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**A comparative evaluation of the Internets influence on international market penetration and development strategies of Australian SME's**

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Track: International Business and SMEs

# **A comparative evaluation of the Internet's influence on international market penetration and development strategies of Australian SME's**

## **Abstract**

*The Internet has the capability to generate geographical 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 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. It was found that although the Internet has given firms the capabilities to become instantly international, a new theory 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.*

Keywords: SME's , Internetisation, Internet, internationalisation theory, international market growth strategy, international market penetration vs. development.

## **Introduction**

Traditional international trade theory, the theory of internationalisation is in need of re-examination because of the Internet (Petersen, Welch & Liesch, 2002). The Internet for the most part has evolved into a mechanism that can be used to capture new international market opportunities. As a consequence of richer transactional and communicational capabilities, the Internet has become an efficient and effective conduit for global trade and International market expansion. Internationalisation online is the ability of a firm to utilise the Internet medium to facilitate 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, or by the development of completely new international markets with existing

products. Both international market growth strategies are distinct and are influenced by Internet, therefore, each is evaluated accordingly.

Also known as *Internetisation* the phenomenon of internationalisation through the Internet (Bell, Deans, Ibbotson & Sinkovics, 2001; Buttriss & Wilkinson, 2003) is still in a relative infant stage. Research to date has emphasised predominantly the external and broader factors of international marketing, which although important, are peripheral variables to core corporate strategic decision making in international growth for SME's. Thus, the purpose of this research is to explore the question of how the Internet influences international market growth strategies for SME's. The results of this exploratory research suggest that the Internet has an obvious effect on the formulation of international market growth penetration and development strategies, although in a different way. Furthermore, it was found that firms internationalising do not follow traditional internationalisation theories. Rather, both virtual and traditional network theories may give a richer explanation of internationalisation for these SME's.

With this background, the paper has been segmented into five main sections. The literature review is first in which SME issues, macro environmental influences, internal industry influences on Internet based international market growth, and the integration of offline and online marketing is discussed followed by an analysis of the concept of *Internetisation*. Next, is a methodological discussion followed by the findings. The final two sections are the discussion and conclusion and the contributions and future research. The contribution of this paper is that it develops a firm based strategic focus to the evaluation of the Internet's influence on international market growth opportunities for SME's. One possible limitation of this research is that it involves only twelve cases with an exploratory focus. As such the

theoretical generalisability is narrowed. However, given that the purpose of this research was to explore the how and why effects of the Internet, this limitation is minimal as the findings will help guide more precise future research. Having set the scene, the Australian SME's will be addressed next.

### **Literature Review**

**SME's in Australia.** 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). Thus small business plays a significant role in the private sector and overall Australian economy. The Internet has given SME's a more level playing field in international markets where this may not have been possible in the old economy (Bennett, 1997; Hamill, 1997; Aspelund & Moen, 2004; Simpson & Docherty, 2004). It has been hypothesised that the capital capability of the firm may perhaps be a barrier to implementation of the Internet to SME's (Taylor & Murphy, 2004), however, recent research in the United Kingdom has refuted this hypothesis (Simpson & Docherty, 2004). Thus, there is still some clarification needed in reference to SME barriers to e-commerce adoption and possible internationalisation.

**Macro influences.** Although macro environmental influences are seen as somewhat external to strategy, within international markets, these factors impact on decisions made concerning international growth. Macro influences on internationalisation through the Internet have been distilled into three main areas; political, legal and cultural. Firms need *not* have a physical presence in a country or state to feel the effects of that state's pertinent political regime. Further, international laws can be quite complex for not only the marketer when attempting to create an international web presence (Samiee, 1998b; Zugelder, Flaherty & Johnson, 2000;

Harrison-Walker, 2002) but also for Internet marketing strategy development in the international environment (Zugelder, et al., 2000).

