The Internet: New International Marketing Issues

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Abstract

The Internet provides a fundamentally different environment for international marketing and requires a different approach. Now it is unrealistic to apply the same marketing strategies without making some modifications to be appropriate to the electronic edge. This paper touches on the effect of international Internet marketing (IIM) on the marketing mix and explains the need for a new marketing paradigm. The aim is to determine some building blocks in the new marketing paradigm.

Keywords: Internet; International Marketing; Marketing Mix; Marketing Paradigm

Introduction

Marketing practitioners and academics have devoted considerable effort to identifying the effect of the Internet on International Marketing. These may be grouped into two different dimensions of investigation. Firstly, those who have focused on Internet marketing such as Chaffey, et.al., 2000; Cronin, 1996a,b; Damanpour, 2001; Duggan and Deveney, 2000; Hofacker, 2001; Hoffman, et.al., 1999; Hoffman and Novak, 1996a; 1996b; 2000; Honeycutt, et.al., 1998; Porter, 2001. Secondly, those who have chosen to research the implications of international Internet marketing, notably Bennet, 1997; Berthon et.al., 1996; Cronin, 1994, 1996a, 1996b; Damanpour, 2001; Ellsworth and Ellsworth, 1995, 1996; Hamill, 1997a, 1997b; Honeycutt et.al., 1998; Kotab and Helsen 2000; Palumbo and Herbig, 1998; Quelch and Klein 1996; Watson et.al., 2000.

The use of the Internet for business is observable in many industries. For example, computer-manufacturing companies such as IBM, Xerox, Motorola, Intel, Sun, Hewlet Packard and Digital Equipment are beginning to use the Internet to link remote sites, business partners and customers for collaborative development, software support and distribution, and communications (Paul, 1996). In the retail industry, America's largest TV-shopping firm, Home shopping network, has bought the Internet Shopping Network to consolidate its position and market share. In the pharmaceutical industry, Du Pont Marcck Pharmaceuticals Co., in Rahway, New Jersey, uses the public medical database to explore new areas of research in the treatment of central nervous system disorders. Du Pont has shortened the development cycle by facilitating collaborative research among experts and by scanning hundreds of reports to bring new drugs more quickly to the market (Soh,
1997:217). In the aerospace industry, Boeing designs 777 in cyberspaces. The Internet enables Boeing to share design tools and process with engineers, customers, maintenance people, project managers and component suppliers across the globe. Using the Internet, Boeing’s customers no longer need to wait 3 years to place an order. It aims to deliver a plane in 8-12 months and to build 620 aeroplanes annually, up from 228 in 1992 (Zairi, 2001a, 2001b).

However, despite the greater growth of the Internet use in most developed nations and developing countries as well, systematic research in this field is still scarce. Therefore, this article is an attempt to determine some building blocks in the new marketing paradigm.

HM and the changing face of the marketing mix

The International Internet Marketing has changed some elements of the marketing mix. Marketing on the Internet is a very different process from traditional marketing. The key to a more successful marketing effort on the Internet will be an interactive strategy. However, this part focuses on marketing mix dimensions that may be facilitated through the use of the Internet.

Product

A product is any thing that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (Kotler, 1991). The management of the product mix refers to the development and commercialisation of new products, as well as to decisions, which determine the length of their cycles, namely, product rejuvenation and renewal, or elimination decisions. The Internet leads to faster discovery of customer needs, greater customisation of the products to the customer needs, faster product testing, and shorter product life cycles (Avlonitis and Karayanni, 2000:445). The international marketers who use the Internet should have in-depth understanding of the foreign marketing environment to assess the relative advantages of their own products and services (Quelch and Klein, 1996).

As part of a good marketing plan, a company must design new or improved products that meet the customer’s current or latent needs, find an effective way to bring that product to the customer, and provide after-sales support. The Internet can dramatically improve the entire process. This is especially true if the product being offered can be transformed into a digital product. But even if the product is not digital, many companies can still take advantage of the Internet to streamline their businesses (Wilson and Abel, 2002).
Price

The Internet has many influences on the price strategy. However, the Internet will lead to increasing standardisation of prices across borders, or at least to narrowing the price differentials as customers become more aware of prices in different countries (Poon and Jevons, 1997). Bob MacPherson, the Webmaster for laboratory equipment exchange, an information resource for the sale of used scientific equipment, explains:

“The companies that advertise through my services have to recognise that there are international consequences to their promotions. For example if a company were to offer a 20 per cent discount on some products to my readers, readers all over the world would see this deal. But in some countries where you have distributors or do not need to discount to get business, the special offer is a problem” (Quelch and Klein, 1996).

