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Internet usage, Internet marketing intensity and international marketing growth

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Abstract

This paper examines the role of the Internet in international marketing growth. Evidence of a positive relationship between e-mail, website usage, online marketing and advertising with international market growth was found, in terms of increased sales from new customers in new countries, new customers in existing countries, and existing customers.

1. Introduction

Previous research suggests that the Internet aids international expansion and international performance by increasing international market access, decreasing the time to reach international markets, and improving communication and efficiency of information (Gabrielsson & Manek Kirpalani, 2004; Loane, 2005; Mathews & Healy, 2008). Furthermore, Prasad, Ramamurthy, and Naidu (2001) view the Internet as a tool for customisation, automation, collaboration, and communication with customers and partners. However, most of these studies are predominantly qualitative in nature as there is less quantitative evidence conducted to assess the role of the Internet on international market growth. The following question remains within the arena of international marketing: How influential is the Internet for international market growth of firms? Specifically, this paper draws on data from a sample of Australian SME firms and attempts to explore the level of Internet usage and Internet marketing intensity of Australian firms, and specifically how e-mail, website usage, advertising and marketing, online sales and online after sales service might impact three forms of international market growth: growth of new customers in new international market, growth of new customers in an existing international market, and growth of existing customers in existing international markets.

2. Conceptual Framework

It has been suggested that small firms are able to create competitive advantages in international markets through the use of the Internet (Aspelund & Moen, 2004; Moen, Madsen & Aspelund, 2008). The Internet has provided small and medium firms (SMEs)

with the capability of servicing international markets, which may not have been possible in the old economy (Quelch & Klein, 1996; Bennett, 1997; Hamill, 1997; Aspelund & Moen, 2004; Simpson & Docherty, 2004). Research in the United Kingdom highlights that SMEs implementation of Internet technology does not require a high level of investment (Simpson & Docherty, 2004). This means that not only do large firms with sizeable capital capabilities have the ability to reach international markets through the Internet, but small and medium companies may also do so with only moderate investment (Arnott & Bridgewater, 2002). Although the role of the Internet is promising for international marketing, most research on international performance has neglected this role of technology and there is scant quantitative research looking at the potential impact of the Internet on international market growth (Lages et al., 2009).

2.1 International Market Growth

Market growth as a strategic option is considered to be cornerstone of strategic marketing theory (Ansoff, 1965). Market expansion or growth has been a topic of particular focus in the contemporary literature concerning the Internet (e.g., Petersen et al. 2002). Market development and market penetration of a firm's product or service is considered to be a growth strategy (Ansoff, 1965), and has also been used in international market contexts by researchers (Gronhaug & Kvitastein, 1992). Following to Ansoff (1965), firms can grow internationally through market penetration, which is the exploitation of current established markets with the new products, and market development, which refers to exploiting new markets with current or new products.

Qualitative research shows that the Internet has enhanced the capabilities of firms for *international market growth* predominantly in three ways (Mathews & Healy, 2008). First the Internet has given access to the same base of international customers for small, medium, as it does for large firms. Second, the Internet has permitted firms to capture international communication opportunities and efficiencies through accessing and disseminating information. Finally, the Internet has allowed firms to interact with foreign customers more frequently and on a deeper level. According to Mathews & Healy (2008), some firms use the Internet as a sole mechanism for international expansion, and other firms utilize the Internet as a complement to the internationalisation process.

2.2 Internet Usage

Internet usage refers to firm's usage of Internet technology such as e-mail, websites, intranets, and extranets customers and with suppliers (Berry & Brock, 2004; Brock & Yu, 2005). Moen et al. (2008) provide evidence within a Norwegian and Danish sample that the Internet is predominantly used by international firms for market information search and to develop long-term relationships, and that it indirectly affect international performance through acquiring new market knowledge. However, few studies have assessed what elements of Internet technologies are used by the firm and how they contribute to international market growth.

