

INTERNET AS A NEW TOOL IN THE FIRM STRATEGY OF THE BULGARIAN EXPORT ORIENTED ENTERPRISES¹

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The digital revolution, of which origin and development we are witnesses, gives us entirely new and unexpected world of possibilities and challenges before the market participants. The rate of perceiving of the Internet overshadows all technologies that went before it. The unbelievable possibilities, which this new environment gives for realizing of business initiative, are immeasurable with the present understandings. Internet creates the conditions for emerging and functioning of new economic space, called cybereconomy or digital economy. While the industrial economy requires the existence of built vision, strategy for the development of the business, the new economy imposes development for lucrative strategy and usage of the correct instruments and resources. In this respect the new technologies not only develop completely the instruments that firms can use for pursuing their market goals, but also appear and new instruments, giving additional benefits². Using the great composition of instruments and resources must not be as an end in itself. Theme should be developed in advance strategy for their use. If the applications of Internet, mentioned before, are used with success could be

¹ This paper is presented in Scientific Conference on Strategies and challenges in the process to accession to the EU, Svishtov, 2003.

² For more information see **Hamill, Jim**, *The Internet and international marketing*, International Marketing Review, Vol. 14, No 5, 1997, pp. 300-323

jumped over groups of barriers standing before companies, which are entering the international market (see Table 1)³.

The main goal of the current development is to present the results of a research concerning the entering and potential of the Internet technology as an instrument for overcoming barriers, connected with international activity of the Bulgarian companies. The conclusions rely on the preliminary results of the survey, conducted in the period May-September 2003⁴. The survey covers the summarized data from 81 export orientated companies⁵, which activities are realized in different spheres of the national economy. Respondents are companies registered in Bulgaria, which realize export activity and have an e-mail and/or firm Internet page. The selection of the researched companies is not casual and while forming the extract was searched a balance between small, medium-sized and large enterprises.

Table 1

Internet applications in firms

Barriers for internationalisation of companies	Internet applications/Advantages
Psychological	Growth of international knowledge, security and commitment by access to global informational resources; participation in global network communities; inquiry and feedback from potential global consumers.
Operational	Simplification of export documentation through transfer of electronic data; electronic payment; on-line export assistance from specialized organizations and etc.
Organizational	Access to cheaper sources of export marketing studies; improving the knowledge for international markets and cultures; reducing the dependency on traditional mediators and distributors by marketing "one-to-one"; establishing of virtual network of partners.
Product/Market	The decision for choosing a country/market is easier to be taken through performing an on-line export marketing study; orientating towards consumers/market through feedback and comments from clients, mediators and others; economizing expenses by using on-line marketing research; the economized expenses for communication improve the results from international business; faster adaptation to the global niche, rather using strategies, focused towards the country.

³ There again.

⁴ The research was conducted with the support of **Institute for scientific surveys** at Tsenov Academy of Economics, Svishtov by Project No 10 "Internet as an instrument for overcoming barriers in the international activity of the Bulgarian companies".

⁵ The information about the export firms is collected from the database of: Bulgarian trade promotion agency (<http://www.bepc.government.bg>), firm for marketing consulting "JNN Consult" Ltd., Sofia (<http://www.jnn-marketing.com>) and other branch database.

In its predominant part, the survey is based on the use of descriptive techniques, which target is to outline the situation of the problem. The information, which was gathered from the companies, is structured in three sections – data for the company, short characteristic of the export activity and use of Internet (totally 43 questions). The filling in the inquiry is done by sending mail to 450 export oriented companies, and to persons and departments, which are linked with the use of Internet in them. The data is processed with the statistical package SPSS 11.5.

I. RESPONDENTS' BRIEF CHARACTERISTICS

By the 81 inquires superiority have the JSCs and LTDs -- 88.9%, as the companies of sole proprietors are 8.6%, and the cooperatives are 2.5%. Regarding to the form of property dominates enterprises with the Bulgarian capital. Their dissemination on the two criteria is given in the figure 1A and 1B.

