marketing tools in the global marketplace [42], for its enormous potential uses for businesses. According to [11], an Internet connection can substantially improve communications with actual and potential customer’s, suppliers and partners abroad, generate a wealth of information on market trends and developments worldwide, including the latest technology and R&D, and be a very powerful promotion and sales tool. The Internet, therefore, is “completely reshaping the way we communicate with others, conduct our business, target customers or distribute products and services” [44, p.169].

However, despite the growth and benefits of Internet usage limited scholarly attention has been paid to the investigation of the role of the Internet in international marketing [4]. As such, there has been limited empirical research on the extent to which the Internet has had an impact on a firm’s export marketing performance. Some studies [3] [11] [43] have attempted to link access to the Internet to a firm’s export marketing performance, however, the empirical findings are inconclusive and those studies are now quite dated requiring further investigation. For example, the [3] study did not specifically investigate the extent to which the Internet may impact the export marketing performance outcomes of the firms in the sample. [11] also recognised a gap in the export marketing literature regarding the impact of the Internet in international marketing. However, [11] did not perform any empirical analysis to verify his conceptual framework. Consistent with [3] and [11], [43]
also claimed that the Internet can be used as a vehicle that accommodates the process of conducting export business or a tool deployed for promotion, information, and export revenue enhancement. Nevertheless, the [43] study was largely exploratory and examined the potential impact of the Internet from a conceptual viewpoint not formally testing research propositions or hypotheses.

As such, the impact of the Internet in export marketing has not been fully examined. Also, these previous studies have not been conducted predominantly in the U.S. [43] and Europe [3]. Furthermore, both the size and the importance of the Internet have changed significantly since these studies were undertaken. Such rapid developments lead to a relatively high risk of obsolescence in research findings in this field [9] requiring further investigation into the relationship between the Internet and export marketing performance.

From a sample of UK exporting businesses, [3] concluded that the Internet made it feasible for firms to undertake significant export opportunities and get faster, cheaper, and easier access to world markets. Not only does the Internet furnish firms with a low-cost gateway to global markets, its benefits also extend to communication, networking, market research, image enhancement, providing a firm with a competitive advantage and the improvement of sales volume.

As far as communication is concerned, in an era of network or relationship marketing, as well as just-in-time manufacturing and delivery, maintaining effective internal and external communications is critically important to the firm’s successful internationalisation process [17]. The Internet allows businesses to communicate widely with actual and potential foreign customers, strategic partners, trading agents, and distributors [7]. The capability of the Internet in providing interactive, two-way communication plays an important role in the firm’s maintenance of long-term relationships [33]. The Internet as a communication medium, therefore, serves as one of the key aspects determining the success of exporting firms in their internationalisation process [29]. As such, it is hypothesised that:

H1: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used for communication.

Furthermore, the Internet offers interactivity and dynamism for the exporting firms to conduct their exporting business both effectively and efficiently [45]. This finding supports the argument by [3] and [29] who indicated that the Internet as an interactive medium serves as one of the key aspects determining the success of exporting firms. As such, it is hypothesised that:

H2: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used for networking.

The Internet also promises to be an efficient medium for conducting worldwide market research [37]. With the rapid pace of change in increasingly competitive international markets, timely and relevant information is essential for firms to grow their export volume and to proactively compete for their market standing [6]. In this context, the Internet enables firms to collect primary data via such tools as online surveys, bulletin boards, web visitor tracking, advertising measurement, customer identification systems, and email marketing lists [37]. Sources of secondary data such as online newspapers and journals, extensive lists of individual country and industry market research reports, trade lists of suppliers, agents, distributors and government contacts, and details on host country legislation can also be obtained [11]. The use of the Internet for marketing intelligence gathering is regarded as one of the most important means a firm has at its disposal to help develop its international markets [40]. As such, it is hypothesised that:

H3: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used for market research.

As far as sales volume is concerned, the Internet can be a very powerful sales tool [12]. The firms are able to reach and to sell to potential customers anywhere in the world both immediately and abundantly [41], regardless of the country’s remoteness [48]. Furthermore, the dramatic growth in the online population means more potential business for exporting firms [38]. The firms can generate sales leads, accept online orders, engage in online transactions with customers through secure online payment processing, or conduct transactions with suppliers [36]. As a result, the Internet is seen as critically important in enhancing the firms’ existing export activities and further developing their export customer base [7] leading to a boost in their global sales. As such, it is hypothesised that:

H4: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used to increase sales volume.

In relation to image enhancement, building a brand or corporate image is of prime interest in international markets [48]. A good website can be used for a variety of purposes, including advertising, corporate visibility, brand name recognition, public relations, press releases, corporate sponsorship, direct sales, customer support and technical assistance [21]. Such attractive features of the Internet as interactivity [14], high-capacity information storage [34], and digitalisation ability [13], are also found to positively impact the belief that the firm is more
customer-oriented, responsive, and sophisticated [25]. This, in turn, results in a direct positive effect on buyers’ future purchase intentions [24]. As a result, the Internet allows the exporting firm to improve its corporate image [47] and subsequently gain a global profile [27]. As such, it is hypothesised that:

H5: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used for image enhancement.