2.3 Internet marketing Intensity

Internet intensity is defined by as the integration of the Internet into international marketing activities and business processes of the firm, such as marketing and

advertising, online sales, and after sale service (Aspelund & Moen, 2004). Moen (2002) finds that a positive international orientation significantly influences export firm's active integration of Internet technology in international markets. Aspelund and Moen (2004) confirm that the Internet intensity of the firm influences international vision, niche strategy and technology advantage, in small Norwegian high technology exporters. Specifically, these authors identify the impact of the Internet intensity on the international orientation of the firm (Aspelund & Moen, 2004). Nevertheless, previous literature does not assess the impact of Internet intensity on international market growth.

Although these studies provide an important contribution towards this new field of research, more research is required for a better understanding of the role of the Internet on the international marketing activities of firms. Specifically, this study has two goals: first it will provide descriptive information regarding the levels of Internet usage and Internet marketing intensity, as well as international market growth for firms. Second it will assess if there is a statistical relationship between Internet usage and Internet intensity on international market growth. Although the above literature suggests that the Internet usage of e-mail and websites can help firms to expand internationally, yet it is not clear how these can impact international market growth. Thus, further exploration is warranted in this important but underdeveloped area. Figure 1 presents the conceptual model.

Take in Figure 1 here

3. Research Design and Methodology:

The study used a sample of approximately 1,800 small and medium sized Australian firms that have international customers. The sample was chosen from the most comprehensive and current national database of Australian exporters (www.austrade.com.au). The sample frame considered the top four industry sectors in Australia: Agribusiness, Business & Financial Services, Consumer Goods, and Information Communication Technology (Australian Bureau of Statistics, 2008). The database provided information on company name, international manager's name, contact details (address, phone number and email address) as well as product details and the international history of the firm. That is, only firms that had international customers were considered eligible. Firms from the database were phoned to encourage participation and screened for eligibility, and 442 were considered eligible firms. From the eligible sample, 224 firms responded with a response rate of 50.6%, which is considered a reasonable rate given that business surveys normally have poor response rates (Frazer & Lawley, 2000). Key respondents were international marketers and international decision makers of the firm. Only those with knowledge of the international operations of the firm were eligible (Mitchell, 1994), and they chose to personally complete the survey or directed it to the person most responsible for the firm's international decisions (Malhotra, 1996).

The measurement scales were drawn from existing literature investigating the Internet's impact on international marketing. Scale items were adopted and respondents were asked to rate their perceptions on seven-point Likert- scale. First, *Internet usage* was measured by the firm's usage of Internet technology such as e-mail, websites, intranets, extranets

and exchange of data with suppliers and clients (Berry & Brock, 2004; Brock & Yu, 2005). This scale used a seven-point Likert scale anchored at (1) 'no usage' and (7) 'extensive usage'. Further, *Internet marketing intensity* was measured through a seven-point scale of application of the Internet, such as marketing and advertising, sales to customers, after-sales service and support, market research, management of international market, purchasing/procurement, exchange of operational data with suppliers and exchange of operational data with business customers (Aspelund & Moen, 2004; Gibbs & Kraemer, 2004). For the dependant variable measure of *international market growth* scale, items were adapted from Ansoff (1957, 1965, and 1968) and Gibbs and Kraemer (2004). This variable was measured by sales performance in new country markets, new customers in existing country markets, and penetration of existing customers. For this scale, a seven-point Likert scale was used, anchored at (1) significantly decreased to (7) significantly increased sales over the last 10 years. Although, these measures were adapted from the traditional theoretical framework in corporate growth (Ansoff, 1965, 1968, 1969) many other researchers in internationalisation and the Internet have also viewed growth as a pivotal variable in measurement (Hamill & Gregory, 1997; Prasad, Ramamurthy & Naidu, 2001; Morgan-Thomas & Bridgewater, 2004; Ryssell, Ritter & Gemunden, 2004), but not international market growth to date. The final section of the questionnaire contained questions regarding firm size and firm age. These were included as control variables in the model.