Within cultural influences, language preferences, miscommunications, multi-linguistics, site content, local networks, customs, and trends are important as is their impact on the implementation of international marketing activities (Quelch & Klein, 1996; Palumba & Herbig, 1998; Samiee, 1998a; Davis, 1999; Harrison-Walker, 2002). These cultural complexities strongly influence the firm's decision to enter international markets. For example, it is generally accepted that customers are more likely to purchase a product online if the website is in their local language. As a consequence cultural diversity still remains an important issue even in a virtual environment.

**Internal factors.** Internal environmental influences 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 be dependent on industry specific elements and product specificity, 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 go further to predict that some less regulated industries have a higher probability of faster foreign market expansion (Petersen, et al., 2002).

Furthermore, marketing managers have a significant influence on the process of market growth strategy, as their strategic orientation profile becomes a determinant in the internationalisation. The internal readiness of a manager can take either a strategic *proactive* internationalisation stance or *reactive* stance to the market, such orientation being generally based on the experience and knowledge of the manager (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 view to internationalise important, but also a proactive international customer orientation has a bearing on whether the firm utilises Internet communication and transactional mechanisms in their internationalisation endeavours (Aspelund & Moen, 2004).

**Integration.** Internet marketing involves integrating online and offline tactics that will complement and reinforce each other (Harvin, 2000). New models of strategic thinking are required to integrate the unique elements of online marketing and to recognise the dynamic role that consumers play in the strategic decision making process (de Chernatony, 2001). As customers have power over what the firm delivers in respect to product and product information in an informational based digital environment, companies must look at consolidating strategy in an integrated way. Integration of strategy in an online and offline environment may not mean a consistent strategy. On the contrary, the integration of strategy just in an Internet marketing context implies that the firm at least commits to the Internet as part of the total strategic approach.

**Internetalisation theory.** The nature of internationalisation has shifted and the components of internationalisation theory have also altered because of the Internet (Petersen, et al., 2002; Buttriss & Wilkinson, 2003), so much so that post-Internet internationalisation has been

referred to as *Internetalisation* as opposed to internationalisation (Bell, et al., 2001; Buttriss & Wilkinson, 2003). Conjecture remains in the literature as to which model of internationalisation truly depicts the Internet's impact on traditional theory.

Alternative theories proposed are predominantly still at the conceptual level and are based on more traditional theories such as the stages models (Hamill, 1997). However, two alternative theoretical explanations of internationalisation post Internet stem from both supply chain management (Overby & Min, 2001) and knowledge-based theory (Petersen, et al., 2002). Theory founded in supply chain management extends on current understandings of network theory. That is, the theory of international supply chain management (ISCM) is proposed as the implementation of the network orientation as a new explanation of internationalisation in an Internet commerce environment (Overby & Min, 2001). In other words, the Internet has re-emphasised the importance for resource based network orientation through international supply chain relationships online. The premise founding ISCM theory questions internationalisation theory of the traditional stages process, as this more conservative stages theory advocates an ultimate goal of vertical integration for firms (Overby & Min, 2001). Further, Overby and Min (2001) refute the argument that firms are seeking vertical integration, however, do not adequately explain the significant disintermediation of supply chains taking place within many industries presently, such as travel and hospitality. This change in the supply chain due to the Internet highlights the significant emphasis firms are placing on vertically integration, thus contradicting the foundation of ISCM.

Further, Petersen, Welch and Liesch (2002) propose a rethink of internationalisation theory in light of significant changes to information dissemination due to the Internet as the Internet has reversed conventional understandings of learned knowledge. The Internet alleviates some of

these traditionally perceived barriers to internationalisation through information flow efficiencies. The research of internationalisation theory needs to incorporate or modify internationalisation components, both Internet affected and non-Internet. As a result, the impact of these effects on strategic decisions of international growth needs further evaluation.

Current corporate trends however tend to ignore the need for Internet marketing strategy. Consequently, short-term price setting strategies are the predominant focus thus eroding a long-term profit focus (Porter, 2001). Long-term strategic growth is an integral part of international market decisions concerning strategy. However, due to the lack of emphasis placed on strategy 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, four *research issues* have been developed for exploration to help investigate the research problem surrounding strategy.

