

2007

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Publication details

Lu, VN & Julian, CC 2007, 'The empirical link between the internet, firm-specific characteristics, market characteristics, export marketing strategy and performance', *3Rs: reputation, responsibility and relevance: Proceedings of the 2007 ANZMAC (Australian and New Zealand Marketing Academy) Conference*, Dunedin, New Zealand, 3-5 December, University of Otago Press, Dunedin, New Zealand, pp. 1354-1360. ISBN: 0868039837

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The Empirical Link between the Internet, Firm-Specific Characteristics, Market Characteristics, Export Marketing Strategy and Performance

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Abstract

This study examines the impact of the Internet, firm-specific characteristics, market characteristics, and export marketing strategy on export marketing performance. The unit of analysis was an individual product/market export venture. The findings indicate that when the Internet was used for communication and to provide the firm with a competitive advantage it had a significant impact on the export marketing performance of the export market ventures in the sample. Firm-specific characteristics and export marketing strategy also had a significant impact on export marketing performance.

Introduction

The benefits of a firm's involvement in exporting activities have long been acknowledged. Conceptual frameworks have been developed, enabling scholars to understand the factors determining a firm's success or failure in foreign markets. However, despite considerable research attention inconclusive and sometimes contradictory findings still leave the antecedents of export marketing performance as largely unresolved.

Australian firms are increasingly looking beyond their domestic market and are focusing on high growth foreign markets to enhance their international competitiveness (O'Cass and Julian, 2003). Importantly, it is widely recognised that success in the domestic market does not guarantee success in foreign markets (Shoham, 1999). Furthermore, as suggested by Maitland and Nicholas (2002), little research attention has been given to the internationalisation of Australian firms. As such, the primary objective of this study is to examine the antecedents of export marketing performance from an Australian perspective.

Literature Review

Export marketing performance has been measured via three principal means: financial indicators, strategic indicators, and perceptual measures. First, export marketing performance has been most commonly measured via economic indicators (Zou, Taylor and Osland, 1998). The underlying theoretical justification for this measurement of export marketing performance is that exporting is part of the firm's marketing program. As a firm's marketing operations are measured in economic terms, export marketing performance should be measured in the same way.

Second, export marketing performance has been measured via strategic indicators. The underlying theoretical justification for using strategic indicators to measure export marketing performance is that firms often set strategic goals as well as economic goals in exporting (Cavusgil and Zou, 1994). Thus, the attainment of strategic goals, such as improved

competitiveness, increased market share or strengthened market position must be considered as an integral part of a firm's export marketing performance (Zou *et al.*, 1998).

Third, export marketing performance has been measured via perceptual or attitudinal measures of performance. The underlying theoretical justification is that being positively disposed toward exporting and/or satisfied with exporting operations is a strong indication of success in exporting (Zou *et al.*, 1998). Under this view, a firm's export marketing performance may be measured via perceived success or satisfaction with the venture's performance (Cavusgil and Zou, 1994).

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 marketing performance used in previous studies. Finally, it is consistent with the existing export marketing performance measures used by studies in different countries (Cavusgil and Zou, 1994; Zou *et al.*, 1998). The benefits of this perspective are firstly, it focuses on export venture performance related to one product and one market overcoming the difficulties involved in measuring firm level export performance. Secondly, it combines the three primary means of measuring export marketing performance that have been used in previous studies. As such, this theoretical perspective helps integrate the existing literature (Cavusgil and Zou, 1994; Zou *et al.*, 1998).

