

“From garage to global”
The Internet’s influence on international market growth
An Australian SME perspective

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ABSTRACT

*The Internet has the capability to generate international market expansion and future growth for the firm, a concept known as Internetisation. However, it is yet to be determined as to how much or to what level the Internet influences internationalisation, and thus international market growth. Both international market penetration (capitalising on existing markets and/or customers) and the development of new international customers are achievable goals for the Internet enlightened SME. The aim of this research is to explore the influence of the Internet on international market penetration and development from the strategic perspective of the SME in Australia. Therefore, the research question, “**How has the Internet influenced international market growth?**” has been developed. To explore this phenomenon In-depth case interviews were conducted with experienced international marketing strategic decision makers from twelve Australian SME’s that operate internationally and that use the Internet in their internationalisation process. Findings indicate that the Internet has given firms the capabilities to become instantly or rapidly international. The acceleration of internationalisation changes the once slow and cumbersome process of advancing the firm’s product into international markets. Further, new virtual network intermediaries or electronic marketplaces reduce the need for the firm to have human and financial infrastructures necessary for internationalisation. However, more traditional relationship networks are still the primary mechanism for internationalisation. Thus, a new theory of internationalisation is not needed but rather an evolved version of network theory may be a better explanation of internationalisation of SME’s in today’s digital environment.*

Key Words: SME’s, Internet, internationalisation

INTRODUCTION

The powerful global reach of the Internet is altering the international trade landscape. As a consequence of the Internet's influence on traditional international trade theory, the theory of internationalisation is in need of re-examination (Peterson, Welch & Liesch 2002). The Internet has the capability to generate international market expansion and future international growth for the firm, a concept known as *Internetalisation* (Bell, Deans, Ibbotson & Sinkovics, 2001; Buttriss & Wilkinson, 2003). The Internet has evolved into a mechanism that can be used to capture new international market opportunities. As a consequence of its transactional and communicational capabilities, the Internet has become an efficient and effective conduit for global trade and International market expansion. That is, to be more precise a firm can either grow by international market penetration of existing customers based in international markets, and/or the firm can develop completely new international markets with existing products. Both of these international market growth strategies are influenced by Internet and are evaluated accordingly.

However, *Internetalisation* is still in a relative infant stage. Research to date has emphasised predominantly external macro forces and broader factors of international marketing, which although important, are peripheral variables to internal core corporate strategic decision making in international growth. Thus, the purpose of this research is to explore the question of *how is the Internet influencing international market growth for Australian SME's*. The results of this exploratory research suggest that the Internet has a profound effect on both the process and path of international market growth that SME's are taking. Furthermore, it was found that firms internationalising do not necessarily follow what might be considered traditional internationalisation. Rather, both an integrated virtual and traditional network theory may best explain the internationalisation of SME's in this new digital environment.

With this background, the paper has been segmented into five main sections. The first two sections address the importance of SME's and the Internet, and the internal firm specific influences on Internet based international market growth. The third section analyses the concept of *Internetalisation*, followed by a methodological discussion in the fourth section. The paper concludes with suggestions for future research. The contribution of this paper is that it develops a firm based strategic focus for the evaluation of the Internet's influence on international market growth opportunities for SME's. One limitation of this research is that it involves only twelve cases with an exploratory focus. However, given that the purpose of this research was exploration, this limitation is minimal, as the findings will help develop a richer platform of understanding through theory building. Having set the scene, the Australian SME's and the Internet will be addressed next.

SMEs AND THE INTERNET

With an estimated 1.6 million small business operators the small business sector accounts for more than 97% of private business and employs more than 50% of the private sector (Australian Bureau of Statistics, 2004). As a consequence, small business plays a significant role in the private sector and the overall Australian economy. Further, the Internet's significant influence on small and medium enterprises (SME's) internationalising has given impetus for researchers in the area of international marketing (Poon & Swatman, 1997; Arnott & Bridgewater, 2002; Moen, 2002a, b; Moen & Servais, 2002; Moen, Endresen & Gavlen, 2003; Aspelund & Moen, 2004; Hashai & Almor, 2004). Not only large firms with sizable capital have the ability to internationalise through the Internet but also small and medium companies with moderate investment (Arnott & Bridgewater, 2002). It has been well established that the Internet gives even SME's the capabilities of internationalising where this may not have been possible in the old economy (Bennett, 1997; Hamill, 1997; Aspelund & Moen, 2004; Simpson & Docherty, 2004). Although it has also been suggested that the capital capability of the firm may be a barrier to implementation of the Internet for SME's (Taylor & Murphy, 2004) recent research in the United Kingdom has questioned this argument (Simpson & Docherty, 2004). With the advent of Broadband and reduced Internet service prices (Australia), finance will become a diluted barrier to adoption for SME's.

