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# Sustainable Competitive Advantage of Internet Firms - A Strategic Framework and Implications for Global Marketers

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# SUSTAINABLE COMPETITIVE ADVANTAGE OF INTERNET FIRMS

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# Sustainable competitive advantage of internet firms

## A strategic framework and implications for global marketers

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### Abstract

**Purpose** – At the core of an international marketing strategy is the internet firm's goal of building and sustaining a competitive advantage. The purpose of this paper is to present an integrative framework to explain the role that customer behavior and customer relationship management (CRM) play in developing a profitable, sustainable competitive advantage for internet companies.

**Design/methodology/approach** – The integrative framework utilizes existing theoretical concepts from the areas of strategy and internet marketing and develops a framework to provide firms with insights into how they can gain the competitive advantage.

**Findings** – This paper links global customer behavior to the firms' business value chain and provides guidelines for strategic implications. In this conceptual paper, it is discussed that understanding consumer decision-making behavior on the web and managing these relationships are critically important to achieve a superior performance.

**Research limitations/implications** – This is not empirical research. A theoretical model is presented for future testing by researchers using statistical techniques such as structural equation modeling.

**Practical implications** – The framework provides managerial insights into building and sustaining a competitive advantage using a consumer-centric approach, coupled with CRM technology on a global scale. Managerial value is derived by providing an understanding of the link between a sustainable competitive advantage, customer-focused strategies, consumers' needs and wants, the firm's performance, and shareholder value.

**Originality/value** – It is important for global marketers to understand how consumer decision-making on the web affects strategic and financial performance. This paper extends the current literature by integrating consumer decision behavior on the web, CRM, and the firms' performance. This framework explains the creation of a sustainable competitive advantage using customer-focused strategies to develop customer loyalty for superior firm performance.

**Keywords** Competitive advantage, Customer relations, Internet

**Paper type** Research paper

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**Introduction**

The internet, a multi-layered nexus of information and communications technologies, allows business transactions to occur across borders, resulting in the creation of a cyberspace marketplace (Dunning and Wymbs, 2001). An information and communications revolution is affecting the compression of three factors:

- (1) spatial distance;
- (2) time; and
- (3) the transmission of knowledge (Carnoy and Castells, 2001).

Internet technology has impacted businesses through:

- the flow of information;
- the flow of goods/services; and
- the flow of money (Urban, 2003).

As a distribution channel, the internet provides businesses with access to global markets and enables companies of all sizes and types to compete globally (Quelch and Klein, 1996; Javalgi and Ramsey, 2001).

Any company that markets products or services over the web is, by definition, a global company (Quelch and Klein, 1996). At the core of an international marketing strategy is the internet firm's goal to build and sustain a competitive advantage. According to Porter (2001), internet firms can achieve a sustainable competitive advantage by focusing on "operational effectiveness" and "distinctive strategic positionings". Operational effectiveness is "doing the same things your competitors do but doing them better" (Porter, 2001, p. 71). Strategic positioning involves not only doing things differently than competitors, but also devising and delivering unique value to target markets.

The literature to date has neither clearly articulated the pressing issue of a sustainable competitive advantage, nor developed a conceptual framework that captures and integrates the important aspects of customer-focused strategies that impact firm performance (Lumpkin and Dess, 2004; Porter, 2001; Singh and Kundu, 2002; Srivastava *et al.*, 2001; Tanriverdi and Venkatraman, 2005; Verona and Prandelli, 2002). Currently, there is a gap in the literature with respect to the link between internet business models, customer behavior, and creating a competitive advantage (Evans and Wurster, 1999; Verona and Prandelli, 2002).

The following discussion closes this gap by addressing the issue of building a sustainable competitive advantage on the web by focusing on customer-driven strategies. Specifically, we present an integrative framework to explain the role that customer behavior and customer relationship management (CRM) play in developing a profitable, sustainable competitive advantage for internet companies.