4. Data Analysis

Respondent firms had an average of 85 employees, with 96% of the firms falling within the classification of small and medium-sized enterprises (SME) with 1–200 employees (Australian Bureau of Statistics, 2002). Small and medium-sized firms account for 97% of the business population (Australian Bureau of Statistics, 2004), thus, the respondents adequately represented the broader business population in Australia. Further, the geographical location or postcode of the firms was also representative of the broader Australian business community (Australian Bureau of Statistics, 2007). The bulk of respondents were managing directors (30.6%), international and marketing/sales managers (20%), general managers and other managers responsible for international decisions (29.7%). Respondents also consisted of owners (8.4%) and chief executive officers, vice presidents, chief organisational officers and chief marketing officers (10.2%). Regarding firm's profile age and experience characteristics, the year in which firms had been established ranged from the year 1833 to 2006. The average age of firms was 22 years, with the majority (90%) established after 1981. Respondents had a mean of 10 years experience with the firm and 16.6 years within their industry, highlighting that they respondents were experienced. The mean age of respondents was 45 years of age, with the range from 22 to 83 years of age.

4.1 Internet Usage

As seen in Table 1, all of the surveyed firms used the Internet for e-mail, with 89.2% of firms using e-mail extensively in their business, and all of them used e-mail to some extent. Furthermore, 48.9% of these firms used a website extensively. In contrast,

personal consumer web-space was not used by 48.9% of the respondent firms, and only 12.3% of firms used the technology extensively. Intranet use was polarised: 32.7% of firms used intranets extensively and 33% of firms did not use them at all. These findings indicated a complex Internet usage profile beyond simple e-mail and website usage. Overall, the data shows that firms used e-mail and websites extensively. However, firms used consumer personal web-space (57.3%); online support systems, such as auto-response and tracking systems (68%); intranet systems (66.4%); online transactional facilities (56.1%); Internet directories (88.7%) and Internet marketplaces (63.5%), showing diversity in usage and types of Internet technology. The high use of Internet directories and Internet marketplaces showed a level of sophistication not captured previously in the literature. These virtual intermediaries create access to a broad customer base that was not possible without the Internet, highlighting the extensive use of virtual intermediaries for international marketing by firms.

Insert Table 1 here

4.2 *Internet Intensity*

Table 2 shows that many firms integrate Internet technology in several international marketing processes with 70% of firms using the Internet for marketing and advertising for international customers and prospects. Specifically for this sample, firms use the Internet for online after sales service (59.3%), market research (69.2%), management of the international markets (63.2%), procurement (56.7%) and data exchange with suppliers (51.9%) and clients (62.6%). These findings highlight the depth and breadth of integration of the Internet in international marketing activity. However, only 42.8% of firms use online sales for generating international customers. These findings highlight the

importance of the Internet for these firms for both the generation and service of international customers.

Insert Table 2 here

4.3 Firm Performance

Annual mean revenue for the surveyed firms was A\$28 million. The majority of firms made less than A\$5 million per annum (68.5%), with 87.6% making less than A\$20 million. Thus, the majority of firms were small and medium sized firms. Further, the mean number of international markets was 15. That is, the average firm had customers in 15 country markets, with the vast majority of firms (82.3%) having less than 20 markets. The main country markets were the United States of America, New Zealand, the United Kingdom, Singapore, Hong Kong, Papua New Guinea and Japan. Asian countries formed the bulk of the main country markets, accounting for 39%. Other minor groups of markets include South Africa, Middle East, Canada and some European countries such as France, Germany, and Netherlands. However, the three main markets were all English speaking markets. The mean annual turnover from international markets was 38%, with the vast majority recording an international turnover accounting for more than 49% of their turnover (65.6%). Finally, only 32.6 % of firms indicated they have a physical presence such as a store or office in the international markets which they conduct their business. Conversely, 67.4 % of firms who engaged in international business did not have a physical presence in international markets even though their customers were located in these countries.

4.4 Statistical Findings

To analyse the data, descriptive statistics, factor analysis and multiple regression analysis were used by SPSS 16.0. Descriptive statistics, construct reliabilities, items, means, and standard deviations are presented in Table 3.