Internal factors

Internal firm factors such as human and capital resources, readiness of firms, company size and industry specific factors are considered significant on the marketing efforts when entering the international online arena (Quelch & Klein, 1996; Freeman, 1998; Palumba & Herbig, 1998; Arnott & Bridgewater, 2002; Harrison-Walker, 2002). Internal issues may also depend on industry specific elements and product specific characteristics, as some industries are affected by the Internet technology more significantly than are others. For example, information based products and services that are highly intangible, such as the banking, music, publishing, computer software and travel industries, have a decisive advantage online (Arnott & Bridgewater, 2002). Some researchers suggest that less regulated industries are more susceptible to the Internet influence and therefore have a higher probability of allowing firms faster foreign market expansion (Petersen, Welch & Liesch, 2002). However, this suggestion is still yet to be empirically tested.

Furthermore, marketing managers have a significant influence on the process of market growth strategy, as their strategic orientation profile becomes a determinant of internationalisation. The internal readiness of a manager, either having a strategically *proactive* internationalisation stance or having a *reactive* stance to the market, has an influence on

whether the firm chooses to internationalise (Siegel, 2004). Thus, the international readiness of managers becomes a precursor to internationalisation online. Further, it has been suggested that not only is the proactive orientation to internationalise important, but also a proactive international *customer* orientation has an important bearing on whether the firm utilises the Internet as a mechanism in its internationalisation endeavours (Aspelund & Moen, 2004).

Internetisation theory

Internationalisation and the components of internationalisation theory have also altered due to the Internet (Petersen, et al., 2002; Buttriss & Wilkinson, 2003), so much so that post-Internet internationalisation has been referred to as *Internetisation* as opposed to internationalisation (Bell, et al., 2001; Buttriss & Wilkinson, 2003). However, conjecture remains in the literature as to which model of internationalisation depicts the Internet's impact on traditional internationalisation theory.

Alternative theories proposed are conceptually based on more traditional theories such as the stages models (Hamill, 1997). Two more pragmatic theoretical explanations of internationalisation post Internet stem from supply chain management (Overby & Min, 2001) and knowledge-based theory (Petersen, et al., 2002). Firstly, the theory of international supply chain management extends the current understandings of network theory. International supply chain management (ISCM) is proposed as the implementation of the networks as a better explanation of internationalisation in an Internet commerce environment (Overby & Min, 2001). In other words, the Internet has re-emphasised the importance for a resource based network orientation through international supply chain relationships. ISCM theory questions internationalisation theory of the traditional stages process, as stages theory advocates an ultimate goal of vertical integration for firms (Overby & Min, 2001). Overby and Min (2001) do not adequately explain the significant disintermediation of supply chains taking place within many industries, such as travel, accommodation, entertainment and media brought about by large firms placing a significant emphasis on vertical integration through the Internet. This lack of explanation leaves some ambiguity in the theory of the Internet and the firm from an ISCM perspective.

Conversely, Petersen, Welch and Liesch (2002) propose a rethink of internationalisation theory in light of the significant changes to information availability and knowledge management due to the Internet because the Internet has reversed conventional understandings of learned knowledge. That is, the Internet alleviates traditionally barriers to internationalisation through information and knowledge flow efficiencies. Peterson, Welch and Liesch (2002) argue that the Internet has altered information availability in the international marketplace and enhanced the firm's ability to transfer objective knowledge. Thus, internationalisation post Internet is better understood by how it has enriched firms with information and knowledge management capabilities. As a result, the impact of these effects on strategic decisions of international growth needs further evaluation.

International strategic growth is an integral part of international market decisions concerning strategy. However, due to the lack of emphasis placed on strategy (Porter, 2001) in the area of Internet international marketing, a research problem has been developed. That is: ***“How has the Internet influenced international market growth strategies for Australian SME's?”*** Further, three *research issues* have been developed for exploration to help investigate the research problem surrounding strategy.

RI. 1: How has the Internet affected the process of internationalisation for SME's?

RI. 2: How has the Internet affected the path and pace of internationalisation for SME's?

RI. 3: How has the Internet affected international market growth direction vectors?

METHODOLOGY

Case study methodology, using non-probability purposive sampling was deemed to be appropriate for this research. The use of multiple case studies gives a holistic perspective of a complex phenomenon, thus, constructing a theoretical platform where no set procedures or standards are in place (Gummesson, 2000). In-depth 1½-hour case interviews were conducted with experienced international marketing strategic decision makers from twelve Australian SME's that operate internationally and that use the Internet in their internationalisation. Replication logic in case study methodology includes both literal replication (predicted similar results) and theoretical replication (produces contrasting results but for predicted reasons) that gives a level of analytical generalisability to the study (Parkhe, 1993; Yin, 1994; Healy & Perry, 2000). Literal and theoretical replication or simultaneously evaluating similar cases and contrasting cases through purposeful selection, as seen in Table 1, achieves replication logic.