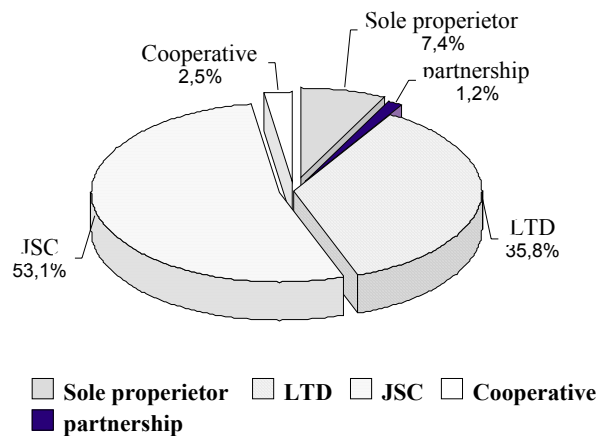


Figure 1A. Dissemination of the enterprises by juridical registration

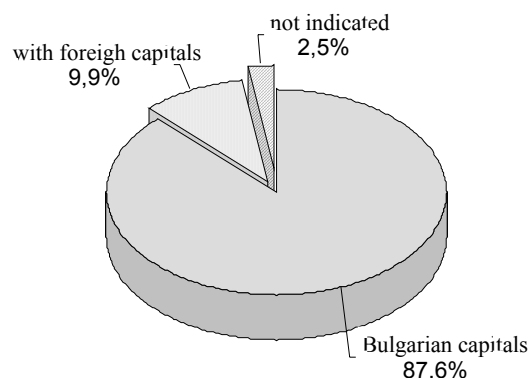


Figure 1B. Dissemination of the enterprises by ownership

According to the branch in which the enterprise functions most of them indicated the industry – totally 50.1%, as over 33% are from the light industry. In the sphere of construction are engaged 8.8% of enterprises, in agribusiness – 6.3%, and the rest of the branches are presented with fewer than 5% of all studied enterprises. As “Combination of activities” are drawn 18.8% of the firms.

Table 2

Respondents' dissemination by branch				
	Frequency	Percent	Valid Percent	Cumulative Percent
Agribusiness	5	6,2	6,3	6,3
Light industry	27	33,3	33,8	40,0
Heavy industry	13	16,0	16,3	56,3
Construction	7	8,6	8,8	65,0
Trade	4	4,9	5,0	70,0
Hotels and restaurants	1	1,2	1,3	71,3
Transport	3	3,7	3,8	75,0
IT	4	4,9	5,0	80,0
Other activities	15	18,5	18,8	98,8
Combination of activities	1	1,2	1,3	100,0
Total responses:	80	98,8	100,0	
Missing response	1	1,2		
Total:	81	100,0		

The sample structure by the criterion of the number of employed persons indicates majority of the enterprises up to 100 persons – totally 59.5%. The two groups of the large firms with the personnel over 100

persons employed (40.5%) are comparatively equally presented. It is interesting that small enterprises (with employment from 11 to 50 persons) keep the highest percentage of all the studied businesses.