Insert Table 3 here

The statistical analysis is shown in Table 4. For e-mail usage and international market growth in English speaking countries, there was no statistically significant relationship between e-mail usage by the firm and growth of new customers in new markets ($\beta = .041$, $t = .560$, $p = .576$), or growth of new customers in existing markets ($\beta = .033$, $t = .455$, $p = .656$) or growth of existing customers in existing markets ($\beta = .022$, $t = .302$, $p = .763$). Regarding Non-English speaking countries, there was no statistically significant relationship between e-mail usage by the firm and growth of new customers in new markets ($\beta = .106$, $t = 1.400$, $p = .163$), growth of new customers in existing markets ($\beta = .112$, $t = 1.482$, $p = .140$), or growth of existing customers in existing markets ($\beta = .135$, $t = 1.806$, $p = .072$).

Regarding website usage and international market growth in English speaking countries, a positive statistical significant relationship was found for all three international market growth categories. Website usage by the firm was found statistically was positively correlated to growth for new customers in new markets ($\beta = .236$, $t = 3.246$, $p = .001$), new customers in existing markets ($\beta = .260$, $t = 3.587$, $p = .000$), and by existing customers in existing markets ($\beta = .281$, $t = 3.881$, $p = .000$). Regarding website usage by the firm in non English speaking country markets, the data findings show that Website usage by firms is

only statistically significant and positively related to growth of new customers in existing markets ($\beta = .155$, $t = 2.085$, $p = .038$) and existing customers in existing market ($\beta = .176$, $t = 2.392$, $p = .018$), but not new customers in new markets ($\beta = .097$, $t = 1.291$, $p = .198$).

Regarding Internet marketing intensity, online advertising and marketing and international market growth in English speaking countries, a positive statistical relationship was found for all three international market growth categories. Online advertising and marketing by the firm was found statistically was positively correlated to growth for new customers in new markets ($\beta = .216$, $t = 2.727$, $p = .007$), new customers in existing markets ($\beta = .200$, $t = 2.537$, $p = .012$), and by existing customers in existing markets ($\beta = .202$, $t = 2.551$, $p = .011$). Regarding online advertising and marketing in non English speaking country markets, the data findings show that online advertising and marketing by firms is only statistically significant and positively related to growth of new customers in existing markets ($\beta = .158$, $t = 1.979$, $p = .049$) and existing customers in existing market ($\beta = .180$, $t = 2.273$, $p = .024$), but not new customers in new markets ($\beta = .124$, $t = 1.528$, $p = .128$). Further, online sales and online after sales service both were not significant in the three international growth vectors in English and non English speaking markets.

Insert Table 4 here

Additional findings from the data show evidence of international market growth across a range of industries, not only in high-technology industries as is the predominant focus in the literature (Bell, 1995; Moen, Endresen & Gavlen, 2003; Aspelund & Moen, 2004). Furthermore, an interesting finding is evidence of rapid internationalisation for firms for

example, a mean of 13 country markets for firms less than 3 years old (see Figure 2). However, after the initial three years firms decrease the number of markets, taking many years to return to their initial three-year rate, as illustrated in Figure 2. Thus, firms grow very rapidly in initial years. However, from there on, firms go through a consolidation phase where firm become efficient in terms of the amount of country markets serviced. This finding indicates firms make decisions regarding the most valuable markets giving the greatest benefit. The Internet marketing intensity of the firm has been shown to increase the amount of country markets for the firm.

Insert Figure 2 here

5. Discussions, Limitations, and Future Research

The objective of this research was to explore the role of the Internet on the international market growth of firms. This study explores Internet usage and Internet intensity constructs among a sample of Australian firms. This study gives statistical evidence of website usage and online advertising and marketing of firms, and some forms of international market growth.

The findings of this study is consistent with previous research which suggests that the Internet has a positive impact on the international marketing activities of firms (Quelch & Klein, 1996; Hamill & Gregory, 1997; Petersen, Welch & Liesch, 2002; Loane, McNaughton & Bell, 2004), as the Internet allows a broader scope of international markets (McNaughton, 2001, 2003). However, this study identifies specific Internet usage and Internet marketing intensity elements positively impacting increasing sales in international markets.