First, we discuss the perspectives on e-commerce corporations (ECCs) and e-business models. Next, we focus on ECCs (one form of a global company) and their business model's progressions. In the third section, we present a comprehensive framework that integrates the consumer decision-making process on the web with CRM for the development of a sustainable competitive advantage and superior performance. Finally, we conclude by identifying strategic implications for international marketers.

**E-commerce corporations and e-business models**

Worldwide e-commerce growth remains strong. According to Jupitermedia Corporation (2004), a global internet research firm, US online retailing in 2004 was expected to increase by 24 percent over 2003, to a total of \$65 billion. The number of online consumer purchasers is projected to reach a penetration rate of 67 percent of all US users by 2008, and worldwide users are estimated to reach 1.45 billion by 2007 (ClickZ, 2004). The average online purchase order per buyer in the US is expected to rise from \$134.01 to \$780 from 2004 to 2008 (Jupitermedia Corporation, 2004). Global economic forecasters anticipate strong growth in business-to-consumer (B2C) and business-to-business (B2B) e-commerce. Projected compounded annual growth rates (CAGR) for all regions of the globe through 2006 are estimated between 45 and 91 percent, with the world e-commerce total anticipated to increase by 54 percent (Forrester Research, Inc., 2001).

The exponential growth of worldwide internet adoption, coupled with advancements in information and communications technology, has created a relatively new type of ECC. An ECC is an enterprise that has the capability to exchange value (e.g. goods, services, and knowledge) digitally. According to Singh and Kundu (2002, p. 680), ECCs are defined as “organizations that from inception are engaged in electronic commerce, and derive significant competitive advantage from the use of network resources resident in virtual networks of commercial collaborative alliances”.

In the electronic marketplace, there are unique characteristics that distinguish ECCs from traditional brick-and-mortar sectors. These include relying on internet infrastructure (Javalgi and Ramsey, 2001), high reach and richness of information (Evans and Wurster, 1999), and high levels of connectivity (Dutta and Segev, 1999). Porter (2001) further supports the notion that successful ECCs have strong capabilities in internet technology, a thorough knowledge of the industry, unique and distinctive ways of assembling non-internet assets that complement their strategic positions, and a greater focus on creating benefits to customers, even in the face of fierce competition. According to Singh and Kundu (2002), ECCs, doing business on the internet, have the following distinctive set of advantages: network capabilities, open international accessibility, innovative entrepreneurship, and use of complementary assets through networks of strategic partnerships, and information sharing. These distinctive capabilities, coupled with internet technology, differentiate internet business models from traditional business models in deriving a competitive advantage in the electronic marketplace.

While some models are simple and traditional in their structure when applied to an internet context, others have features that are characteristically unique to a digitally networked, online environment (Dubosson-Torbay *et al.*, 2002; Lumpkin and Dess, 2004). The proliferation of internet web sites and the ensuing e-commerce fall out sensitized consumers to the unknown nature of the stores behind the web sites. Established internet businesses turned to branding strategies as a means to communicate a solid reputation and differentiate themselves among the growing number of internet competitors. Hanson (2000) addresses branding and revenue building strategies for customer base expansion. According to Hanson, improvement-based models may take the form of enhancement models (e.g. brand building and quality), efficiency models (e.g. cost reduction and free trial), and

effectiveness models (e.g. dealer support and supplier support). Revenue-based models are present in the form of provider-pay models (e.g. sponsorship, alliances, and spot advertising) or user-pay models (e.g. product sales, pay per use, and subscriptions). Based upon these business model categories, the main strategic motives for entry into the e-commerce arena are the expansion of current business methods by leveraging an existing brand name and revenue generation based upon site traffic.

Recently, Wirtz and Lihotzky (2003) developed an insightful B2C internet business model framework that provides classification of internet firms and their strategies into one of four business model types:

- (1) content-oriented;
- (2) commerce-oriented;
- (3) context-oriented; and
- (4) connection-oriented.