Furthermore, Smart agents, software programmes that can search the Internet for products meeting pre-specified criteria, and may further combat attempts at price discrimination by uncovering different prices. Taken together, these factors suggest that the Internet will lead to increased standardisation of prices across borders, or at least, narrower price spreads across country markets.

In the Business-to-Business arena, it is expected that the bargaining power of customers is likely to be increased since they will become aware of alternative products and services. Besides, the ease of use of the Internet channel makes it easier for customers to swap between suppliers. It should be noted that there are still barriers to swapping since once a customer invests time in understanding how to use a web site to select and purchase products, he or she may not want to learn how to use another service. It is for this reason that a company that offers a web-based service before its competitors has a competitive advantage (Chaffey et al., 2000:136).

The final issue in the price dimension is the currency rates. White states that shopping on the Internet needs to be convenient. Therefore, consumers are unlikely to search for information on currency conversion rates. Companies who wish to market their products internationally may consider adding a link from their web pages to a currency converter or provide an approximate conversion rate for each country to which they are prepared to make sales (White, 1997:383).

Promotion

Promotion refers to all the various ways an organisation undertakes to communicate its products’ merits and to persuade target customers to buy from them (Kotler, 1991). The effect of using the Internet on the promoting strategy of companies has emerged in many studies (see Avlonitis and Karay-
Undoubtedly, the use of the Internet allows sales departments to have an interactive communication with the customers. Poon and Jevons (1997) stated that hard-selling and advertiser-push promotion strategies do not work well on the Internet. Global advertising costs, as a barrier to entry, will be significantly reduced as the Internet makes it possible to reach a global audience more cheaply (Hamill, 1997; Quelch and Klein, 1996). However, there are many online promotion techniques. Paying to place links on pages with audiences that mirror or include a company’s target customers is less expensive than traditional media. In addition, “Free” advertising on other sites can often be exchanged for mutual links. Postings on Internet discussion groups on topics relevant for specific products or markets are another way for marketers to attract visitors to their sites. On the other hand, there are many offline promotion techniques such as traditional forms of advertising, e.g. word of mouth (Wilson and Abel, 2002).

However, there is a critical issue for the international marketers who use the Internet in their marketing. The new challenge facing companies is the management of a global brand and corporate logo. Consumers may become confused if a company and its subsidiaries have different Web sites each communicating a different format, image, message, and content. Therefore, a company should define clearly its policies about branding on the Internet. One example is 3M, an American company, that has one site for its entire product line, has a focused corporate identity and firm control over the marketing actions of its division and subsidiaries (Palumbo and Herbig, 1998:255). On the other hand, developing one site for each brand—while costly and limiting to cross selling—is preferable when the brands have distinct markets and images. For example Procter & Gamble has reserved 110 domain names, although they are currently using a small number of them.

Finally, Bennet (1997) stated that advertising on Web pages other than the firm’s own is possible (and increasingly common), but might not be well received. Customers merely wish to be presented with the hard facts about the subject matter of the pages they read. Note moreover that more and more business establishes WWW presence, searching for potential suppliers will become impossible without the aid of high-quality directories to guide people towards relevant sites.

**Physical Distribution**

Physical distribution is the place aspect of the marketing mix. Marketing channel can be defined as interdependent organisations involved in the process of making a product or service available for use or consumption (Kotler, 1991). The Internet, by connecting end-users and producers directly, will reduce the importance of traditional intermediaries in international marketing (i.e. agents and distributors). To survive such intermediaries will
need to begin offering a different range of services. Their value-added will no longer be principally in the physical distribution of goods but rather in the collection, collation, interpretation and dissemination of a vast amount of information (Poon and Jevons, 1997). Quelch and Klein (1996) stated that a hospital in Saudi Arabia, for example, can put out a request for proposal for equipment over the Internet, secure bids, select a supplier without going through local brokers and distributors, and have the products delivered directly by DHL or Federal Express. Few buffer inventories will be needed in the worldwide distribution system and less working capital.

However, if intermediaries can perform a different mix of services, made necessary by the Internet, they will continue to play critical roles and extract value. The distribution system of the company must have some capabilities, for example, twenty-four-hour order taking and customer service response capability and regulatory and customer-handling expertise to ship internationally. White (1997) stated that companies should consider providing information on how the products are shipped and precautions taken to ensure their quality on arrival. Quality guarantees and/or special consideration for international returns or refunds may also be necessary.

Undoubtedly, the Internet has reduced many distribution issues. According to Wilson and Abel (2002) “the Internet is borderless and the opportunity to sell over the net in a standardised way eliminates many natural barriers to entry”. Any business connected to the Internet can retrieve other businesses products by ordering them from their websites. Companies no longer have to devise long and expensive distribution channels to bring their products to the customer.