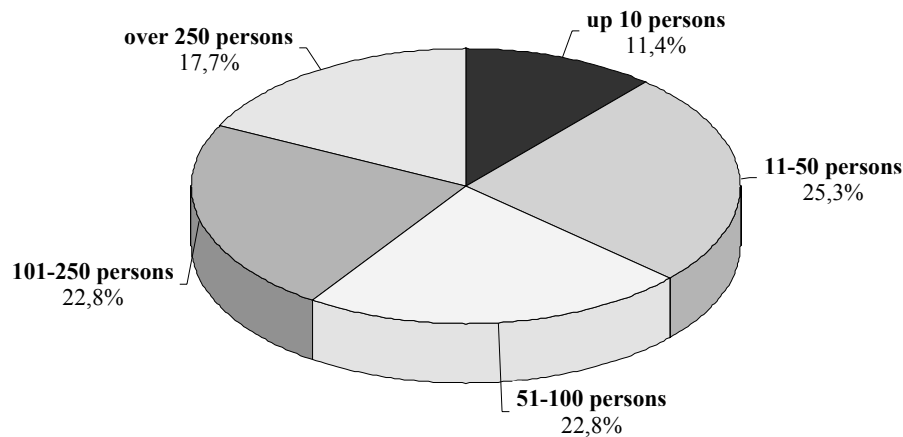


Figure 2. Dissemination of the enterprises by employment⁶

From the point of employment and annual turnover answers on the two parameters are presented by 80% of the firms. From the table below is seen that with the increase of the employed persons the annual turnover also grows. It is logically the micro-firms to be concentrated in the first scope of the turnovers up to 100 000 USD as the enterprises with the employed more than 250 persons to be allocated in the scopes over 1 000 000 USD. If we follow the criteria in the Law for SME the dissemination of the firms won't be considerably different. As a positive fact could be marked that there are small and medium sized enterprises which account annual turnover in the high positions of the scale. It is most likely these firms to respond on the most criteria of the dynamic developing enterprises⁷.

⁶ Total responses 79, missing 2.

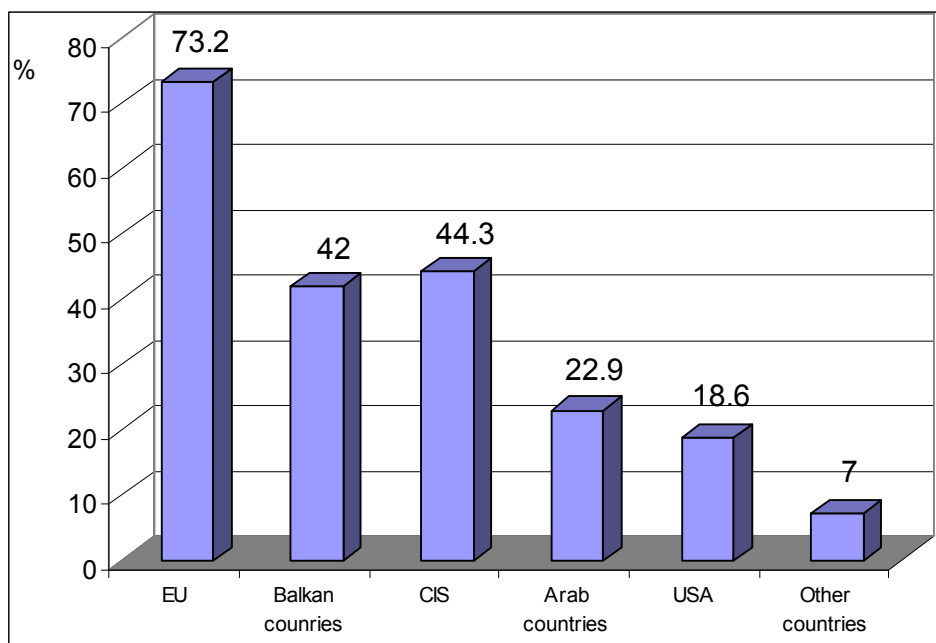
⁷ More information: **Todorov, K.** *The dynamic entrepreneurs – comparative analysis of the state and development in Poland and Bulgaria* – Narodostopanski archive, issue 2 and 3, 2001.

Table 4

Cross tabulation of turnover and personnel

Annual turnover	Employed persons						Total
	to 100 000 USD	100 000 – 500 000 USD	500 000 – 1 000 000 USD	1 000 000 – 5 000 000 USD	5 000 000 – 25 000 000 USD	over 25 000 000 USD	
Up to 10 persons	5	1	1	0	0	0	7
From 11 to 50 persons	2	9	2	2	2	0	17
From 51 to 100 persons	2	0	5	4	2	0	13
From 101 to 250 persons	0	2	3	9	2	0	16
Over 250 persons	0	0	0	3	7	2	12
Total	9	12	11	18	13	2	65

From the point of export destination of the researched firms it is shown considerable superiority of the export to EU. In the second place are drawn the traditional markets for the Bulgarian exporter countries like these from the Balkan region and of the Former Soviet Union. Not a few firms are indicated their presence on the markets of Arab countries and USA.