*Content-oriented* firms, such as *The Wall Street Journal Online*, provide users with information services that have been collected, organized, distributed, and presented in an informational, user-friendly, online format. *Commerce-oriented* firms, the second category, provide an exchange place for buyers and sellers of goods and services. E-bay, Amazon, and Dell are commerce-oriented internet firms that provide a “virtual store” meeting place for the exchange of new or used goods. *Context-oriented* firms, the third category, such as Lycos, Google, and Yahoo, act as an intermediary by providing structure and navigation for internet users. *Connection-oriented* firms, the final category, include firms such as Earthlink, Hotmail, and AOL, which provide a connection service to customers. A connection-oriented firm’s business model is based upon two strategic factors:

- (1) growth of a customer base acquired with new features to attract and retain users; and
- (2) internet advertising; both of which are growing at a fast rate.

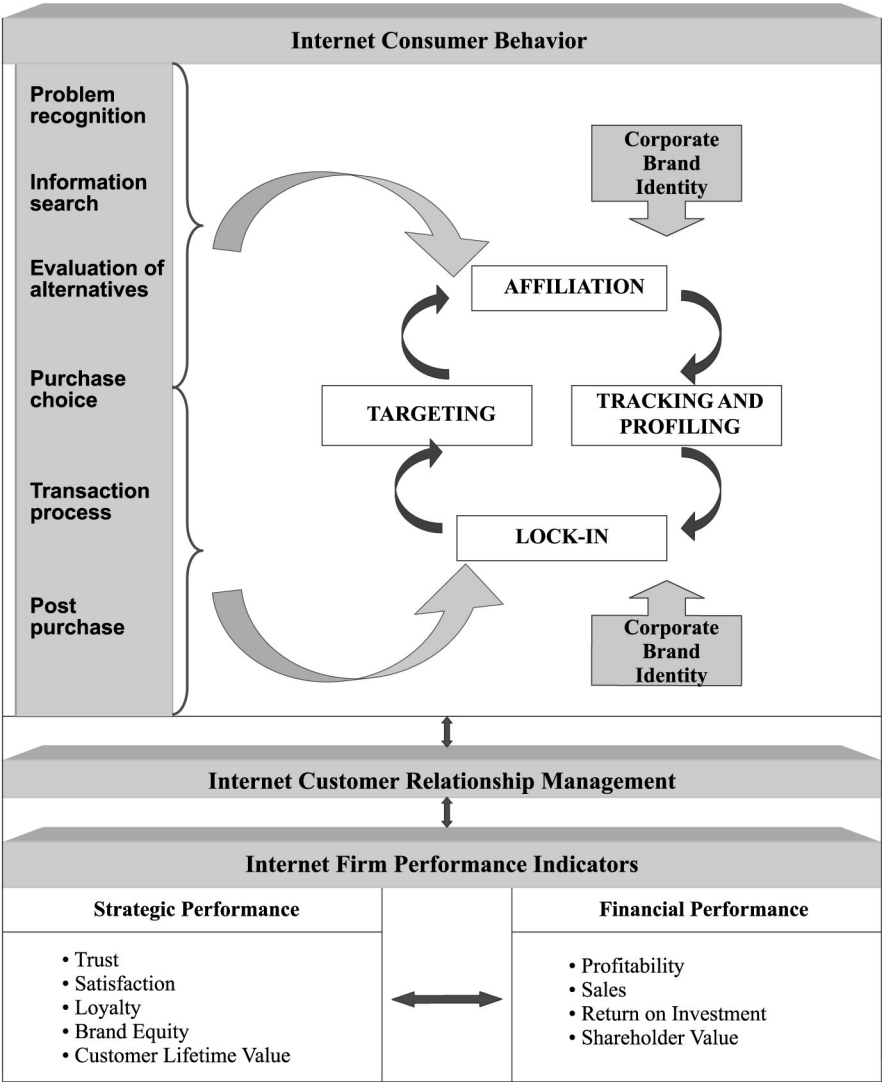
The following observations can be drawn from the above discussion:

- research focusing on the importance of integrating technology, strategy, and a competitive advantage in the electronic marketplace is growing (Lumpkin and Dess, 2004; Porter, 2001; Singh and Kundu, 2002; Tanriverdi and Venkatraman, 2005);
- businesses, competing in a world without boundaries, use e-commerce to develop competitive advantages by providing valuable information, lowering costs, designing new services, and offering a plethora of consumer choices (Lumpkin and Dess, 2004; Porter, 2001);
- a successful internet firm will emerge from a growth phase as a global firm that understands and meets the needs and desires of global customers (Tanriverdi and Venkatraman, 2005); and
- there is a need for a strategic framework to explain the sustainable competitive advantage of an internet firm (Porter, 2001).

**The internet and sustainable competitive advantage: an integrative framework**

The model in Figure 1 integrates three key components that are critical to sustaining a competitive advantage and gaining superior performance. The three components are:

- (1) the consumer decision-making process on the web;
- (2) CRM; and
- (3) firm performance.



**Figure 1.** Framework to sustain the competitive advantage and performance of internet firms

The model in Figure 1 extends the Verona and Prandelli (2002) framework by:

- incorporating brand identity;
- integrating CRM; and
- defining the link between the creation of a sustainable competitive advantage, and long-term firm performance.

The model provides greater insights for understanding the links among consumer behavior, customer loyalty and trust, competitive advantage and firm performance. The following section focuses on a discussion of each of the components shown in Figure 1.

#### *Understanding global consumer behavior on the web*

Sheth *et al.* (1988, p. 5) indicate that marketing strategy “should be founded on two pillars – a thorough understanding of the customers’ needs and behavior, and a critical analysis of opportunities for competitive advantage”. Critical to the understanding of consumer behavior is how consumers make choice decisions in cyberspace. As shown on the left in Figure 1, the consumer behavior literature reveals that a consumer typically passes through stages in the decision-making process. The stages of the decision-making process involve problem recognition, information search, evaluations of alternatives, purchase choice, transaction process, and post purchase.

The customer exercises freedom and control during the decision-making stages while navigating the web site. Customer web-based empowerment must employ affiliation and lock-in strategies (Figure 1); albeit contradictory strategies seem to produce complementary results (Verona and Prandelli, 2002). The affiliation strategy seeks to create customer trust on the web and encourage web site visits in the early stage of problem recognition, information search, and evaluation of options. Affiliation builds trust and strengthens loyalty by creating a brand preference based upon a cognitive perception of superior value.

Within the information search stage, affiliation strategy is important to attracting and increasing visitors to the web site. The purchase/post purchase stage is equally as important in order to retain customers by meeting their needs and expectations. In the purchase stage, the goal of the firm is to employ a lock-in strategy (Verona and Prandelli, 2002). Being “locked-in” constrains customers from switching brands, products, or to another web site, as a result of the “stickiness” that has been developed through CRM techniques. CRM increases “stickiness” by tracking and profiling customers to enhance satisfaction through customized product offerings. Verona and Prandelli (2002) cite the following goal characteristics of a lock-in strategy:

- increase customer stickiness and loyalty through product features (e.g. product design);
- build a base of customers; and
- capitalize on customer commitment and loyalty by selling complementary products.

Verona and Prandelli (2002) suggest pursuing both affiliation and lock-in using the following key stages:



- targeting to identify the information needed to foster customer trust during the information search stage;
- selection of a specific target market to clarify customer needs and wants;
- profile and reach the target market;
- stick the customer to the web site through appropriate lock-in strategy; and
- devise strategic initiatives to satisfy and retain members in target markets.