Table 1: Case selection (replication logic)

Firm size/ Customer orientation	Business to Consumer	Business to Business
Start-ups	1 (alpha)	2 (beta)
Small firms (1-19)	3 (gamma) 4 (delta)	5 (epsilon) 6 (zeta)
Medium (20-250) (* = 500 employees, however, the majority of staff is casual or seasonally employed. This fits the OECD (2002) definition of SME classification)	7 (Eta) 8 (Theta) 9 (Iota*)	10 (Kappa) 11 (Upsilon) 12 (Omega)

Source: developed for this research

That is, start-ups (1,2), small (3,4,5,6) and medium (7,8,9,10,11,12) sized firms were selected (contrasting and similar sized cases). Further, firms with B-C (1,3,4, 7,8,9) and B-B (2,5,6,10,11,12) customer orientation were chosen so as to achieve both predicted similar and contrasting results.

The approaches to data analysis espoused by Miles and Huberman (1994) and Yin (1989) were adopted in this research. One of the most difficult aspects of case research is the case analysis (Yin, 1989), yet data analysis is the core of theory-building case studies (Eisenhardt, 1989). The analysis of qualitative data is a 'continuous iterative process' (Miles & Huberman, 1984, p.23). Following the collection of the data, three steps were used in the process; data reduction, data display and data analysis. However, the first step, data reduction, does not necessarily mean the quantification of data. Rather, it is the process of selecting, focusing, simplifying, abstracting and transforming the raw data. Data display, the second step, is the organised assembly that permits a conclusion to be drawn, which is the third and final step of the process (Miles & Huberman, 1994).

Yin (1989) suggests two general strategies for data analysis. The first is the reliance on theoretical propositions, and the second is the development of a description. The second is the less preferred strategy. Nevertheless, these two strategies proposed by Yin (1989) are not exclusive because data analysis should begin with individual case description (as outlined in table 2) and then continue with cross-case analysis (Patton, 1990). Cross-case analysis facilitates the search for patterns in the data, as outlined in the findings section (Eisenhardt, 1989). Furthermore, the key to good cross-case comparison is to look at the data in many divergent ways to overcome the problems of theoretical misrepresentation (Eisenhardt, 1989). The approaches to data analysis espoused by Miles and Huberman (1994) and Yin (1989) were adopted in this research.

FINDINGS

The findings indicate that although internationalisation online or *Internetisation* is still in its infancy, alterations to traditional theoretical frameworks have accrued due to Internet adoption in the international market expansion of SME's. Some firms viewed the Internet as a primary or even sole mechanism for internationalisation, whereas, other firms use the Internet as a complement to the process of internationalisation and international markets growth. Overall, whether the Internet is a key driver for internetisation or not, the Internet is essential for all firms for the formulation of strategies of growth in international markets. The three research issues identified earlier will now be explored for resolution of the overall research question.

Research issue 1: How has the Internet affected the process of internationalisation for SME's?

Firms utilising the Internet in the internationalisation process can capture international transactions' and communications' operational efficiencies. More specifically, the ability to promote, access and process information pertaining to internationalisation has significantly enhanced the capabilities of SME's ability to internationalise. Further, the Internet has improved the firm's ability to interact with consumers, suppliers and business partners through multiple inexpensive interactive technologies, as illustrated in table 3.

Table 3: Website interactive levels online

Case	Overall Interaction	Information	Transaction capability	Collaboration
1. <i>Alpha</i>	VSI	VSI	SI	VSI
2. <i>Beta</i>	MI	MI	VSI	LI
3. <i>Gamma</i>	VSI	VSI	VSI	VSI
4. <i>Delta</i>	VSI	MI	LI	LI
5. <i>Epsilon</i>	VSI	VSI	MI	MI
6. <i>Zeta</i>	SI	VSI	LI	SI
7. <i>Eta</i>	VSI	VSI	VSI	SI
8. <i>Theta</i>	MI	VSI	SI	LI
9. <i>Iota</i>	MI	VSI	SI	VSI
10. <i>Kappa</i>	VSI	VSI	VSI	VSI
11. <i>Upsilon</i>	LI	MI	NI	NI
12. <i>Omega</i>	VSI	LI	LI	NI
<i>VSI</i>	7	8	4	4
<i>SI</i>	1	—	3	2
<i>MI</i>	3	3	1	1
<i>LI</i>	1	1	3	3
<i>NI</i>	—	—	1	2

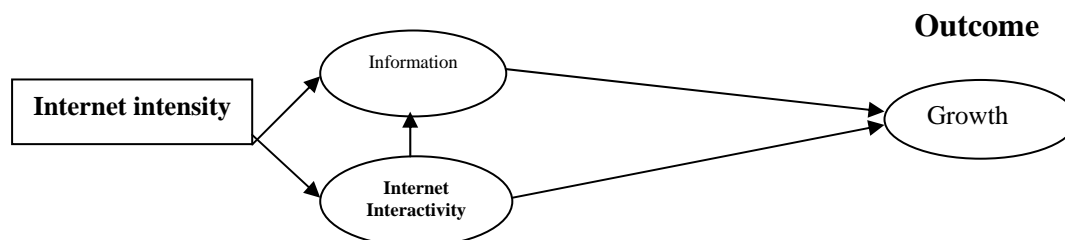
Index: VSI= Very strong importance, SI= Strong importance, MI= Moderate importance, LI= Low importance, NI= No importance