**Figure 3. Export destinations**

To use the advantages, which the new environment gives for businesses, they should possess the necessary “conditions” for this namely PCs with Internet connection. In the table 5 we can see in which scopes we have “concentration” of values. Unfortunately it is the low scopes –

most of the firms' possess up to 5 PCs with Internet. Such dissemination of the results is normal, because a considerable number of firms are operating in the sphere of industry. In these firms the Internet should be part of the daily round of the top management and be weaker included in the production.

Table 5

Cross tabulation of Number of PCs and PCs with Internet

Number of PCs with Internet	to 5	Between 5 and 10	Between 11 and 25	Between 26 and 50	Between 51 and 100	Over 100	Total
Number of PCs							
To 5	18	0	0	0	0	0	18
Between 5 - 10	14	1	0	0	0	0	15
Between 11 - 25	9	7	5	0	0	0	21
Between 26 - 50	1	0	3	3	0	0	7
Between 51 - 100	0	1	1	2	1	0	5
Over 100	0	0	0	0	1	1	2
Total	42	9	9	5	2	1	68

II. USAGE OF INTERNET IN THE RESEARCHED ENTERPRISES

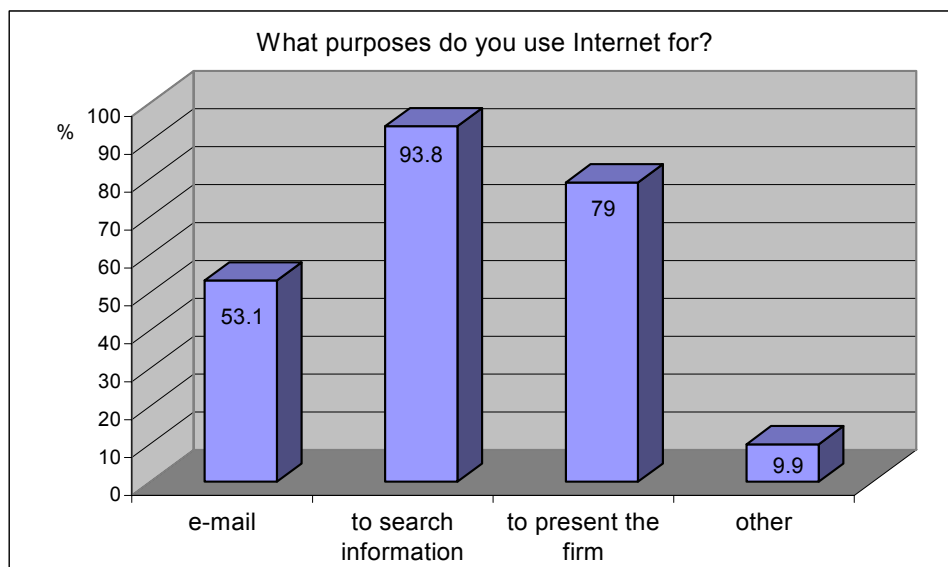
The data gathered by this research shows that the most of the Bulgarian enterprises have already recognized the benefits of inclusion in Internet and its usage (91.4%). 27.2% answer that they use Internet because others do. Obviously not a few of them count it as something fashionable and image making rather than a new useful tool to expand their market horizons. 13.6% of the respondents indicate inclusion in Internet as requirement, imposed by their business partners. It could be expected in the future this percentage to increase because the broad entering of Internet technology will force "not-included" faster to make up for lost time to enter in the new business media.

Table 6

Initial motives to enter in Internet (in %)

	<i>% (the percentages are more than 100, because are given more than one answer)</i>
Recognized advantage for the business	91,4
Initiative by the firm's personnel	29,6
Because others use it	27,2
Requirement of the business partners	13,6
Initiative of the family members	3,7
For fun	3,7
Other motives	14,8

Questioned for what purposes the Internet is used it is not surprising that most answer they look for information (93.8%). Except for information collecting most firms recognize the opportunity to present their business (79%). This high percent shows that the advertising also in Internet more and more is adopted as a normal practice. Independently that the reason is, whether "because of others" or because the management is ascertain the real benefit of it, more export oriented firms have in their "ID card" web-site as in such way they declare their present in the virtual market.