In both the affiliation and lock-in stages, corporate identity (i.e. established brand names) encourages customer loyalty, which is central to retaining customers and achieving superior performance. Internet firms, especially with an extensive global reach, must project an effective and consistent brand image across all areas of their web sites. Web sites are often the first introduction of the corporation's offerings to new global customers. Building relationships and retaining customers through a thorough understanding of their needs and wants can be obtained through CRM, the next building block in the integrative framework shown in Figure 1.

*Customer relationship management and sustainable competitive advantage*

CRM is a multidimensional concept consisting of methodologies, technologies, and e-commerce capabilities used by companies to manage customer relationships (Panda, 2003). A successful CRM strategy involves integrating the "fulfillment of customer needs" as a strategic goal within the firm's core business processes across the entire organization. The future success of CRM is a convergence of business processes, technology, and the customer, such that "the processes are integrated, the information technology architecture is uniform, and the interactions and results are real time" (Greenberg, 2004, p. 16). According to Greenberg, businesses that succeed will make the customer the central pivotal point, where collaborative businesses interlink the supply chain with the demand chain (customer-facing activities) to form an extended value chain.

In the electronic marketplace, the heart of a CRM strategy is to create a sustainable competitive advantage by better understanding, communicating, and delivering value to existing customers, in addition to creating and keeping new customers (Agarwal, 2003; Panda, 2003). Simply put, CRM is an indispensable strategic tool that seeks to attract, develop, and build relationships with carefully targeted customers to maximize customer value and enhance firm performance (Payne and Frow, 2004). Literature dealing with internet strategies highlights the importance of CRM and its impact on long-term performance (Agarwal, 2003; Kennedy, 2004; Panda, 2003; Porter, 2001).

The customer is the focus as organizations look to exploit the internet for a competitive advantage. Advancements in internet technology allow firms to customize products and services to each individual customer and deliver "around the clock" personalized service, not previously possible in traditional markets. As internet companies learn more about individual consumers and track their purchasing habits, managing the customer relationship becomes easier. As relationships with customers become strong and enduring, customer loyalty and the firm's performance rise. Therefore, managing customer relationships is essential for corporate performance.

CRM creates firm-specific ownership advantages that are not available to brick-and-mortar firms. Internet companies need to adopt CRM technology to offer

one-to-one relationships to customers. CRM applications have the potential to create value by enabling companies to collect, organize, and convert the wealth of information for a competitive advantage (Singh and Kundu, 2002). The underpinning of CRM is a long-term focus that acknowledges the high cost of customer acquisition and the necessity of customer retention. In support of the need for CRM, evidence indicates that firms are acquiring new customers, yet are unable to retain them; hence revenue growth is unlikely (Anderson and Mittal, 2000).

#### *Strategic and financial performance of internet firms*

The key to a competitive strategy is the use of CRM that focuses on customer value, satisfaction, retention, and loyalty. These strategic thrusts are the foundation to generating a stable and profitable revenue stream, the basic component of a firm's financial and strategic performance.

Successful international marketing involves more than an effective integration of a corporate brand identity, web site content, structure, and design for the target audience. Internet firms must also consider the inherent risk in the internet channel due to the abundance of internet firms, the lack of brick-and-mortar storefronts, and the exchange of private information between the buyer and seller. In order to overcome consumers' uncertainty and perception of risk, internet firms must also recognize the critical presence of trust in an internet environment. Marketers must recognize that while building trust is important up to the affiliation point, the post-purchase dimension of consumer behavior is critical if marketers are to capitalize on relationship management for customer retention and loyalty (Butler and Peppard, 1998).

Research on the importance of trust on the internet is growing. In an online environment, Van Der Heijden *et al.* (2001) established that trust indirectly affects perceived risk, and that higher levels of trust lead to higher online purchase intentions (Gefen and Detmar, 2003), and the lack of web site trust is a major inhibitor of online purchases (Yoon, 2002). Trust and attitude are confirmed drivers of online purchase intention (Van Der Heijden and Verhagen, 2004). In a 12 country, multicultural global study, web site trust was found to be an important predictor of purchase intentions and web site loyalty (Lynch *et al.*, 2001).