RI. 1: Has the Internet altered the path of internationalisation of the SME’s? If so, how and why?

RI. 2: Has the Internet altered the process of developing international growth strategy for SME’s? If so, how and why?

RI. 3: Has the Internet influenced international market penetration strategies for SME’s? If so, why and how? If not, why not?

RI. 4: Has the Internet influenced international market development strategies for SME’s? If so, why and how? If not, why not?

## **Methodology**

Case study methodology, using nonprobability purposive sampling was deemed to be appropriate for this research. 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 process. Literal and theoretical replication was achieved through simultaneously analysing similar and different cases through purposeful selection, as seen in Table 1. That is, start-ups, small and medium sized firms were selected. Further, firms with both different and the same customer orientation were chosen so as to achieve both literal and theoretical replication. 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). The approaches to data analysis espoused by Miles and Huberman (1994) and Yin (1989) were adopted in this research.

**Table 1:** Case selection (replication logic)

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

**Source:** developed for 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 are suggested 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 (Eisenhardt, 1989). Furthermore, the key to good cross-case comparison is to look at the data in many divergent ways to overcome the problems described above (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 been a consequence of the Internet's adoption in the international market expansion of SME's. Some firms viewed the Internet as the 'only' mechanism for internationalisation, whereas, other firms evaluated the Internet as an efficient mechanism in the process of internationalisation and international markets growth. Overall, there was a strong theme or pattern of dependency on the Internet for the formulation of strategies of growth in international markets no matter what firm. Research issues identified earlier will be explored for further clarification of the overall research question.

**Table 2: Within case study analysis matrix**

Case Co. code	Co. type/size	Product orientation	Number of employees	Customer type	Regional focus	Proportion (%) of total Business International	Turnover per/ ann.	Age/ Outlets	Interviewee position	Description of firm
<b>Case 1 Alpha</b>	Start up	Goods	2	B-to-C	Global US/ UK	70%	<\$1 mill.	3 years 2 outlet	Managing Director	Online Bikinis retailer
<b>Case 2 Beta</b>	Start up	Digital good	8	B-to-B	US/ Europe	99%	\$15 mill.	5years 3 outlet	CEO	Adult entertainment online
<b>Case 3 Gamma</b>	Small	Goods	4	B-to-C	US/ UK	35%	\$1.75 mill.	30 years 1 outlet	Owner	Jewellery retailer
<b>Case 4 Delta</b>	Small	Goods	2	B-to-C	UK/ US	100%	<\$1 mill.	2 years 1 outlet	Owner	Specialised artwork & Images
<b>Case 5 Epsilon</b>	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
<b>Case 6 Zeta</b>	Small	Services	13	B-to-B	Asia/ Sth America	100%	<\$1 mill.	2 years 3 outlet	Marketing Manager	Secondary education exporter
<b>Case 7 Eta</b>	Medium	Good	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 solutions
<b>Case 8 Theta</b>	Medium	Service & good	140	B-to-C	US/UK/ Asia/ Europe	40%	\$5-\$10 mill.	90 years 1 outlet	Marketing Director	Tourism destination/ accommodation
<b>Case 9 Iota</b>	Medium	Service & good	500 *	B-to-C	NZ/ Asia/ Nth America	20%	\$10 mill. +	23 years 4 outlets	General Manager Sales & Marketing	Tourism attraction
<b>Case 10 Kappa</b>	Medium	Service	50	B-to-B	Global	60%	\$10 mill. +	11 years 5 outlet	General Manager Asia Pacific	Business services franchiser
<b>Case 11 Upsilon</b>	Medium	Service	150	B-to-B	Global	7-70%	\$10 mill. +	39 years 20 outlet	Business dev. man. Australasia	Catering & hospitality contracts
<b>Case 12 Omega</b>	Medium	Services	49	B-to-B	NZ/UK/ Sth Asia/ Middle East/ UAE	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 the first stage of exploration so as to get a better understanding a range of key issues. For example, case 9. Iota has 500 employees, this falls within the OECD definition of SME as outlined earlier in section 1 (OECD, 2002). However, this definition falls outside normal Australian Bureau of Statistics and normal literature parameters (ABS, 2002).