**Figure 4**

However, the search for information in most of the cases is reduced to pile secondary data through ransacking free data and surfing. Too small, even symbolic is the percent of those who collect primary data by

their own searches in the net. Still incompletely are used the potentials of e-mail and web-questionnaires (8,6%), discussions (8,6%) and experimenting to create a site (7,4%).

Table 7

Sources for collecting information by Internet (in %)	
	<i>% (the percentages are more than 100, because are given more than one answer)</i>
Free specialized data	80,2
Paid specialized data	17,3
Surfing	74,1
Questioning by e-mail or web-questionnaires	8,6
Visitors observation	28,4
Experimenting with new site	7,4
Inclusion in discussions	8,6

Regarding to the usage of e-mail the results prove that it successfully may be applied as a business instrument. 91,4% sent offers by it and respectively up 85,2% answer that they receive offers or exchange documentation with the business partners.

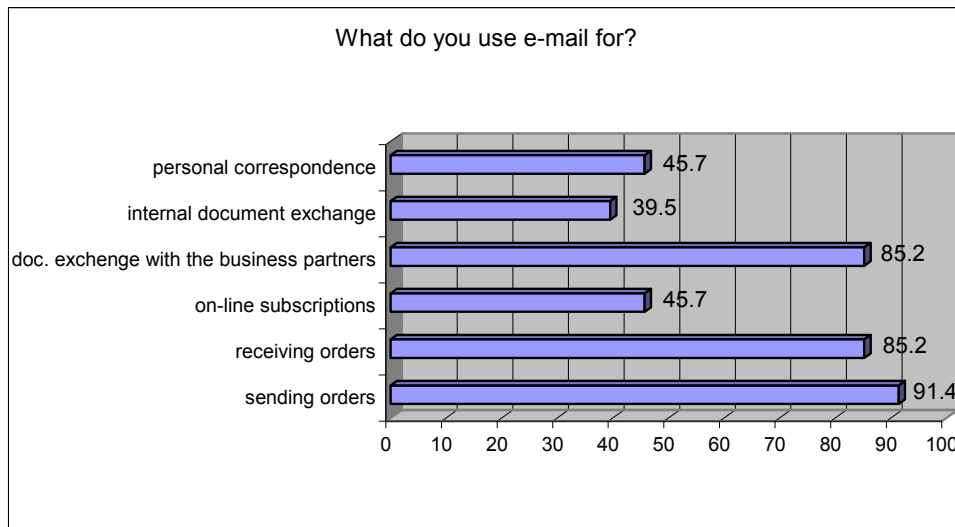


Figure 5

The fact that Internet successfully may be used as a tool for firm presentation is confirmed from the 77% of the positive answers about already developed web sites by firms. 21% of the enterprises point that they are in the process of developing, planning or possible realization in the near future, and only 2% do not see any benefit of such business tool in their strategy.

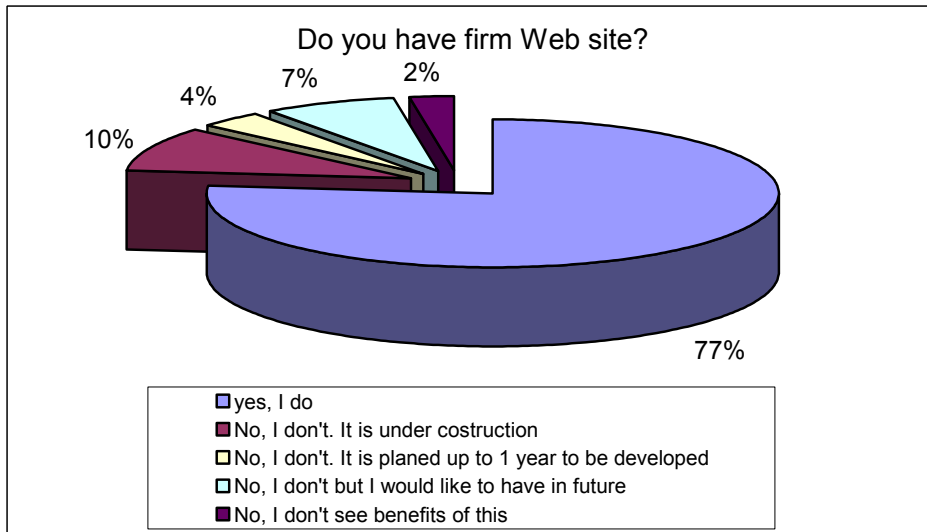


Figure 6

The results show that the firms still do not engage the necessary IT specialists in their structures. It is also proven by the fact that 65% of the web sites are developed only or with the help of external specialists, and almost 51% of these sites are supported only or with the help of external specialists.