Source: developed for this research

As also seen in table 3, firms perceive the Internet as very important for accessing and sending information through Internet interaction. Thus, allowing SME's to have a global presence of their brands. Consequently, the Internet is a pivotal element in their international operations with all firms dependent on the Internet medium for day-to-day operations and for strategic implementation as "down time is just not acceptable for our business and customers in international markets" (Eta 2004). Moreover, the Internet positively influences components of internationalisation, information and knowledge. The ability to generate, store and process vast amounts of customer, market and firm information was considered unachievable without the Internet. Primarily the Internet's influence on information and interactivity were seen to be pivotal to the process of internationalisation, as illustrated in figure 1.

Figure 1: Information/interactivity and internationalisation

Internationalisation process



Source: developed for this research

That is, the Internet has diluted the once asymmetry of information traditionally experienced by SME's in the internationalisation process. Further, simple objective knowledge concerning international markets could be transferred internally through intranet and e-mail systems. Conversely, more complex experiential knowledge transference was not evident, reinforcing the argument that "the role of the Internet to provide experiential learned knowledge is questionable" (Petersen, et al., 2002, p. 210). Further, a firm's resources may impede the objective learned knowledge processes. For example, smaller firms were less inclined to implement formal and informal intranet systems for international information and transference.

Thus, the Internet has influenced the process of developing international growth strategy in two ways: Firstly, SME's are dependent on the Internet in their internationalisation; that is, the Internet has become an integral part of the internationalisation process as it allows small and medium firms access to the same customers as their larger counterparts. Secondly, the Internet allows SME's access to rich information and knowledge needed in internationalisation. That is, there has been a dilution of the traditional asymmetry of information in the marketplace pertaining to international market opportunities as a consequence of the Internet. The second research issue investigates the path and pace of internationalisation.

Table 2: Within case study analysis matrix

Case Co. code	Co. type/size	Product orientation	No. of employees	Customer type	Regional focus	International (%) of total Business	Turnover per/ ann.	Age/ Outlets	Interviewee position	Description of firm
Case 1 Alpha	Start up	Physical goods	2	B-to-C	Global US/ UK	70%	<\$1 mill.	3 years 2 outlet	Managing Director	Online Bikinis retailer
Case 2 Beta	Start up	Digital products	8	B-to-B	US/ Europe	99%	\$15 mill.	5years 3 outlet	CEO	Adult entertainment online
Case 3 Gamma	Small	Physical goods	4	B-to-C	US/ UK	35%	\$1.75 mill.	30 years 1 outlet	Owner manager	Jewellery retailer
Case 4 Delta	Small	Physical & digital goods	2	B-to-C	UK/ US	100%	<\$1 mill.	2 years 1 outlet	Owner manager	Specialised artwork & Images
Case 5 Epsilon	Small	Physical & digital goods	7	B-to-B	NZ/UK/ HKG	10%	<\$1 mill.	5 years 1 outlet	Managing Director	Retail point of purchase software & hardware
Case 6 Zeta	Small	Services	13	B-to-B	Asia/ Sth America	100%	<\$1 mill.	2 years 3 outlet	Marketing Manager	Secondary education exporter
Case 7 Eta	Medium	Physical & digital goods	38	B-to-B B-to-C	Asia/ US	75%	\$1-\$2.5 m.	4 years 4 outlet	Business development Director	Stored value cards: financial payment
Case 8 Theta	Medium	Service & good	140	B-to-C	US/UK/ Asia/ Europe	40%	\$5-\$10 mill.	90 years 1 outlet	Marketing Director	Tourism destination/ accommodation
Case 9 Iota	Medium	Service & destination	500 *	B-to-C	NZ/ Asia/ Nth America	20%	\$10 mill. <	23 years 4 outlets	General Manager Sales & Marketing	Tourism attraction
Case 10 Kappa	Medium	Service & destination	50	B-to-B	Global	60%	\$10 mill. <	11 years 5 outlet	General Manager Asia Pacific	Business services franchiser
Case 11 Upsilon	Medium	Service & physical good	150	B-to-B	Global	7-70%	\$10 mill. <	39 years 20 outlet	Business development manager Australasia	Catering & hospitality contracts
Case 12 Omega	Medium	Services & digital goods	49	B-to-B	NZ/UK/ Asia/ Mid.East	10-20%	\$5-\$10 mill.	18 years 5outlet	Managing Director	Asset management software

Note: Cases have been given a Greek letters to represent the company, as the anonymity of firms is an imperative ethical consideration. Start up denotes an Internet company that started online. Conversely, if not indicated the firm is not a start up.
*A broad scope of SME definition was used for exploration so as to get a richer understanding of the key issues and variables. For example, case 9. Iota has 500 employees, which within the OECD definition of SME as outlined earlier in section 1 (OECD, 2002).

Research issue 2: How has the Internet affected the path and pace of internationalisation for SME's?