***Research issue 1: Has the Internet altered the path of internationalisation of the SME's? If so, how and why?***

The Internet has broadened the international market opportunities as all firms displayed a high level of dependency on the Internet in their international marketing, even if not specifically for growth. Some firms were totally dependant on the Internet for international growth. Both start-up firms, *Alpha & Beta* and dot.coms *Gamma & Delta* viewed the Internet as the 'only' mechanism for international market growth. Conversely, other firms utilised the Internet as an efficient conduit for international market growth, not only as a complimentary tool for growth primarily but also as a cross-checking tool to gain legitimacy from possible clients in international markets. For example, "without a website customers and agents would not believe that we are a real company in international markets" (*Zeta* 2005). Moreover, personal relationships with networks in international markets were perceived as the most vital element in the path toward internationalisation, although the Internet gave SME's the ability to find, develop and maintain these relationships with very little capital investment, as illustrated in Table 3.

Further, virtual networks (for example, portals, search engines and others) were identified for some firms (*Alpha, Gamma, Delta, Epsilon, Theta, and Iota*) as having an influence on the path of international firms. These virtual networks are less personally based than traditional network relationships, however, have become vital for the firm if they have a website based strategy that needs traffic generation for success.

Start-ups (*Alpha & Beta*) proactively set the firms up to be instantly international from the outset confirming to some degree the born global or instantly international theory. Further, firms *Delta and Eta* became rapidly international or instantly international within the first few

months of trade. This finding is significant in so far as firms in their initial infant stages are internationalising at an accelerated rate.

**Table 3-internationalisation path**

Case	Path	Path	Path	Comment
<i>Alpha</i>	Instantly international	Virtual networks	Trad-itional networks	Women's' apparel start-up firm <i>Alpha</i> . Internationalised from inception & through virtual networks. Recently developed more traditional networks in more mainstream retail.
<i>Beta</i>	Instantly international	Traditional networks		Adult entertainment start-up business-to-business firm. Developed internationally from inception. Evolved predominantly through international networks.
<i>Gamma</i>	Virtual networks	Incremental international evolution		Jewellery retailer. Search engine optimisation without paying was pivotal in driving international traffic. However, the firm was well established in the domestic market first before entering the international market (only ever through the website).
<i>Delta</i>	Rapidly international	Virtual networks	Trad-itional networks	Artwork etc. Rapid internationalisation path through sales generated on e-Bay in combination with traditional business network creation through personal relationships.
<i>Epsilon</i>	Traditional networks	Incremental international evolution	Virtual networks	Software/ hardware technology firm. Primarily the firm uses traditional networks to generate sales in international market through tradeshow and referrals from customers. Evolved incrementally before internationalising. Also uses search engine optimisation techniques to generate web traffic.
<i>Zeta</i>	Traditional networks			Education firm. 100% international through a key agent system of networks in each country. .
<i>Eta</i>	Traditional networks	Rapidly international		Financial high-risk product. Traditional network mechanisms of internationalisation to lower the risk. Further, the firm grew rapidly in international markets as the firm was conceived as an international company.
<i>Theta</i>	Traditional networks	Virtual networks		Tourism. Uses a myriad of networks; international agents, government departments, industry organisations. Developed an extended network in a virtual environment.
<i>Iota</i>	Traditional networks	Virtual networks		Tourism. Networks in international markets drive internationalisation. Website is well developed and search engine optimisation is necessary.
<i>Kappa</i>	Traditional networks	Incremental international evolution		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>	Traditional networks	Incremental international evolution		Catering and hospitality. Predominantly uses established networks in the industry. Internationalised as a consequence of a saturated domestic market.
<i>Omega</i>	Traditional networks	Incremental international evolution		Software developer Relies primarily on networks to foster internationalisation and growth