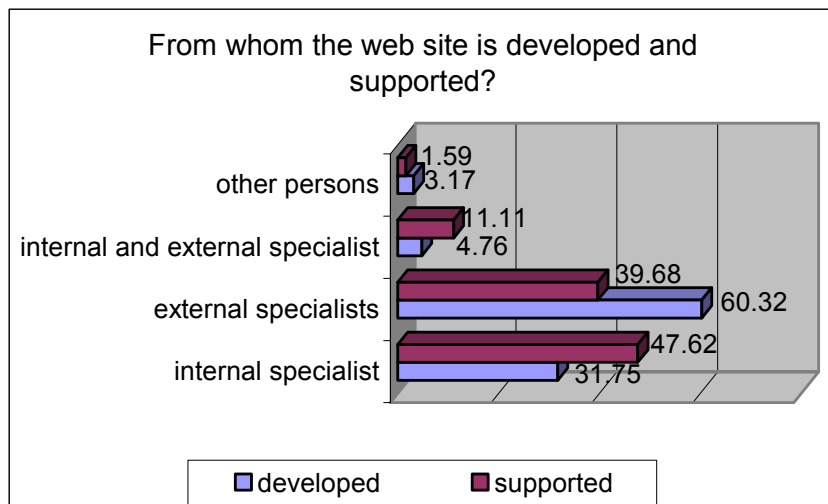


Figure 7

But only the creation of a web site still does not mean that the firms use complete potential of WWW. The fact of what information will

be published on the web and possibilities will be given determinates to which degree it is useful business tool or just an advertising brochure.

Discouraging high is the percent of the sites, which do not offer opportunities for e-offers, payments and tracking (93,44%). Also is high and percent of whose, which do not have on-line offers (81,96%) and do not give information for the prices of the goods (73,77%). Over one quarter do not have the guest book or on-line consultations (27,87%), as it should not be neglected the fact that Internet gives constant connection with present and potential customers and business partners. Still positive is the fact that the information is accessible not only in Bulgarian but in foreign language as in this way the firm is becoming more visible for the rest of the world and incredibly expands the partners circle.

Table 8

Contents of the Internet sites

Language presentation	Not offered	Only in Bulgarian	Only in foreign language	Both in Bulgarian and foreign languages
What the site offers				
History of the firm	6,56	9,84	13,11	70,49
Technical specification	18,03	11,48	11,48	59,01
Product images	14,75	13,11	13,11	59,03
Price lists	73,77	16,39	1,64	8,20
Inquires and consultations	27,87	11,48	11,48	49,17
On-line orders	81,96	4,92	1,64	11,48
e-purchases and payments	93,44	1,64	0	4,92
Tracking the order condition	93,44	1,64	0	4,92
Address, telephone, fax, mobile phone	4,92	9,84	16,39	68,85
Links	81,96	4,92	3,28	9,84
Guest book	86,88	3,28	1,64	8,20
Discussion forum	95,08	3,28	0	1,64

Regarding to the advertising of the firm sites we may consider that there are a lot of unused opportunities. On one side is positively that the percent of those firms including URL in their form is quite high – 83,87%, and 58% are including it also in the printed advertisement materials.