The traditional path of stages or incremental internationalisation has been replaced, in part, by a new rapid avenue of internationalisation mediated by the Internet, that is, by the phenomenon of the *internetisation*. Some firms were totally dependant on the Internet for international growth. Start-up Internet firms, *Alpha and Beta* as well as dot.coms *Gamma & Delta* view the Internet as the 'only' mechanism for international market growth. Conversely, other firms utilised the Internet as an efficient conduit for international market growth, as an essential complementary tool for growth and as a cross-checking tool to gain legitimacy from possible clients in international markets. For example, "without a website customers would not believe that we are a real company in international markets" (Zeta 2005). However, personal relationships with business networks in international markets are perceived as the vital element in the path toward internationalisation. It is evident that firms use multiple paths for achieving international market growth, as illustrated in table 3. However, the Internet even if only a complement to the traditional network, is still essential in the development and maintenance of business relationships through the interactive capabilities of e-mail and websites.

Table 3: Internationalisation path and pace

Case	Path	Path	Path	Pace	Pace	Pace	Comment
Internationalisation Path and Pace	Traditional networks	Virtual network intermediaries	Incremental or stages	Instantly international	Rapidly international	Traditional slow incremental evolution	S=sole for internationalisation P=primary for internationalisation POST= after initially internationalising the firm incrementally moved into new international markets
<i>Alpha</i>	√	P √	POST	√			Women's' apparel start-up firm <i>Alpha</i> . Internationalised from inception & through virtual network intermediaries. Recently developed more traditional networks in more mainstream retail.
<i>Beta</i>	√	P √		√			Adult entertainment start-up, business-to-business firm. Developed internationally from inception. Evolved predominantly through international virtual networks.
<i>Gamma</i>	√	P √	√		* √	√	A well-established jewellery retailer (30years). * However, once the firm developed a website they became international within 6-months. Physical firm non-international, web virtual firm international
<i>Delta</i>	√	P √			√		Artwork and images. Rapid internationalisation path through sales generated on e-Bay. Also with traditional business network creation through personal relationships.
<i>Epsilon</i>	P √	√	√		√		Software/ hardware technology firm. Primarily uses traditional networks to generate sales in international market (tradeshows and referrals). Also uses search engine optimisation to generate web traffic.
<i>Zeta</i>	S √		√	√			Education export firm. 100% international through a key agent system of networks in each country. Only international as firm does not service domestic customers.
<i>Eta</i>	P √		POST	√			Financial product. Traditional networks for internationalisation-lowers risk. Firm grew rapidly in international markets as the firm was conceived as an international company.
<i>Theta</i>	P √	√	√			√	Tourism. Uses a myriad of networks- international agents, government departments, and industry organisations. Developed an extended network in a virtual environment as well.
<i>Iota</i>	P √	√	√			√	Tourism. Networks in international markets drive internationalisation (agents). Website is well developed and the need for search engine optimisation necessary.
<i>Kappa</i>	P √	√	√			√	Business service. Uses referrals and word of mouth to generate new international clients (franchisers). Heavily reliant on the development of international network structures. Also took an incremental stages type process of internationalisation.
<i>Upsilon</i>	P √	√	√			√	Catering and hospitality contracts (Dom & Int.). Predominantly uses established traditional networks in the industry. Internationalised as a consequence of a saturated domestic market.
<i>Omega</i>	P √		√			√	Software developer relies primarily on traditional networks to foster internationalisation and growth.
	12	9	10	4	3	6	

Note: instantly international: international from inception, whereas, rapidly international within the first 6 months.

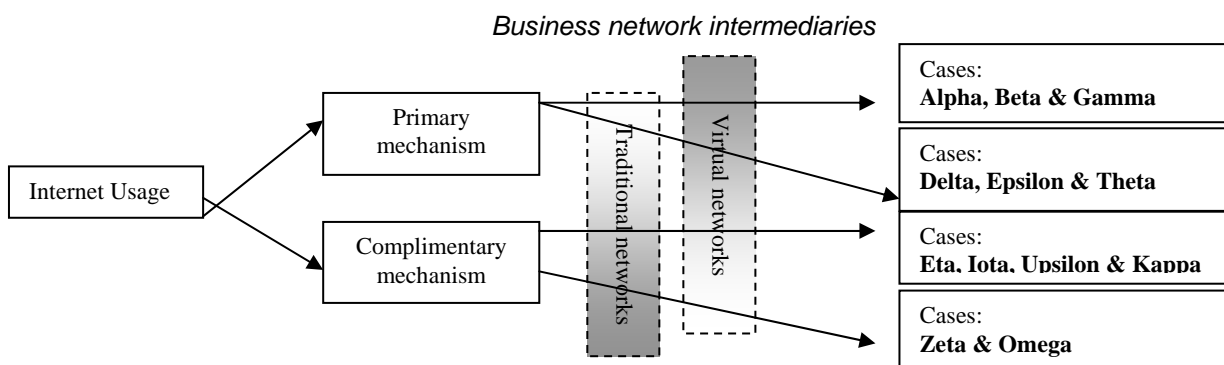
Source: developed for this research

Virtual network intermediaries were used by most firms (*Alpha, Beta, Gamma, Delta, Epsilon, Theta, Iota, Kappa and Upsilon*) as pathways toward internationalisation. Examples of virtual network intermediaries are, informediaries such as portals, search engines and electronic marketplaces like eBay, tendermatch.com, tenderlink.com and dgmarket.com. Virtual network intermediaries are less reliant on personal relationships than are traditional network relationships. Virtual intermediaries either informediaries or electronic marketplaces, have become vital for the firm, especially if the firm is pursuing a website based strategy because traffic generation is needed for success.