#### **Implications for global marketers**

##### *Designing and managing the web for global customers*

The web is a dynamic and interactive multimedia with functional characteristics, notably, direct involvement and interaction with customers. Web site design should focus on such questions as: who (who are the visitors?), what (what are the needs of customers?), where (where are the visitors coming from?), and how (how do they accomplish their desired tasks?). Even the best web site will not guarantee consumers' "stickiness" (or lock-in) if they are unable to find the answer to their search. The answers to these questions, obtained through web design technology, provide the key to customer value and competitive advantage.

In brief, the web site must accomplish four strategic objectives in order to assist the firm in gaining a competitive advantage:

- (1) attracting;
- (2) informing;

- (3) positioning; and
- (4) delivering (Simon, 1999).

The success of the web site depends upon the effective communication and delivery of the firm's offerings through a web site interface comprised of site contents and site links. The web site design acts as the interface between the technical, or content aspects, and the human factors (Simon, 1999; Yang *et al.*, 2003). A competitive advantage can also be derived by designing web sites around cognitive (problem recognitions and needs), affective (emotional ties), and conative aspects (preferences) of targeted customers and prospects (Yang *et al.*, 2003).

#### *Building and capitalizing on corporate brand identity*

In the cyber marketplace, where customers perceive a great deal of uncertainty, a corporate brand identity is a cognitive anchor and a point of recognition. For many internet companies, the brand name is the company name (e.g. Yahoo and eBay). In an e-business environment, trusted corporate/brand names are used by consumers as substitutes for product information when making online purchase decisions (Ward and Lee, 2000). Branding of the site provides uniformity and consistency of the message among all of an organization's sites. Building an internet brand entails a global appeal that accounts for international perceptions of home country, cultural values, and language.

The corporate brand identity is the summation of the values formed by perceptions of consumers. The web site, an integral part of brand building, communicates product, service, and corporate identity (Aaker and Joachimsthaler, 2000). The content, presentation of the web site, and other key features reflect the core values and personality of the corporation. A web site must communicate a customized brand message in terms of attributes, advantages, values, culture, personality, and user individuality (Kotler, 2003). A strong brand name not only attracts new customers, but also has the lock-in ability to make consumers feel comfortable with their decisions. Aaker and Joachimsthaler (2000) recommend that a web brand-building tool:

- create a positive experience on the web by providing a reason for the visit and eliminate frustration and confusion;
- support the brand identity by the look-and-feel of the site;
- think of the web site as a flagship store; and
- provide a place for loyal customers.

EBay, Amazon, Yahoo, and Dell, which have strong brand names and possess all of the above features, stand out as best practice examples.

#### *Cross-cultural considerations*

A web site's design must also incorporate considerations for cultural differences. Cultural diversity among online users is evident when we consider that 35.8 percent speak English, European languages account for 37.9 percent, and Asian-speaking users represent 37.9 percent (Global Reach, 2004). Research underscores the need for the development of culturally sensitive web sites to incorporate the cultural elements of a nation or region that influence consumer behavior (Yang *et al.*, 2003). The fact that

internet customers are geographically dispersed all over the world creates a challenge for companies to implement a cross-cultural, multilingual, and global online product offering. The proliferation of e-commerce across national boundaries necessitates the consideration of cross-cultural differences, due to the perception of web site content and the use of localized web communication strategies (Luna *et al.*, 2002; Lynch *et al.*, 2001; Singh *et al.*, 2004, 2003).