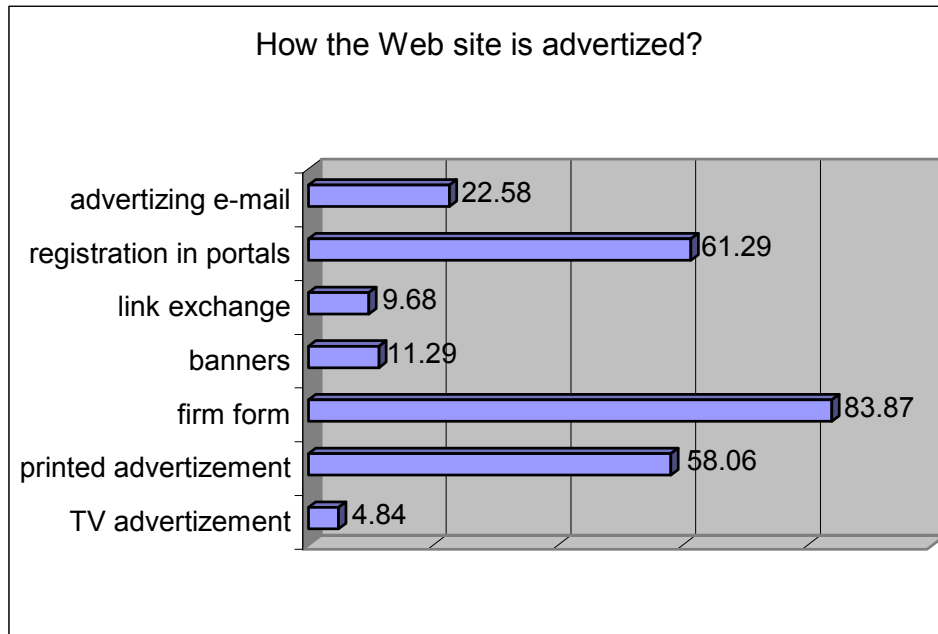


Figure 8

It could be considered that these firms have developed a strategy or at least they have a vision in regards of their e-activities as a part of the whole firm strategy. On the other side, in contract to the off-line advertising, the activities of on-line advertising are not on the necessary level. The usage of banner advertisements, link exchange and sending of advertising e-mails is rather limited. Also, not sufficiently is used the registration in portals even the percent is 61,29%. These on-line instruments for advertisement do not require a lot of funds, but they should be known enough to be used properly.

The main question, which stays always is are any results of the put into this direction. It could be definitely said that there is sense to invest in it, because only 11.3% does not receive inquires by Internet, and more than a half of the respondents answer that a part of the inquires to them comes through Internet (56,3%).

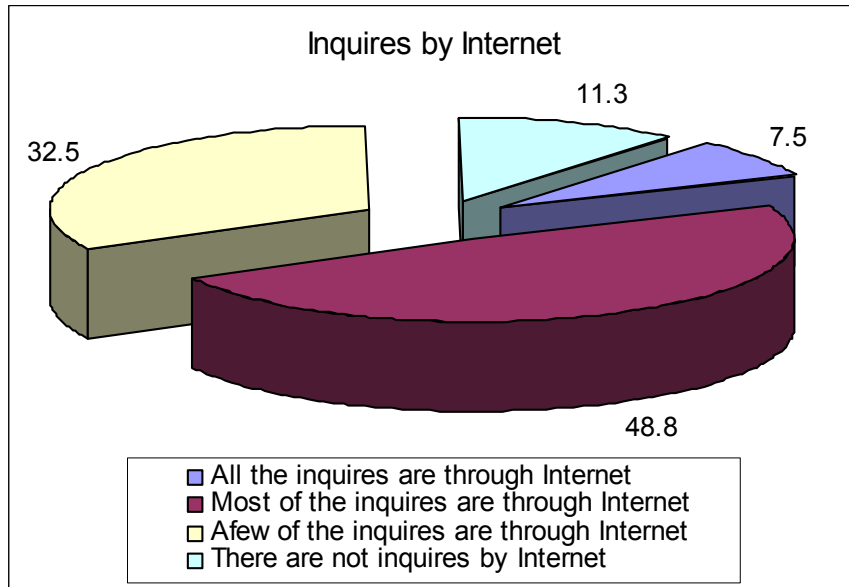


Figure 9

Of course, not every inquire is a new customer. Only 13,8% answer that through Internet they have found their main customers or only there they search them. Predominantly, about 2/3, are those who said that only a few cases of finding new customers are reached by this way.