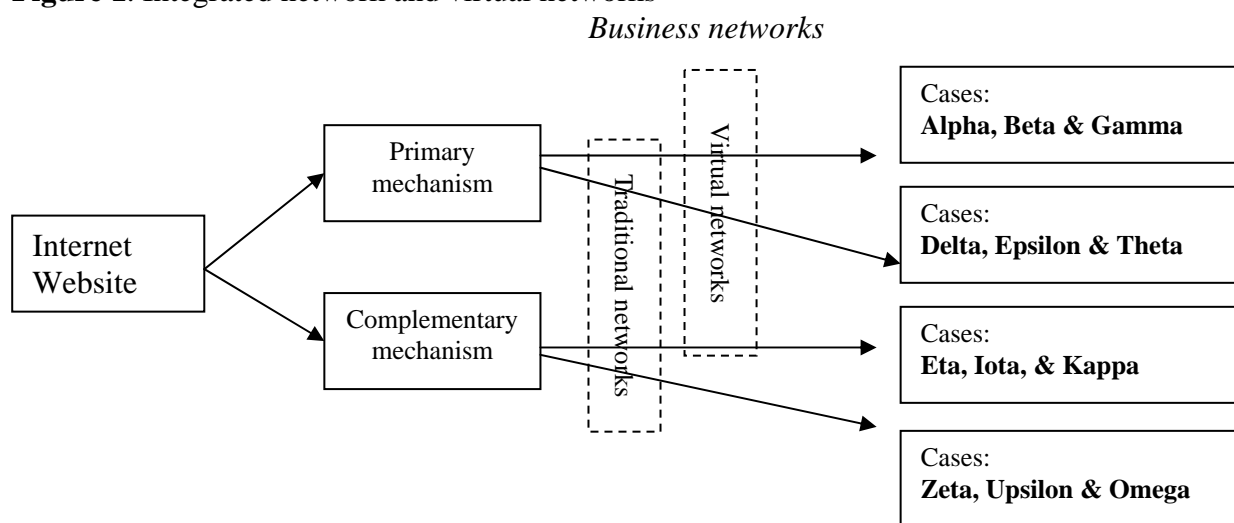
**Note:** instantly international: international from inception, whereas, rapidly international within the first 6 months.

**Source:** developed for this research

However, their subsequent international market entry development could be considered incremental, indicating that the stages model still has some, albeit diminished, relevance. Further, although firms *Epsilon*, *Kappa*, *Upsilon* and *Omega* indicate that networks are the predominant pathways of internationalisation, these firms also took an incremental stages path to obtain international market growth. More importantly, from an international growth perspective, *networks* offer a richer explanation for *Internetalisation*. The Internet plays a

pivotal role in this network for growth creation. For example, the Internet influence could not be separated from the evolution of those relationships with networks for these firms. That is, the Internet was used significantly to help create, to maintain and to develop longevity within these relationships. In conclusion, the Internet altered the internationalisation of the firm, primarily because of the role of business networks evolution into virtual environments for many SME's as illustrated in Figure 1. The second research issue can now be addressed.

**Figure 1.** Integrated network and virtual networks



**Source:** developed for this research

**Research issue 2: Has the Internet altered the process of developing international growth strategy for SME's? If so, how and why?**

Firms utilising the Internet in the internationalisation process can capture international transactions' and communications' operational efficiencies. The Internet has given these firms the ability to have a global presence of its brand instantaneously. In addition, firms saw the web presence as a pivotal element in their international operations and all firms were totally dependant on the Internet medium for day-to-day and strategic processes as "down time is just not acceptable for our business and customers in international markets" (Eta 2004).