Thus, the international mindset of the firm has been positively influenced due to the Internet, confirming recent research by Aspelund and Moen (2004). Moreover, this mindset of a positive international orientation can also have a positive effect on the firm’s ability to either rapidly or instantly internationalise. For example, firms *Alpha, Beta, Zeta and Eta* were all instantly international. *Alpha and Beta* (start up Internet firms) and *Delta* were instantly international specifically because of the Internet. Further, *Gamma* after thirty years of domestic conservative trading, rapidly internationalised (within 6 months) after integrating an Internet website strategy. “As a consequence the firms revenue has increased 200 fold” (*Gamma 2005*). This finding affirms the ability of the SME to become rapidly or instantly international if the firm has a positive orientation toward the adoption of the Internet in internationalisation processes.

Subsequent international market growth could be considered incremental, or in stages, but at an accelerated rate. Thus, the international stages model still has relevance, however, albeit a diminished reliance. That is, firms are obtaining knowledge about markets and then moving into new markets. However, firms are acquiring knowledge of customers in multiple international markets simultaneously and then moving toward a new set of markets internationally. Further, all firms indicated the use of traditional networks and business relations important in the path towards internationalisation. More importantly, from an international growth perspective, *networks* offer a richer explanation for *Internetisation*. The Internet plays a fundamental role in this network either traditional or virtual for growth creation. For example, the Internet’s influence is significant in the evolution of business relationships within traditional networks. That is, the Internet is used significantly to help create, maintain and to develop longevity within business relationships. Thus, the Internet has altered the internationalisation of the firm, primarily because of the role in developing business network relationships and in the evolution of virtual intermediaries for many SME’s, as illustrated in Figure 2.

Figure 2: Integrated traditional network and virtual networks



Source: developed for this research

Therefore, the Internet influences the path of international market growth by giving firms market access options. That is, depending on the firms orientation towards the Internet the company can choose to have an Internet strategy that uses the web as a sole, primary or complementary mechanism for international market growth, as illustrated in figure 2. The third research issue concerning directional market growth vectors will now be addressed.

Research issue 3: How has the Internet affected international market growth vectors?

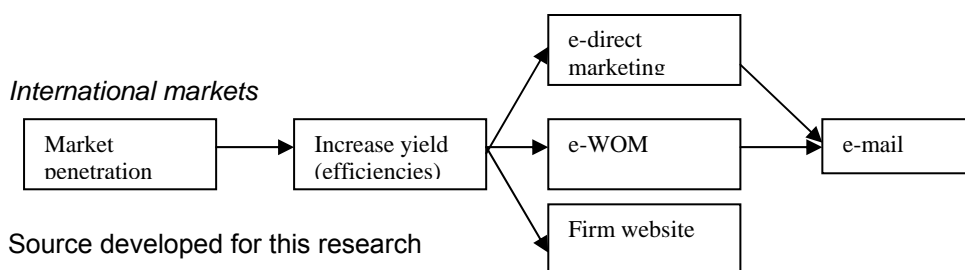
One of the more interesting findings is that the Internet has affected not only the different components or vectors of international market growth but also in different ways. Thus, the directional vectors of market growth (Ansoff, 1965; Aaker, 2001) should be analysed both independently and collectively. *Market growth* consists of two distinct directional growth vectors. That is, *market penetration* is the exploitation of currently established markets with the same product (Ansoff, 1965; Aaker, 1998). However the firm does not look to exploit new markets. Conversely, *market development* is when the firm is actively looking to capitalise on new market opportunities outside existing markets, not only through the identification of new segments in markets, but also through the identification of new markets to develop and new channels to exploit (Evans & Berman, 1985). The Internet has affected both market penetration and development. Consequently each market growth vector will be evaluated next.

Market penetration

Significant resource efficiencies can be gained by utilising a penetration strategy that capitalises on existing international customers. Both start-ups (*Alpha & Bata*) use database marketing, as firm database profiles were considered as the best way to generate growth. Dot.coms *Gamma and Epsilon* saw moderate importance for database marketing as a means of penetrating existing international customers. Most firms however did not view database marketing as a way to generate new growth through existing customers'. All firms did view the website as an excellent way to expand existing customers usage in international markets, either by servicing existing customers with information on the website or through e-direct marketing which could target communications via e-mail to generate better yield from customers. Value adding for existing clientele through the Internet is an efficient and prudent mechanism for growth. For example, for *Gamma* the (Jewellery retailer), only 8% of total revenue was generated through the penetration of existing international customers as customers would generally only purchase one product, such as a wedding ring. However, this 8% of existing customers was seen as very important for profit generation, via targeted e-mail.