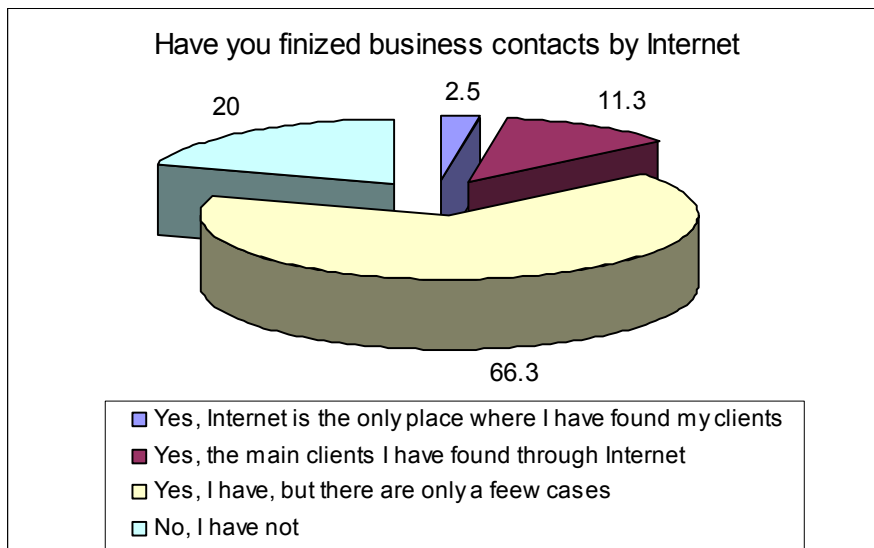


Figure 10

On the question “Do you plan to expand your presence in Internet during the following year?” the half of the respondents are satisfied by the current situation and intend to keep the reached without further efforts and the rest answer positively. 59% of the respondents will train or hire

personnel with the necessary skills and qualification. On the next place are pointed the buying up new computer equipment (46,2%), and only 17,9% think to buy new specialized software to develop e-business.

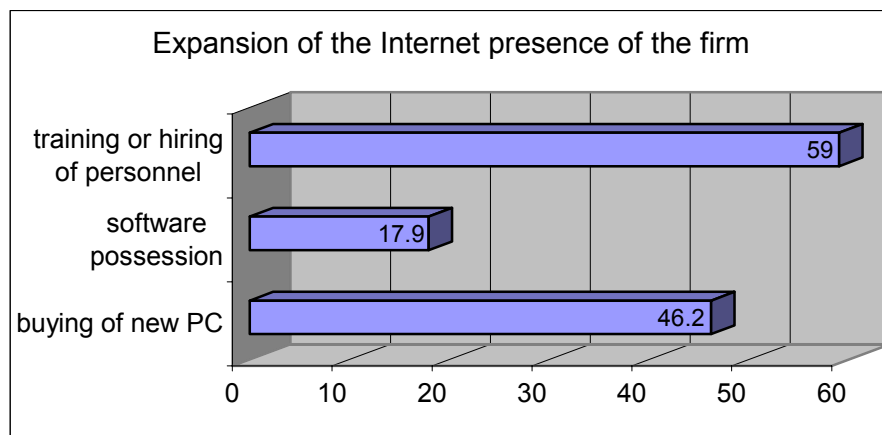


Figure 11

III. CONCLUSIONS

The conclusions, which could be made from the research, can be divided in three groups.

First, regarding the motivation and adjustments for realization of E-business. The Bulgarian companies already clearly realize that using the IT is necessary and useful for their activity and this will give them competition advantages. They have the adjustments and desire to develop e-activities for improving their market positions.

Second, regarding the resources. The biggest problem is felt in relation to the necessary personnel with the necessary knowledge. This is obvious by the fact that almost two thirds from the companies, which plan expansion of their e-activities, consider to invest in training its personnel in this direction, or recruiting one, with the needed knowledge and qualification.

Third, regarding the real situation of e-business in the Bulgarian companies. There is a strive towards usage of different Internet instruments, although some specific instrument are not fully developed. It is positive the ambition to combine the e-activities with the whole business strategy of the company.