Internet companies such as Dell, Yahoo, Amazon, and many others are localizing web sites to reach online consumers around the world. Web sites must also incorporate country-specific displays (e.g. color, symbol, and graphics) to build a customer base, increase sales, and foster satisfaction and loyalty. Global companies, such as Yahoo, use electronic customer relationship management (e-CRM) applications to identify, segment, and target customers through localized web sites, such as Yahoo.UK, Yahoo.Spain, and Yahoo.India. CRM software utilizes the search engine type (.uk,.ca, or.jp) to identify each visitor by country of origin. CRM identifiers obtain the country of origin of each visitor, their browsing behavior, purchasing habits, products demanded, and additional demographic information to develop customer profiles and customized product offerings.

#### *Building customer value*

Customer purchase decisions and repeat purchases are individualized and dependent upon the value propositions offered to the customer via value-added strategies. Internet technology allows firms to provide unique, value-added strategies (Lumpkin and Dess, 2004) through four customer value-added activities:

- (1) search;
- (2) problem solving;
- (3) evaluation; and
- (4) transaction.

Google provides a value-added search proposition, while CNET offers a unique, evaluation service which allows web site visitors to comparison shop hundreds of products without ever leaving their seat. Problem solving value-added propositions involve service products (e.g. online travel) and legal or medical related inquiries. The fourth value-added proposition, transaction, provides benefits to both the customer and the firm by eliminating physical, spatial, and time constraints. Customers are provided the convenience of shopping online, while firms experience reduced supply chain management and marketing costs.

To gain a competitive advantage, firms must balance efforts in building both affiliation and lock-in strategies. Amazon, for example, is an internet company that utilizes an affiliation strategy by offering a large online product catalog in a community-shopping environment. Amazon builds a sense of “community” and consumer trust by providing shared buyer experiences in the form of customer feedback. Amazon’s use of internet technology provides a unique value to consumers in a trustworthy environment that builds trust, provides a unique online experience, and creates loyalty. Internet customization, such as Amazon’s One Click, allows fast order processing where credit card and delivery information is retained from prior purchases. Repeat customers to Amazon.com are automatically offered customized

web sites with individualized product offerings based upon prior purchases and interests. Amazon employs a lock-in strategy that supports the initial awareness and trial phases of the customer relationship in the affiliation stage. Interactive web sites offer a competitive advantage of superior customer value based upon customer service, problem resolution, greater satisfaction, repeat purchases, and web purchase loyalty.

Amazon also provides additional value to customers through web site referral links which generate supplemental syndication revenues (Werbach, 2000). Syndication, a form of revenue generation, is also used by internet firms to reap financial benefits from the interactive structure of the internet marketplace. Syndication, employed by Amazon and Google, generates revenues by charging advertisers a higher cost to be linked with popular search words. Amazon receives revenues from syndicated partners (e.g. Target, Office Depot, and Toys R Us) by offering unavailable books and order processing through Amazon online, a trusted internet brand name.

Google collects syndication revenues for contextual advertising, where ads are placed on the visitor's web site based upon the content that the visitor chooses to read (Krauss, 2004). Google's pay-per-view strategy allows advertisers greater control over the location of advertisements placed on web sites. The pay-per-view strategy is a better means of targeting consumers by enabling "advertisers to reach the entire consumer buying cycle" (Gomes, 2005). The pay-per-view model fully leverages the synergy of Google's content business model, advertiser relationships, and the size of its loyal customer base. Google's understanding of consumer behavior on the web has increased its advertising revenues from *Fortune 1000* companies by 50 percent in 2004 (Gomes, 2005).

As is evident, CRM technology enhances customer value offerings and supports a competitive advantage by extending the business value chain, a characteristic of successful CRM firms (Greenberg, 2004). Amazon has created a unique customer value offering that is derived by integrating two internet business model strategies (i.e. commerce and content) for supplemental revenue generation, greater firm performance, and an enhanced competitive advantage on a global scale. Amazon clearly uses an e-business model strategy that has leveraged scale and resources, using brand image and technology, to provide value.