The Internet's influence on customer data processing gives the SME's the ability to individually tailor communications with customers in international markets, even if the firm does not rely on the firm's website to generate sales. That is, all firms use of the Internet via either a website or e-mail to interact with existing customers was seen as vital in developing new business. Further, firms capitalise on word of mouth from pre-existing clients to generate new international business. As a consequence, SME's can gain a better yield from customers over a longer period at a lower cost than was previously possible, as illustrated in figure 3.

Figure 3: International market penetration



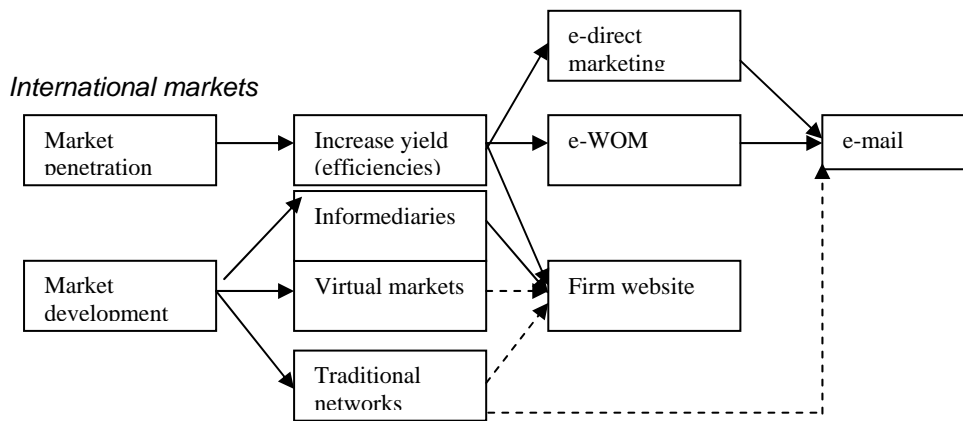
Market development

Although market penetration yielded great efficiencies for SME's in international markets, market development was perceived as the greatest possible benefit of the Internet for these SME's. Firms that use the Internet primarily for international market development (*Alpha, Beta, Gamma & Delta*) found strategies to generate traffic to be pivotal in capitalising on market development opportunities in this new digital environment. The balance of the other firms indicate a similar dependence even though the Internet is not the primary mechanism for international market growth, as these SME's could not be international or be as international without the Internet "without the Internet we just couldn't do what we do in international market" (*Eta, 2005*).

The use of search engine optimisation (mathematical algorithms used by search engines so as to manipulate product category listings), and virtual networks will generate the necessary traffic needed for sustainable international market growth. Both the use and manipulation of the mechanisms for growth are valuable tools for the resource deficient SME. A primary website strategy is not prudent for all firms, but is now essential for all firms to complement traditional mechanisms of growth. Traffic is generated in this virtual environment by either informediaries and/or virtual marketplaces as illustrated in figure 4. These virtual intermediaries are a powerful influence in altering the incumbent international supply chains, as illustrated by *Theta*, "people don't go to a travel agent any more for accommodation, they go online, which has shifted the power to these (virtual) intermediaries" (2005).

Those firms that can digitalise product offerings have the ability to exploit website based strategies for international markets. Conversely, service firms that are highly personal and based on human interaction such as niche services, for example, *Epsilon and Omega*, rely heavily on generating growth through more traditional methods such as tradeshows as opposed to the digital medium of the Internet. Thus even though these firms are considered software or ICT firms (information and communications technology firms) the Internet has a limited growth effect on international marketing, as these niche services are difficult to duplicate in a virtual digital environment. Further, *Epsilon* is adapting their product to be more standardised and are reducing the need for human intervention for international markets so they can utilise a website strategy more effectively in the future. Conversely, niche physical products have the capability of capitalising on a gap within the global marketplace. For example, *Gamma* exploits their distinct jewellery products in international markets very successfully, which gives the firm a point of differentiation. However, there are still significant limitations for SME's using a market development strategy online in international markets. That is, limitations in Internet expertise, experience and resource capabilities inhibit *internetisation*.

Figure 4: International market development/ penetration



Source developed for this research

Further, internal psychological barriers impede the Internet's influence on internationalisation. For example, even when the firm has primary markets in non-English speaking international regions the firm is reluctant to localise the website by integrating a multilingual website. Firms generally considered multilingual websites as superfluous, as most firms viewed “*English as the universal language for business*” (Upsilon, 2005). Psychic distance or the psychological barrier to internationalisation is evident in this study as all firms were much more inclined to choose similar counties to Australia, such as New Zealand, US and UK. Hence, psychic distance has a moderating effect on international market growth. This finding corroborates conceptual aspersions by Peterson, Welch and Liesch (2002). However, as financial and human resource capacity increase, this finding may vary, as illustrated in table 4. *Kappa* a medium sized firm (>10million per annum) with internal Internet and international expertise has developed a successful multilingual website strategy. Predominantly, Australian SME's view the Internet as a medium for accessing the English language markets internationally. Moreover, firms viewed the Australian domestic market as limited, with the U.S. and U.K. markets as more prudent targets for sustainable growth in the foreseeable future.