As far as providing a low-cost gateway to international markets [28] the Internet enables firms to transcend national boundaries and reach potential clients around the world making the Internet a relatively inexpensive form of marketing [23]. This results in a reduction in transaction costs for all parties involved [8], including the costs of executing a sale, costs of procurement and costs associated with making and delivering a product, leading to an increase in profitability [1]. The Internet makes it easier and more affordable for a greater number of firms with multiple plants, warehouses, and supplier locations to fully coordinate their global activities and to engage in other inter-firm collaborations [43]. As a result, the Internet offers exporting firms many opportunities to obtain significant cost savings in various aspects of their international business activities. As such, it is hypothesised that:

H6: The export marketing performance of Australian export market ventures is significantly positively influenced by the Internet when it is used for cost reduction.

Finally, a long-lasting competitive advantage is likely to determine a firm’s survival and prosperity in the information age. Internet technologies enhance the firms’ competitive advantage [46] as the businesses seize the opportunities to explore how to become more productive and competitive [35]. The Internet is one of the very few tools that small businesses can use effectively to compete with their bigger rivals on the same grounds [39]. They use technology to invent new ways of conducting business, redefining the bases for competition in an industry [44] and addressing the needs of global customers located in different parts of the world [37]. As such, it is hypothesised that:

H7: The export marketing performance of Australian export market ventures is positively influenced by the Internet when it is used to achieve a competitive advantage.

Furthermore, the Internet-export marketing performance relationship has not been tested on a performance measurement scale that is generally accepted to have cross-cultural validity [19]. Export marketing performance has been measured, principally, in three different ways. First, by measuring export marketing performance using the economic indicators of performance i.e. profit, sales, market share etc. The underlying theoretical justification for using economic indicators is that exporting is part of a firm’s marketing program and performance should be measured in the same way that marketing operations are measured, in economic or financial terms [49].

Second, measurement of export marketing performance has also been via strategic outcomes i.e. expand strategically into foreign markets, gain a foothold in the export market or simply to increase the awareness of the product/company. The underlying theoretical justification here is that firms have a set of strategic goals as well as economic goals, in exporting [5]. This theoretical perspective suggests that the attainment of strategic goals such as improved competitiveness, increased market share, or strengthened strategic position should be considered an integral part of export marketing performance.

Finally, measurement of export marketing performance has also been undertaken via perceptual or attitudinal measures. The theoretical perspective of using this approach is that being positively disposed toward exporting and/or satisfied with exporting operations is a strong indication of success in exporting. Studies adopting this perspective have measured a firm’s export marketing performance either directly, such as perceived success or satisfaction with the venture [5] or indirectly as the firm’s attitude toward exporting [18].

The variety of approaches to the measurement of export marketing performance makes it difficult to compare the findings of different studies. When conflicting findings are obtained by studies that employ different measurement schemes for export performance, it makes it impossible to identify whether the findings are because of the measurement scales or the independent variables being studied. As a result of the use of different measurement schemes, it is difficult to assess which of the individual factors are the strongest predictors of export marketing performance [49].

The particular theoretical perspective adopted here is that export marketing performance is, firstly, measurable at the export venture level (that is, the product/market level). Secondly, it incorporates the major perspectives of export performance used in previous studies. Finally, it is consistent with the existing export performance measures used by studies in different countries [5] [49].

The benefits of adopting this theoretical perspective are firstly, it focuses on export venture performance related to one product and one market overcoming the difficulties involved in attempting to measure firm level export performance. Secondly, it combines the three primary means of measuring export performance that have been used in previous studies: economic indicators, strategic indicators and satisfaction with the venture’s
export performance [5] [49]. As such, this theoretical perspective helps integrate the existing literature. Finally, it is also consistent with the export marketing literature generated in various countries e.g., the U.S. [5].

3. Research Design

The study was based on an empirical investigation of firms that used the Internet and were involved in exporting to foreign countries from Australia. The sample of firms came from a wide cross section of industries and was provided by a state government department. In order to obtain valid and reliable measures of the variables, previously validated scales were used to measure export marketing performance and the uses of the Internet [5] [19] [20]. All items were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5) [5]. The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to the sample that included 315 firms who were apriori identified as being involved in direct exporting, yielding 133 useable questionnaires being returned accounting for an effective response rate of 42.0 percent and considered to be adequate [10].

The instrument contained items identified by the literature as to the use of the Internet in export marketing [3] [20], together with items intended to measure export marketing performance [5] [19]. [3] summarised the use of the Internet in export marketing into seven primary areas, namely, communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage.

Communication was measured via items that tapped the degree to which the Internet improves internal communications and communications with suppliers and partners overseas [3] [11]. Networking was measured via items that tapped the degree to which the Internet helps make industry contacts and improves network relationships [3] [11]. Market research was measured via items that tapped the extent to which the Internet helps with export marketing research [3] [11]. Sales was measured via items that tapped the extent to which the Internet helps a firm increase its sales volume, whether the Internet is an effective sales tool for foreign markets and whether the Internet makes it easier for a firm to bypass local intermediaries in foreign markets [3] [43]. Image enhancement was measured via items that tapped the extent to which the Internet helps introduce new products, makes it easier to serve niche markets and creates a good business image [3]. Cost reduction was measured via items that tapped the extent to which the Internet helps lower the costs of international marketing [3] [11]. Competitive advantage was measured via items that assessed the extent to which the Internet gives the company a competitive advantage over competitors and has an effect on the competitive intensity in the foreign market [3].