For firms that use the Internet, there is a positive relationship between the use of websites with international market growth, but not e-mail. Website usage has a positive impact on increasing sales in English speaking markets across all three categories of international market growth. The use of websites also positively impacts growth in non English speaking foreign markets. However, using website for new customers in new countries would not lead to an increase in sales. Similarly, online advertising and marketing has a positive impact on increasing sales in English speaking markets across all three categories of international market growth. The integration of online advertising and marketing positively impacts growth in non English speaking foreign markets. However, using online advertising and marketing for new customers in new countries would not lead to an increase in sales. Thus, using websites and online advertising and marketing would lead to increased sales for most forms of international market growth, but not new customers in new countries in non English speaking markets.

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Figure 1: Proposed model

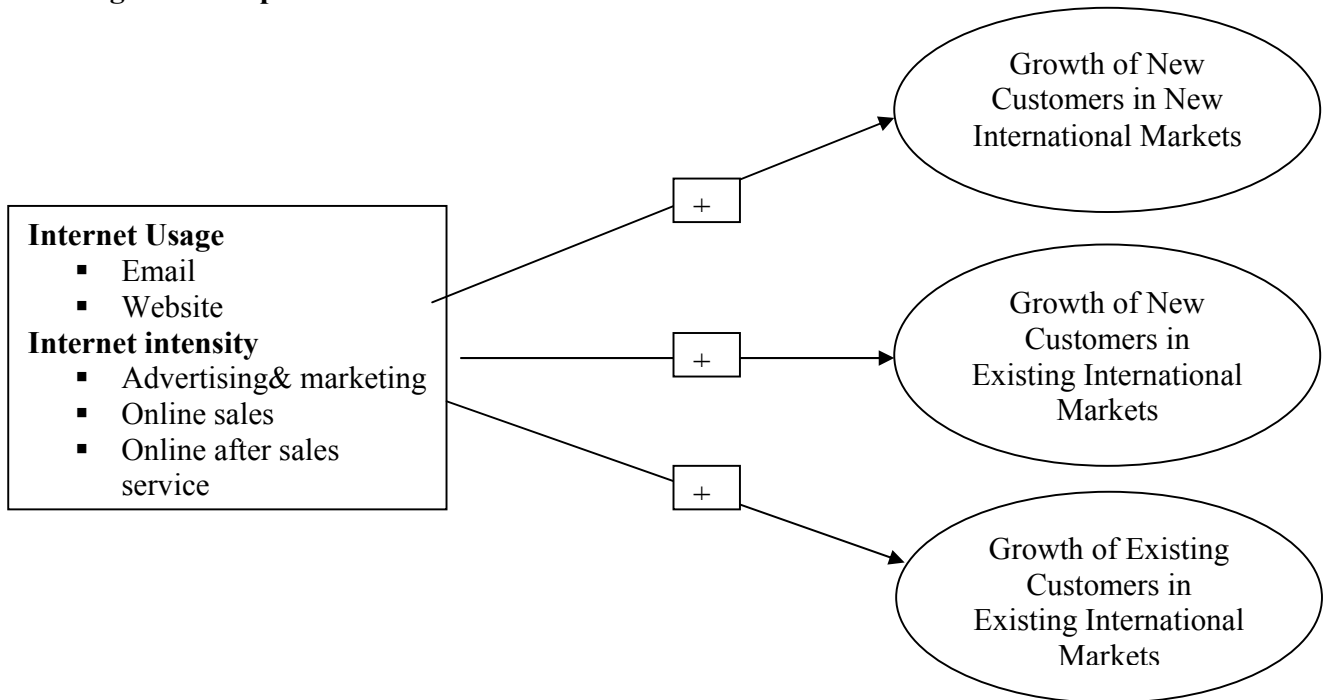


Figure 2: International market growth: number of markets
Number of country markets