Limited scholarly attention has been given to the extent to which the Internet has had an impact on a firm's export marketing performance. To date, some studies (Bennett, 1997; Hamill, 1997; Samiee, 1998) have attempted to link access to the Internet to a firm's export marketing performance. From a sample of UK exporting firms, Bennett (1997) 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 market research, image enhancement, cost reduction, and the improvement of sales volume. However, Bennett (1997) did not specifically investigate the extent to which the Internet may impact the export marketing performance outcomes of the firms in the sample. Hamill (1997) also recognised this gap in the export marketing literature and proposed three mainstream uses of the Internet that can influence a firm's exporting outcome. These uses included communications, market intelligence, and sales promotion. However, Hamill (1997) did not perform any empirical research to verify his conceptual framework. Consistent with Bennett (1997) and Hamill (1997), Samiee (1998) also claimed 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 Samiee (1998) study was largely exploratory and examined the potential impact of the Internet from a conceptual viewpoint not formally testing research propositions. As such, the following hypothesis is offered for testing:

H1: The Internet has a significant impact on the export market venture's export marketing performance when used for the purposes of:

- a. Communication**
- b. Networking**
- c. Market Research**
- d. Improve Sales Volume**
- e. Image Enhancement**
- f. Cost Reduction**
- g. Competitive Advantage**

Research into the impact of firm-specific characteristics on export marketing performance has produced varying results. Support has been provided by Aaby and Slater (1989), Madsen (1987) and Zou and Stan (1998) that firm competencies appear to be important determinants of export performance, other studies have reported firm-specific characteristics as being a non-significant predictor of export marketing performance (Julian, 2003). As such, these findings demonstrate the existing knowledge on the relationship between firm-specific characteristics and export marketing performance is far from conclusive. Further research is, therefore, required to determine whether firm-specific characteristics have a significant impact on a venture's export marketing performance. As such, the following hypothesis is offered for testing:

H2: Firm-specific characteristics have a significant impact on an export market venture's export marketing performance.

The potential impact of market characteristics on export marketing performance has received limited attention from researchers. In the review of literature by Zou and Stan (1998), most of the studies on this subject have reported insignificant findings. An explanation for this is that these studies used the entire firm as their unit of analysis. A firm can export its products and services to various countries embedded with different market characteristics. As such, if a study focuses on a firm's total exports, the impact of those factors associated with each foreign market cannot be clearly defined as it is reasonable to conclude that the firm will not perform at the same level for each foreign market it enters. As such, the following hypothesis is offered for testing:

H3: Market characteristics have a significant impact on an export market venture's export marketing performance.

Studies into the impact of export marketing strategy on the firm's export marketing performance have also produced mixed findings, especially on the degree of standardisation or adaptation of the strategy to the conditions of the foreign market. For instance, Cavusgil and Zou (1994) found a significant and positive relationship between product adaptation and export marketing performance whereas Julian (2003) concluded that export marketing strategy was a non-significant predictor of export marketing performance for Thai firms. The variation of the research findings highlights the need for further research on the direct effect of export marketing strategy on export marketing performance. As such, the following hypothesis is offered for testing:

H4: Export marketing strategy has a significant impact on an export market venture's export marketing performance.

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 South Australia. The sample of firms came from a wide cross section of industries including agriculture, electronics, building and construction, health, manufacturing, mining and services. In order to obtain valid and reliable measures of the variables, previously validated scales were used to measure all variables (Cavusgil and Zou, 1994; Julian and Holtedahl, 2005). All items were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5) (Cavusgil and Zou, 1994). The questionnaire was developed and pre-tested using a small sample of 10 exporters with the final instrument mailed to the sample that included 315 firms who were *á priori* 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.