However, the marketing mix and its four Ps constitute a production-oriented definition of marketing, and not a market-oriented or customer-oriented one. The four Ps model does not explicitly include any interactive elements. Furthermore, it does not indicate the nature and scope of such interactions. However the previous changes in the four Ps are, from the authors’ point of view, a result of the interactivity nature of the Internet that requires a shift in the marketing paradigm (see Figure 1). The next part explains this issue and tries to shed light on some of the building blocks in this new paradigm.

The Internet: A New International Marketing Paradigm

The starting point in this part is that any marketing paradigm should be well set to fulfil the marketing concept, i.e. the notion that the firm is best off by designing and directing its activities according to the needs and desires of customers in chosen target markets.

However, the Internet provides a fundamentally different environment for international marketing and requires a different approach. New international marketing paradigms may have to be developed to explain the inter-
Figure 1 The effect of the Internet on International Marketing Mix
Developed by the authors

Product
- Faster discovery of customer needs
- Greater customisation of the product
- Faster product testing
- Shorter product life cycles

Price
- Increasing competition and standardisation of prices
- Approximate conversion rate for each country

Promotion
- Interactive communication with customers
- Reduce global advertising costs
- Directories to guide people towards company site

Place
- Reduce the importance of traditional remedies
- High capabilities for order taking and giving information
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national marketing in the electronic edge. Many authors have pointed out that the Internet and the WWW have some unique characteristics that make them central to a perceived paradigm shift in the way in which goods and services are likely to be marketed in the future (see: Barnes-Vieyra and Claycomb, 2001; Brynjolfsson and Smith, 2000; 1998; Eid et al., 2002; Hamill and Gregory, 1997; Hoffman and Novak, 1996a; Morgan and Hunt, 1999; Papows, 1998; Porter, 2001; Quelch and Klein, 1996; Rayport and Sviokla, 1995; Werbach, 2000; Wilson and Abel, 2002).

According to Hoffman and Novak (1996b) the new marketing paradigm is characterised by a shift in activity from the conventional One-to-Many communication model to the Many-to-Many communication model. In the One-to-Many communication model, a single organisation attempts to capture the attention of “many” consumers via conventional and non-interactive mass media, such as TV and newspapers. In the Many-to-Many model, information is not simply transmitted from sender to receiver; rather, mediated environments are created by participants, and then experienced. Therefore, consumers can interact with the communications medium and even contribute to commercial content.

Rayport and Sviokla (1995) stated that every business today competes in two worlds: the physical world of resources (marketplace) and the virtual world made of information (marketspace). The processes for creating value are not the same in the two worlds. Managing two interacting value-adding processes in the two mutually dependent realm poses new conceptual and tactical challenges. The value-chain model [a series of value-adding activities connecting a company’s supply side (raw materials, inbound logistics, and production process with its demand side (outbound logistics, marketing and sales)] treats the information as a supporting element of a value-adding process, not as a source of value itself. In marketspace or virtual value-chain information is a source of value for the customers. For example, Federal Express and Royal Mail Corporations allow customers to track packages through the company World Wide Web site on the Internet. Although this service is for free, it creates added value for the customer and this increases loyalty in a fiercely competitive market.

Rayport and Sviokla (1995) draw attention to replacing supply and demand. They said that in today’s world of overcapacity, in which demand, not supply, is scarce, managers must increasingly look to demand-side strategies. Urban et al., (2000:48) agreed that the Internet puts such power in the hands of consumers that a new term is needed to describe the paradigm shift: they called it “consumer-to-business” marketing. In consumer-to-business marketing, consumers will demand the best products at the lowest prices.

Werbach (2000) offered a new terminology that may help in finding out the marketing paradigm in the information era. He said that:

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“There is no question that the Internet is overturning the old roles of competition and strategy. But what are the new roles? Many of them can be found in the concept of Syndication, a way of doing business that has its origins in the entertainment world but is now expanding to define the structure of E-Business. As companies enter syndication networks, they will need to rethink their products, relationships, and even their core capabilities”.

Syndication involves the sale of the same good to many customers, who then integrate it with other offerings and redistribute it. Syndication was difficult, if not impossible, because the slow moving information of the industry economy. But with the rise of the information economy, that is changing. Flexible business networks are not only becoming possible, they are becoming essential. So, syndication becomes a fundamental organising principle for E-Business.