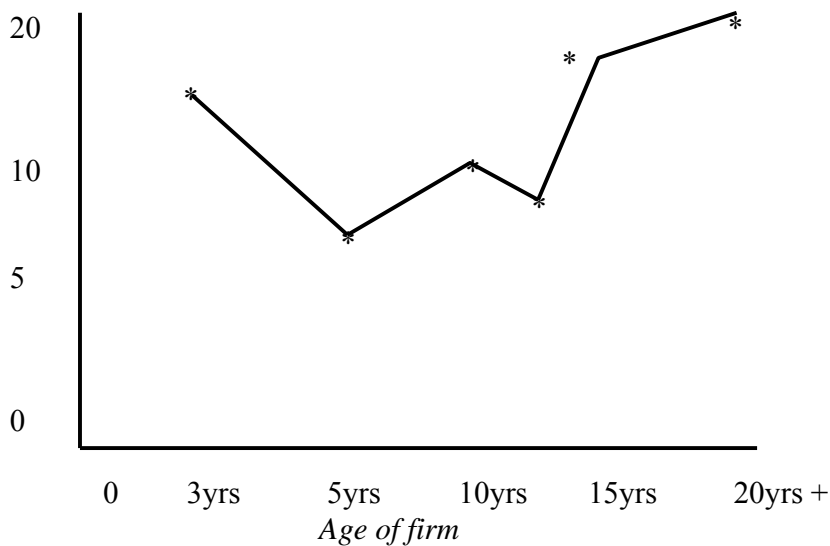


Table 1: Internet Usage

| Internet usage (Alpha= .61) | No use (%) | 2 (%) | 3 (%) | 4 (%) | 5 (%) | 6 (%) | Extensive use (%) | Mean (#) |
|---|-------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|-----------------|
| e-mail | 0.0 | 0.0 | 0.9 | 1.8 | 2.8 | 5.2 | 89.2 | 6.80 |
| Website | 4.1 | 4.6 | 5.5 | 11.4 | 10.5 | 15.1 | 48.9 | 5.61 |
| Personal web-space | 42.7 | 13.6 | 10.0 | 7.3 | 7.7 | 6.4 | 12.3 | 2.93 |
| Online support systems, e.g. auto response | 32.0 | 16.2 | 11.3 | 9.9 | 7.2 | 6.8 | 16.7 | 3.33 |
| Intranet system | 33.6 | 6.8 | 1.8 | 9.5 | 6.8 | 8.6 | 32.7 | 4.06 |
| Transaction facilities, e.g. shopping cart | 43.9 | 9.4 | 5.4 | 9.9 | 11.2 | 6.3 | 13.9 | 3.09 |
| Internet directories, e.g. yellowpages.com.au | 11.3 | 9.0 | 11.3 | 16.7 | 12.6 | 15.8 | 23.4 | 4.52 |
| Internet marketplaces, e.g. ebay.com | 36.5 | 12.6 | 10.8 | 12.6 | 7.7 | 7.2 | 12.6 | 3.15 |

Note: N=224, Source: developed for this research

Table 2: Internet Intensity

| Internet marketing intensity (Alpha= .82) for international consumers | No use (%) | 2 (%) | 3 (%) | 4 (%) | 5 (%) | 6 (%) | Extensive use (%) | Mean (#) |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|-----------------|
| Marketing and Advertising | 2.7 | 7.2 | 7.2 | 12.6 | 17.9 | 15.7 | 36.8 | 5.30 |
| Online Sales | 38.4 | 11.2 | 7.6 | 7.1 | 8.5 | 5.8 | 21.4 | 3.39 |
| Online after sales service | 19.3 | 10.8 | 10.8 | 12.6 | 13.5 | 10.3 | 22.9 | 4.13 |
| Market research | 11.6 | 11.6 | 7.6 | 13.4 | 15.6 | 17.4 | 22.8 | 4.53 |
| Manager of international market | 13.9 | 10.8 | 12.1 | 13.9 | 16.1 | 14.8 | 18.4 | 4.26 |
| Procurement | 15.6 | 14.3 | 13.4 | 13.8 | 18.3 | 9.4 | 15.2 | 3.95 |
| Data: suppliers | 25.0 | 12.9 | 10.7 | 11.6 | 17.9 | 9.4 | 12.5 | 3.62 |
| Data: clients | 17.4 | 9.8 | 10.3 | 13.4 | 16.1 | 9.4 | 23.7 | 4.24 |