The instrument contained Likert Scale items identified by the literature as to the use of the Internet in export marketing that included communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage (Bennett, 1997; Julian and Holtedahl, 2005), together with Likert Scale items intended to measure firm-specific characteristics, market characteristics, export marketing strategy and export marketing performance (Cavusgil and Zou 1994; Julian, 2003). Communication was measured via 4 items that tapped the degree to which the Internet improves internal communications and communications with suppliers/partners overseas. Networking was measured via 2 items that tapped the degree to which the Internet helps make industry contacts and improves network relationships. Market research was measured via 5 items that tapped the extent to which the Internet helps with export marketing research. Sales was measured via 6 items that tapped the extent to which the Internet helps a firm increase its sales volume, whether the Internet is an effective sales tool and whether the Internet makes it easier to bypass intermediaries. Image enhancement was measured via 6 items that tapped the extent to which the Internet helps introduce new products, serve niche markets and create a good business image. Cost reduction was measured via 6 items that tapped the extent to which the Internet helps lower the costs of international marketing. Competitive advantage was measured via 2 items that assessed the extent to which the Internet gives the company a competitive advantage over competitors and the extent to which the Internet has an effect on the intensity of competition (Bennett, 1997). Firm-specific characteristics were measured via 5 items that tapped the amount of international experience the firm has, the resources the firm has for export development together with the firm's management and resource commitment (Julian, 2003). Market characteristics were measured via 7 items that assessed the intensity of competition, accessibility to distribution channels, the extent of government intervention, and the demand potential of the venture's products/services (Julian, 2003). Export marketing strategy was measured via 5 items tapping the degree of adaptation of the product positioning strategy, the degree of product adaptation for market entry, packaging and the extent the product label was in the local language, and the degree of adaptation of the promotional strategy (Cavusgil and Zou, 1994). Export marketing performance was measured by a composite measure of performance that included economic indicators, strategic indicators and overall satisfaction with performance.

Data Analysis

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. With eigenvalues greater than 1, ten factors were initially identified. Each scale was reviewed using factor analysis to establish that they were unidimensional. Final reliabilities for all scales were greater than .70 with a few over .80 (see Table 1).

Table 1 – Multiple Regression Analysis

Variable	Alpha	Coefficient	T-Statistic	Sig T
Communication	0.72	-.261	-2.773	.006**
Networking	0.71	.028	0.292	.771
Market Research	0.76	-.077	-0.746	.457
Sales	0.81	-.084	-0.615	.539
Image Enhancement	0.79	.084	0.699	.486
Cost Reduction	0.83	.158	1.492	.138
Competitive Advantage	0.71	.192	1.993	.048*
Firm-Specific Characteristics	0.86	.478	5.770	.000***
Market Characteristics	0.77	.089	1.103	.272
Export Marketing Strategy	0.76	.184	2.098	.038*

R² = 0.366 n = 133 df = 11
p < .05 **p < .01 *p < .001*

A multiple regression analysis was then conducted to examine the relationship between export marketing performance as a dependent variable when measured by a composite measure of export marketing performance and the seven primary uses of the Internet in export marketing together with firm-specific characteristics, market characteristics and export marketing strategy (Table 1). The analysis resulted in an $R^2 = .366$ suggesting that the seven uses of the Internet: communication, networking, market research, sales, image enhancement, cost reduction and competitive advantage together with firm-specific characteristics, market characteristics and export marketing strategy explained 36.6 percent of the variation in the export marketing performance of Australian export market ventures as explanatory variables when measured by a composite measure of export marketing performance that included satisfaction with performance, achievement of strategic objectives and profitability. The results also show only two uses of the Internet, communication and competitive advantage, together with firm-specific characteristics and export marketing strategy as having a significant influence on the export marketing performance of Australian export market ventures. As such, partial support was provided for H1, full support was provided for H2 and H4 with H3 being rejected.

Discussion

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 communication and competitive advantage together with firm-specific characteristics and export marketing strategy. In relation to the Internet, 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 communication was concerned the study findings demonstrate that by using the Internet for communication purposes and as an important part of the firm's marketing communication mix this will have a negative impact on the venture's export marketing performance. As such, managers of export firms need to refrain from using the Internet for this purpose for export marketing success. In relation to the Internet providing the firm with a competitive advantage the study findings clearly 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 provides the firm with a competitive advantage over competitors. The management of any export market venture

should be aware of this using the Internet as a competitive weapon for export marketing success.

As far as firm-specific characteristics were concerned, export marketing performance is enhanced through certain firm-specific characteristics. 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.

Finally, in relation to export marketing strategy the study findings provide empirical evidence for adapting the venture's product/services to meet the needs of the foreign market as opposed to offering undifferentiated standardized products. The management of any export market venture must be aware of this for export marketing success.

A logical extension of this study would be to use the measures validated here from Julian and Holtedahl (2005) to see if this study's findings for each of the different constructs can be validated in a different national setting.

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