Export marketing performance has been measured via the use of economic indicators, strategic indicators and overall satisfaction with performance. As a result, this study used a composite measure of export marketing performance that incorporated all three measures of export marketing performance.

4. Results

The data were initially analysed using principal components analysis to assess the psychometric properties of the instrument. Our primary concern was interpretability of the factors. All items loaded appropriately and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted. Each scale was reviewed using factor analysis to establish that they were unidimensional. The final reliabilities for all scales were greater than .70 with a few over .80 (see Table 1).

The preliminary results indicated that the psychometric properties of the scale were acceptable and as such it was appropriate to examine the research hypotheses. To what extent is the export marketing performance of Australian export market ventures influenced by the Internet when it is used for the purposes of communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage when measured by a performance measure that includes satisfaction with performance, economic performance and strategic output performance.

To explore the influence of the different uses of the Internet (communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage) on export marketing performance, we used 2-group discriminant analysis in order to determine which variables (Internet usage) best distinguished between firms with high- versus low- marketing performance. We also included two categorical variables in the discriminant analysis, that measured the international experience of the firm, as we believed the international experience of the firm maybe significant in discriminating between high and low export marketing performance [5]. All variables were entered simultaneously in the discriminant analysis so as to determine which variables were the best discriminators, after controlling for all other variables [16]. The different uses of the Internet were each measured on composite scales created by summing the items, respectively. In the discriminant analysis, the two groups were identified by splitting the groups at the median score for the composite measure of export marketing performance that included overall satisfaction with the success of the export market venture, strategic output and economic performance.
In the discriminant analysis, we examined marketing performance perceptions by using a composite measure of export marketing performance that included satisfaction with performance, strategic output performance and economic performance. In the discriminant analysis, the discriminant function was significant (Chi Square [composite measure of marketing performance] = 44.73, df = 18; p = .000). Table 1 gives the correlations between each discriminating variable and its respective discriminant function. For the composite measure that was used to assess export marketing performance the strongest predictors were the two categorical variables intended to measure the international experience of the firm being the number of years the firm had been in international business and the number of markets the firm had regular operations in together with Internet usage when used to achieve a reduction in costs when doing international business and to achieve a competitive advantage for the firm. Other uses of the Internet that included communication, networking, market research, sales and image enhancement were deemed to have a non-significant impact on the export marketing performance of the export ventures being studied. As such, H6 and H7 were accepted and H1, H2, H3, H4 and H5 were rejected.

5. Discussion, Implications and Conclusions

This study was founded on the premise that the Internet as a business tool has experienced amazing growth in recent times and whilst previous research had attempted to determine the relationship between Internet usage and export marketing performance previous research findings had been inconclusive and those studies were now quite dated requiring further investigation. As such, a robust empirical inquiry into the effect of the Internet on export marketing performance when used for the purposes of communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage was needed. This issue together with the impact on export marketing performance of the international experience of the firm was considered worthy of investigation and as such the study has provided valuable insights into the impact of these variables on the export marketing performance of Australian export market ventures. The two uses of the Internet in export marketing contributing significantly to the variation in the export marketing performance of Australian export market ventures were cost reduction and competitive advantage. This means that how an export market venture perceived the Internet’s usefulness in relation to cost reduction and competitive advantage could be used to significantly predict their marketing performance. It is important for the management of any company to be aware of these factors when using the Internet in an export market venture of any magnitude. As far as cost reduction was concerned the study findings demonstrate that by using the Internet to avoid obtaining foreign market representation, to avoid having to set up foreign branches, to lower the cost of international marketing, to avoid having to bother about foreign cultures and practices, by making exporting easier and by reducing the costs of market information this will have a positive impact on export marketing performance and managers of export firms need to be aware of this use of the Internet for export marketing success.

In relation to the Internet providing the firm with a competitive advantage the study findings demonstrate that if the Internet was used to provide the firm with a competitive advantage over competitors this would have a positive impact on export marketing performance suggesting that the Internet gives the firm a competitive advantage over competitors and reduces the intensity of competition in the foreign market the firm is operating in. The management of any export market venture needs to be aware of this and should use the Internet as a competitive weapon for export marketing success.

Finally, in relation to the international experience of the firm, export marketing performance is enhanced by the international experience of the firm. Management’s international experience, competence and commitment to the venture make a positive contribution to export marketing performance, therefore, firms have much to gain if they hire or train qualified personnel, accumulate international experience in a programmatic manner, and allocate sufficient resources to fully capitalise on export market opportunities.

The present study has extended the literature on the relationship between the Internet and export marketing performance in several areas within the specific Australian context. First, valid and reliable scales have been developed to examine the Internet’s use in export marketing in relation to communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage. Second, the constructs developed here can serve as a foundation for further research into the Internet and export marketing

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