Table 4: Website language integration

Case	English website	Non-English website	Primary markets non-English	Primary International markets
1. Alpha	√			US/ UK
2. Beta	√		√	US/ Europe
3. Gamma	√			US/ UK
4. Delta	√			UK/ US
5. Epsilon	√			NZ/UK/ HKG
6. Zeta	√		√	Asia/ Sth America
7. Eta	√		√	US/ Asia
8. Theta	√		√	US/UK/ Asia/ Europe
9. Iota	√	√	√	NZ/ Asia/ Nth America
10. Kappa	√	√	√	Global
11. Upsilon	√		√	Global
12. Omega	√		√	NZ/UK/ Sth Asia/ Middle East/ UAE

Source: developed for this research

DICSUSSION AND CONCLUSION

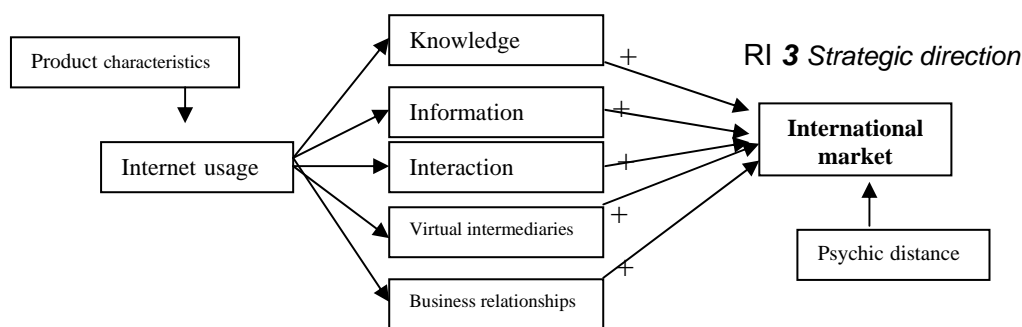
The overall theoretical explanation of post Internet internationalisation would be best explained by a contemporary international network theory. That is, virtual network intermediaries, informediaries and virtual marketplaces have given SME's access to international markets that was never possible in the old economy. Further, the Internet has also given firms greater frequency and depth of communication through information and knowledge transference, which assists in developing more traditional business relationships in international markets previously untenable for SME's. These additional capabilities brought about due to the Internet add a greater richness to a process network theory. Thus, a

dynamic digital version of network theory gives a richer explanation of the Internet's effect on international market growth.

The Internet has influenced the traditional way in which firm's access and process information and knowledge through rapid communication interactions. However, this explanation of internationalisation post Internet does not give a full holistic theoretical evaluation. That is, *internetisation* goes further beyond an internationalisation process knowledge management explanation proposed by Peterson, Welch and Liesch (2002). As Overby and Min suggest the Internet gives firms a greater ability to manage the *relationships* in international supply chains. Overby and Min also argue ISCM is but the implementation of international network theory. Therefore network theory as opposed to ISCM is suggested as the model that should be adopted to explain *internetisation*. That is, *internetisation* can be theorised through an enhanced international relationship model either through personal or virtual networks. However, this conceptual reasoning must consider and report the importance of the process components of information, knowledge and interaction capabilities of the Internet to give a richer picture of the theoretical landscape. International network theory is the advocated theoretical framework that was found to better explain the Internet phenomenon in international market growth. Further, this research also confirms that international network theory is the conclusion to the conceptual theorisation post Internet internationalisation, albeit in a new dynamic form. These findings highlight the importance giving a holistic perspective to analysing the components of growth of the firm internationally as was evaluated and reported earlier in the research issues section and illustrated in figure 5.

Figure 5: Internetisation process, path and growth

RI 1 internetisation process (+)



RI2 Internationalisation path (+)

Source, developed for this research

Contributions and future direction of research

The three contributions of this paper are as follows. First, findings indicate that the Internet has become an integral part of the path and processes of internationalisation due to information, knowledge and interactive capabilities. Accordingly, the Internet's influence must be represented in internationalisation theory. Second, the importance of the new virtual network intermediaries in conjunction with the accelerated rate of internationalisation due to the Internet, highlight the imperative for a new perspective of international network theory. Lastly, this research extends the current body of knowledge by developing rich empirical evidence that is predominantly conceptually based. Moreover, this paper illuminates the complexities involved with the Internet's influence on the decisions of international growth by SME's in Australia. Thus, future research will endeavour to confirm these results through a quantitative evaluation, so as to give greater generalisability to the findings.

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