Note: N=224, Source: developed for this research

Table 3: Descriptive Statistics

| Items | Mean | Std. |
|--|-------|-------|
| Internet use (Alpha= .61) for international consumers | | |
| e-mail | 6.80 | 0.67 |
| Websites | 5.61 | 1.77 |
| Personal web-space | 2.93 | 2.02 |
| Online support systems | 3.33 | 2.16 |
| Intranet system | 4.06 | 2.24 |
| Transaction facilities | 3.09 | 2.58 |
| Internet directories | 4.52 | 2.02 |
| Internet marketplaces | 3.15 | 2.16 |
| Internet marketing intensity (Alpha= .82) for international consumers | | |
| Marketing & advertising | 5.30 | 1.74 |
| Online Sales | 3.39 | 2.42 |
| After sales service | 4.13 | 2.21 |
| Market research | 4.53 | 2.05 |
| Manage of market | 4.26 | 2.04 |
| Procurement | 3.95 | 2.01 |
| Data exchange: suppliers | 3.62 | 2.10 |
| Data exchange: clients | 4.24 | 2.16 |
| International market growth-English speaking countries (Alpha= .87) | | |
| New customer in new country | 4.57 | 1.63 |
| New customer in existing country | 4.78 | 1.52 |
| Existing customer in existing country | 4.67 | 1.44 |
| International market growth-English speaking countries (Alpha= .93) | | |
| New customer in new country | 4.55 | 1.65 |
| New customer in existing country | 4.40 | 1.55 |
| Existing customer in existing country | 4.44 | 1.51 |
| Descriptive data | | |
| Turnover Millions | 27.4m | 118m |
| No. of markets | 14.80 | 20.93 |
| Age (years) | 21.03 | 24.33 |
| Size: employees | 85.04 | 369 |
| % of total revenue is international | 38% | |

Note: * Seven-point Likert-type scale: Descriptive data is raw nominal data

Table 4: Correlations between Internet Usage and International Market Growth

| Internet Usage | International Market Growth | English-Speaking Countries | Sig. | t | β | Non-English-Speaking Countries | Sig. | t | β |
|------------------------------------|------------------------------------|-----------------------------------|-------------|----------|----------|---------------------------------------|-------------|----------|----------|
| E-Mail Usage | NCNC | Non significant | .576 | .560 | .041 | Non significant | .163 | 1.400 | .106 |
| | NCEC | Non significant | .656 | .445 | .033 | Non significant | .140 | 1.482 | .112 |
| | ECEC | Non significant | .763 | .302 | .022 | Non significant | .072 | 1.806 | .135 |
| Website Usage | NCNC | Significant ** | .001 | 3.246 | .236 | Non significant | .198 | 1.291 | .097 |
| | NCEC | Significant ** | .000 | 3.587 | .260 | Significant ** | .038 | 2.085 | .155 |
| | ECEC | Significant ** | .000 | 3.881 | .281 | Significant ** | .018 | 2.392 | .176 |
| Marketing & advertising | NCNC | Significant ** | .007 | 2.727 | .216 | Non significant | .128 | 1.528 | .124 |
| | NCEC | Significant ** | .012 | 2.537 | .200 | Significant ** | .049 | 1.979 | .158 |
| | ECEC | Significant ** | .011 | 2.551 | .202 | Significant ** | .024 | 2.273 | .180 |
| Online Sales | NCNC | Non significant | .876 | .156 | .013 | Non significant | .777 | .283 | .025 |
| | NCEC | Non significant | .908 | .116 | .010 | Non significant | .400 | .844 | .074 |
| | ECEC | Non significant | .106 | 1.623 | .139 | Non significant | .069 | 1.826 | .159 |
| After sales service | NCNC | Non significant | .913 | .110 | .010 | Non significant | .827 | -.219 | -.021 |
| | NCEC | Non significant | .331 | .974 | .088 | Non significant | .688 | .402 | .037 |
| | ECEC | Non significant | .509 | -.661 | -.060 | Non significant | .648 | -.457 | -.042 |

Note: **correlation at .05 confidence interval unless indicated

NCNC= Growth of new customers in new markets, NCEC = Growth of new customers in existing markets and ECEC = Growth of existing customers in existing markets