Porter (2001) accepted the notion that the Internet is overturning the old roles of competition and strategy. Undoubtedly, average profitability is under pressure in many industries influenced by the Internet. So, it becomes all the more important for individual companies to set themselves apart from the pack. The only way to do so is by achieving a sustainable competitive advantage. Sustainable competitive advantage can be achieved in two ways. One is operational effectiveness- doing the same things your competitors do but doing them better. Operational effectiveness advantages can take myriad forms, including better technologies, superior inputs, better-trained people, or a more effective management structure. The other way to achieve sustainable competitive advantage is strategic positioning- doing things differently from competitors, in a way that delivers a unique type to customers. This can mean offering different set of features, a different array of services, or different logistical arrangements. The Internet affects operational effectiveness and strategic positioning in very different ways. It makes it harder for companies to sustain operational advantages, but it opens new opportunities for achieving or strengthening a distinctive strategic positioning.

Using the Internet, improving operational effectiveness does not provide a competitive advantage. The cause of that is once a company establishes a new best practice; its competitors tend to imitate it quickly. Best practice competition eventually leads to competitive convergence, with many companies doing the same ways.

Customers end up making decisions based on price, undermining industry profitability. Competitive advantage tends to be short-lived on the Internet since it is easy for competitors to monitor each other. When a company sees that its competitors have a better offer or service, it will counter with a similar service (Chaffey et.al., 2000:134).
Consequently, as it becomes harder to sustain operational advantage, strategic positioning becomes all the more important. So Porter (2001:72) stated that:

“Strategic positioning involves the configuration of a tailored value chain—the series of activities required to produce and deliver a product or service—that enable a company to offer unique value. To be defensible, moreover, the value chain must be highly integrated. When a company’s activities fit together as a self-reinforcing system, any competitor wishing to imitate a strategy must replicate the whole system rather than copy one or two discrete product features or ways of performing particular activities”.

Brynjolfsson and Smith (2000) stated that the Internet is nearly a perfect market because information is instantaneous and buyers can compare the offering of sellers worldwide. Internet marketing draws the attention to long-lasting customer relationships. The interaction-network approach of marketing views marketing as an interactive process in a social context where relationship building and management are vital cornerstone. Gronroos (1994:9). Buttle (1996:1) stated that:

“Enduring relationships with customers cannot be duplicated by competitors, and therefore provide a unique and sustainable competitive advantage”.

Using the Internet, it is appropriate to view marketing primarily as an information-handling problem in order to analyse and understand IT-based marketing innovations. One example of where these changes are acute is the fundamental effect of how IT affects the formation of and dissolution of relationships within market networks (Cann, 1998:41). Undoubtedly, for firms applying a relationship strategy the marketing mix often becomes restricted.

However, according to the previous literature we can put some bricks in the new marketing paradigm building as shown in (Figure 2).

Conclusion

This article touched on the effect of the international Internet marketing on the marketing mix and explains the need for a new marketing paradigm. Based on the literature we found that, firstly, the international Internet marketing has changed some elements of the marketing mix. Marketing on the Internet is a very different process from traditional marketing. The key to a more successful marketing effort on the Internet will be an interactive strategy. Secondly, we found that the Internet provides a fundamentally different environment for international marketing and requires a different approach. Consequently, a new international marketing paradigm may have to be developed to explain the international marketing in the electronic age. Many authors have pointed out that the Internet and the www have some unique characteristics that make them central to a perceived paradigm shift.
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**Figure 2: Some building bricks in the new marketing paradigm**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Traditional Marketing</th>
<th>Internet Marketing</th>
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<tbody>
<tr>
<td>Time perspective</td>
<td>Short-term focus</td>
<td>Long-term focus</td>
</tr>
<tr>
<td>Buttle (1996)</td>
<td></td>
<td></td>
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<tr>
<td>Dominating marketing Function</td>
<td>Marketing Mix</td>
<td>Relationship marketing (supported by marketing mix activities)</td>
</tr>
<tr>
<td>Cann (1998)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Mode</td>
<td>One-to-Many</td>
<td>Many-to-Many</td>
</tr>
<tr>
<td>Hoffman and Novak (1996)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value Creation</td>
<td>Information as supporting element</td>
<td>Information itself is value</td>
</tr>
<tr>
<td>Rayport and Sviokla (1995)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition Base</td>
<td>Operational Effectiveness</td>
<td>Strategic Positioning</td>
</tr>
<tr>
<td>Porter (2001)</td>
<td></td>
<td></td>
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<tr>
<td>Market Nature</td>
<td>Inefficient market</td>
<td>Efficient market</td>
</tr>
<tr>
<td>Brynjolfsson and Smith (2000)</td>
<td></td>
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</tr>
<tr>
<td>Economic Thinking</td>
<td>Supply side</td>
<td>Demand side</td>
</tr>
<tr>
<td>Urban et al. (2000)</td>
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Source the author (based on the literature).
in the way in which goods and services are likely to be marketed in the future. These shifts in the marketing paradigm have been summarised into seven directions namely: time perspective, dominating-marketing function, communication mode, value creation, competition base, market nature and economic thinking.
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