Internationalisation components such as knowledge and information were confirmed as positively influenced by the Internet. The ability to generate, store and process vast amounts of customer, market and firm information was considered unachievable without the Internet. 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 experiential learned knowledge is more difficult to transfer (Petersen, et al., 2002, p. 210). Further, a relationship between the firm's resources and the ability to implement objective learned knowledge was identified. For example, the smaller the firm the less chance there is that they would implement formal and informal intranet systems for international information and transference. Thus, the Internet has influenced the process of developing international growth strategy: firstly, as firms had a considerable dependency on the Internet in internationalisation; and secondly, through the greater capacity of information and knowledge concerning internationalisation. The third research issue investigates the process of international market penetration.

***Research issue 3: Has the Internet influenced international market penetration strategies for SME's? If so, why and how? If not, why not?***

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 and purchased databases were considered as the best way to generate growth. Dot.coms *Gamma and Epsilon* saw moderate importance for database marketing to penetrate existing international customers, but most firms did not view database marketing as a way to generate new growth through existing customers. However, all firms did view the website as an excellent way to penetrate existing customers in international markets, either by servicing existing customers with information on the website or through

database marketing which could target communications via e-mail to generate a better yield from a customer.

Value adding for the retention of existing Internet clientele, such as ensuring customer satisfaction and capitalising on the loyalty of international customers was not only efficient and prudent, but also a cheaper and more reliable way to 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, as these customers are known and therefore can be targeted with e-mail.

The Internet's capability of customisation and targeting through international customer information is evident. Data processing gives the SMEs ability to communicate with customers in international markets, even if the firm does not rely on the website to generate sales. That is, all firms use the Internet to interact with existing customers as this was seen as vital in developing new business. Firms capitalise on word of mouth from pre-existing clients to generate new international markets. From this finding it be concluded that the Internet helps to accelerate international market penetration through information efficiency and storage capabilities online. As a consequence SME's can gain a better yield from customers over a longer period at a lower cost. Now the fourth research issue of international market development will be explored.

***Research issue 4: Has the Internet influenced international market development strategies for SME's? If so, why and how? If not, why not?***



Market development was perceived as the greatest possible benefit of the Internet for these SME's. This finding was predictable for start-ups as these firms see the Internet as a sole mechanism for international growth. Moreover, start-ups have a much greater level of understanding in the generation of new international markets online. These firms were not looking to generate international markets, but to develop the virtual market. All firms that use the Internet for international market development (*Alpha, Beta, Gamma & Delta*) found reputation and trust were seen to be pivotal in capitalising on market development opportunities. Further, without generating traffic, market growth was seen as impossible for these start-ups and dot.coms.

Although, *Eta & Zeta* firms did not see the Internet as the most important element they did view the Internet as an integral part of international market development, as *Eta* stated, "Without the Internet we just could not do what we do". However in Asia there is a dependency on traditional networks for the development of international markets. For example, face-to-face international market development was seen as the most prudent method of developing new international markets in Asia. It is still unclear as to whether product orientation, the international market or both have more influence here as to whether they choose traditional networks for the development of markets. However, market development is only possible due to the Internet as *all* firms indicated that without the Internet as either a primary or secondary source, they could either not be international or could not develop so many international markets. This confirms that the Internet plays a vital role in international market development for SME's.

Further, all firms interviewed saw their international markets as those with the greatest growth opportunity. More specifically, the U.S. market and English language based European

markets were seen as much larger with customers bases that were more willing to transact online. Most firms saw the Australian domestic market as too small, with customers that were not ready to be targeted online. Many of the firms generated very little of their overall revenue in the Australian domestic market with one case generating less than 0-1% of total revenue in Australia from overall turnover. The major barrier identified by firms in the Australian market was the inadequate or strict payment and banking systems. Conversely, foreign markets such as Asian markets were perceived as important for international growth, however, were considered problematic and difficult to cultivate online. That is, Asian markets online were simply perceived as too foreign and too costly, both intellectually and financially, with the exceptions of Japan, Singapore and Korea, which were considered either consumer mature enough or Internet mature enough to develop (*Iota & Theta* 2005). Overall firms viewed the US and UK markets as desirable and ample enough for the SME's to gain sustainable growth for the foreseeable future.