In brief, internet firms that offer a unique value, derived through technology, will leverage their e-commerce competencies for a sustainable competitive advantage, global expansion, and market dominance. Amazon's expansion, from a commerce business model into a second content business model, and Google's use of the consumer buyer process are key strategic moves toward global expansion across industries.

#### *CRM customization and the creation of exit barriers*

The unique value of customization enhances satisfaction and acts as a barrier to switching behavior (Wirtz and Lihotzky, 2003). Personalized web sites establish trust in the company and the web site, reduce brand switching, and enhance customer retention by creating a psychological barrier. Customer authorized e-mail solicitations, known as permission-based marketing, strengthen trust, develop loyalty, and create value. The use of higher web interactivity, such as chat forums, customization, and push-based customized services, increases customer usage and results in greater firm profits. CRM tools enable marketers to offer online interactivity which allows internet

firms to better match customer needs, wants, and preferences (Yang *et al.*, 2003). Tracking and profiling through CRM customization provides insights into a consumer's surfing and purchase behavior. With CRM data insights, firms can proactively innovate with new product development (Hunt and Morgan, 1996). The use of CRM has been shown to foster higher firm performance in the initial acquisition and ongoing customer management stages (Reinartz *et al.*, 2004). Internet firms, such as Amazon and Google, utilize CRM technology to offer superior value propositions and gain a competitive advantage, which translates into greater market share and superior financial performance.

### Conclusions

Globalization via the internet requires dynamic business models that are different from traditional brick-and-mortar firms to address the accelerated growth and unique market forces of the internet. A sustainable competitive advantage is not derived through the use of technology, but in the coupling of internet technology with distinctive tangible and intangible resources to derive firm-specific, "distinctive strategic positionings" (Porter, 2001, p. 65). How the internet's interactive capability is used provides the key to global markets (Morgan-Thomas and Bridgewater, 2004). The use of the internet's interactive capability for CRM improves customer targeting for greater effectiveness of marketing communications (O'Leary *et al.*, 2004), increased customer share and retention (Verhoef, 2003), and enhanced revenue potential (Agarwal, 2003; Kennedy, 2004; Panda, 2003; Payne and Frow, 2004; Porter, 2001).

The successful internet firm will create immediate product offerings, via interactive communication, and transform the customer's desires into long-term relationships based upon trust and loyalty for a competitive advantage. The firm's competitive advantage is built upon:

- a unique product value offering;
- trust in the source;
- trust in the medium of exchange (securitization is particularly relevant within an internet environment); and
- loyalty that is reinforced through fulfilled customer expectations.

Customer trust and satisfaction, combined with a unique customer value offering, allows firm differentiation to build a competitive advantage for a stable or growing market share.

Successful internet strategy involves the combination of a firm's distinctive capabilities, across its organizational form and processes, to create a uniquely synergistic, product value offering, further refined in a marketplace where the internet firm and consumer interact. The alignment of CRM initiatives with overall corporate strategy is imperative. Many CRM initiatives have failed because a firm does not integrate a CRM strategic vision with the overall company mission and vision (Greenberg, 2004). An integrated CRM vision supports a customer-centric focus and aligns the overall CRM vision of the company with the business processes and key constituents: customers, employees, and business partners (Greenberg, 2004).

In conclusion, the goal of this discussion was to present a comprehensive framework for targeting global consumers and building a sustainable competitive



advantage for the enhanced firm performance of internet firms. The motive in doing so was to foster research that links global customer behavior to the business value chain. Research is needed which tests this integrative framework by focusing on the relationship between the internet firm and the use of internet technology to fulfill customers' needs and desires. In particular, current research on business model strategy, CRM, knowledge management, market orientation, marketing measurement, and international firm performance is particularly relevant. Empirical research is needed to determine the extent to which internet firms are integrating their business activities and CRM within their business model strategy to sustain a competitive advantage for higher performance at a global market level.

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