The use of search engine optimisation (mathematical algorithms used by search engines so as to manipulate product category listings), affiliates and public relations strategies will generate the necessary traffic needed for sustainable international market growth through a website strategy. However, a main website strategy is not prudent for all firms. Those firms with physical, digital and niche products seem to 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* even though they are ICT (information and communications technology firms), rely heavily on generating growth through more traditional methods such as tradeshow. Further, *Epsilon* is adapting their product to be more standardised for international markets so they can utilise a website strategy more effectively.

## Discussion and conclusion

Even though Internet technology has helped to alleviate most geographical issues, some cultural issues still remain constant, for example language barriers and trust building through relationships. More specifically, face-to-face relationship building especially in Asia is paramount. Further, although SME's trading with foreign countries have the capability to create multi-lingual websites they choose not to. Firms generally considered multilingual websites as superfluous considering the universal language of business is English, as illustrated in table 4. Further, SME's have both limited human and financial resource capacity to integrate such multi-lingual website strategies. However, resource deficiencies do not fully explain why firms choose not to follow a localised language strategy. A more apt argument is psychic distance as the key to why firms do not integrate local languages, as most firms viewed "*English as the universal language for business*" (Upsilon, 2005). Psychic distance 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, physic distance has a moderating effect on international market growth. This finding contradicts the global perspective and multi-language website utopian ideology. However, as resource capacity increases, this finding may change however, as illustrated by Kappa.

**Table 4** Website language integration

Case	International markets	Website language
1. Alpha	US/ UK	English
2. Beta	US/ Europe	English
3. Gamma	US/ UK	English
4. Delta	UK/ US	English
5. Epsilon	NZ/UK/ HKG	English
6. Zeta	Asia/ Sth America	English
7. Eta	US/ Asia	English
8. Theta	US/UK/ Asia/ Europe	English
9. Iota	NZ/ Asia/ Nth America	English, <i>Minimal Info:</i> Japanese, Chinese, Korean
10. Kappa	Global	English, Spanish, Chinese, German, French, Swedish
11. Upsilon	Global	English
12. Omega	NZ/UK/ Sth Asia/ Middle East/ UAE	English

Source: developed for this research

In addition, there is clear evidence from the research that internationalisation is accelerated for firms due to the Internet, clarifying the conceptual predictions by Petersen, Welch & Liesch that this may be the case (2002). 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*. That is, the more foreign the market or the higher the level of personalisation needed in the product offering the less probability there is for a website based strategy to be implemented. For example, firms can standardise product offerings to alleviate the human components out of the product so as to facilitate an easier path of internationalisation through the Internet (*Epsilon* 2005).

Further if the firm decides to take a website strategy firms need to develop trust and reputation for their website through affiliate and virtual networks. Trust is imperative to firms wanting to generate Internet users in international markets. Reputation in more traditional channels is essential in creating this trust needed to generate new international markets through networks and should be represented by the company's website. For example, word of mouth and public relations is an effective mechanism for building this reputation. Therefore "if we build it they will come" still remains an inappropriate marketing philosophy for an online strategy. As, location, location, location may be replaced by traffic, traffic, traffic. Lastly, networks and relationships whether virtual or traditional personal networks are key to accessing traffic for sustainable strategic international growth online no matter whether what type of firm.

## Contributions and future direction of research

The three contributions of this paper are as follows. First, the findings indicate a range of differing Internet influences on Australian small firms' choices of international growth strategies. Either international market choice or the ability of the firm to digitalise the product has been identified as issues that influence the acceleration and decisions concerning international market growth. Second, new virtual networks and changes to traditional networks highlight the importance for a new integrated version of network theory. Lastly, this research extends the current body of knowledge by integrating rich empirical evidence to a body of knowledge that is presently broad and conceptually based. Moreover, this paper illuminates the complexities involved with the Internet's influence on the decisions of international growth by small businesses in Australia. Thus, future research will endeavour to confirm these results through a qualitative evaluation, so as to give more reliability and generalisability to the findings.

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