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Internet Marketing Adoption by Iranian Distribution Industry:
An Attempt to Understand the Reality

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ABSTRACT

This article describes how although the internet has become a significant platform for the advancement of marketing strategies and developments, there have been inadequate empirical research efforts concerning its adoption for conducting internet marketing in developing countries, specifically in the Middle East area, and more particularly in Iran. Previous studies investigated internet marketing adoption and acceptance extensively, by employing different theories of new technology adoption in developed countries, while there have been inadequate empirical research efforts concerning its adoption in developing countries. It is widely recognised that the adoption of internet marketing can offer substantial opportunities for Small and Medium Sized Enterprises (SMEs). In developing countries, internet marketing opportunities can be a meaningful approach for SMEs to be able to compete with large businesses and to access, with lowest possible costs, targeted customers.

KEYWORDS

Internet Marketing, Internet Marketing Adoption, Iran, Iranian Distribution Industry

1. INTRODUCTION

Small medium enterprises (SMEs) is recognised as one of the main contributors to economic, development and employment growth. Despite it play a major role in today's world economy, SMEs is well known having limitation and acceptance barriers in adopting a new technology although the revolution of internet and communication channel has changed the way people conduct business today. It is widely known that the industries and businesses of today's new economy evolve and change rapidly, mainly as a result of the wide diffusion of Information and Communication Technologies (ICT) within organisations. New technologies enable and facilitate a broad range of business activities related to the storage, processing, distribution, transmission and reproduction of information (Fabiani, Schivardi, and Trento, 2005; Ongori and Migiro, 2013). In addition, ICTs may induce dramatic changes in businesses' internal processes, radically altering firms' structure, organisation and operations (Spanos, Prastacos, and Poulymenakou, 2002), with organisational and output changes sometimes considered as spillover or indirect effects from investing in new technologies (Black and Lynch, 2004).

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A significant volume of research highlights the fundamental role of internet for productivity and economic growth at the macroeconomic level (Bart Van Ark, O'Mahony, and Timmer, 2008), the industry level (Inklaar, O'Mahony, and Timmer, 2005) as well as the firm level (Arvanitis, 2005; Black and Lynch, 2004). At the firm level, there is empirical evidence of the substantial contribution of internet to firm performance in terms of labor productivity (Arvanitis, 2005) as well as multifactor productivity and output growth (Brynjolfsson and Hitt, 2003). Indeed, the gains of integrating and using internet are multiple and touch upon diverse aspects of intra- and inter-firm business operations and transactions, being in turn reflected in firm performance. Focusing on SMEs, relevant literature underlines the benefits of adopting internet in terms of cost savings, organisational effectiveness, improvement of services to customers and suppliers, access to new business opportunities and market information, competitiveness (Ghobakhloo, Sadegh Sabouri, Sai Hong, and Zulkifli, 2011; Ongori and Migiro, 2013) and, more generally, productivity and growth (Barba-Sánchez, Martínez Ruiz, and Jiménez-Zarco, 2007; Ongori and Migiro, 2013). In addition, internet marketing implementation usually entails additional costs (e.g., employee training, licensing, organisational restructuring and upgrading existing facilities), which also need to be taken into consideration, especially in the case of SMEs (Ghobakhloo et al., 2011). From a policy perspective, promoting the acquisition of new technologies within SMEs has been given high priority to firms. However, due to various resource limitations and a lack of understanding of the internet related opportunities, SMEs face increased difficulty in adopting the new technologies (Nasco, Toledo, and Mykytyn, 2008) in many developing as well as developed countries. In the case of Iran, where the overall economic activity is traditionally dominated by SMEs, which, despite the progress they have made in recent years, still appear to lag behind the average in assimilating new technologies and engaging in e-business activities (European Commission, 2016). At a turning point on its way to rebalancing, growth in Iran must be inextricably linked to the new technological priorities established in light of the digital and ICT revolutions. To this end, the successful design and implementation of appropriate policy plans and schemes require adequate knowledge on the factors that affect business decisions with respect to the adoption and use of internet marketing within SMEs.

Internet Marketing has emerged as an interesting alternative way of doing business, which has emphasised its relevance to the growing of the firm and the strengthening of alternative ways of creating value Constantinides, E. (2010). Essentially, internet marketing is a type of marketing involving goods, services and information in which the parties involved do not always meet physically but interact electronically (Sainiee, S. (1998). The benefit of internet marketing is evident. For example, the potential of placing orders, transferring sales data and inventory information, and conducting the transactions online can significantly reduce business operations cost and increase the speed of business activities (Senn 2004, p.387). SMEs are enterprises which play a very important role in the economy of many countries, and are essential components of the economy of Iran, a developing country Storey (1994). Managers of SMEs must be creative and autonomous, and strive to adapt to the evolving world economy. In order to succeed, it is essential that Iranian SMEs be open to new techniques, in particular the Internet and internet marketing, all of which have become indispensable business management tools. The new technologies are the key to enabling enterprises to establish contacts with enterprises throughout the world, in turn enabling them to participate in the world economy (Rayport and Jaworski 2001).

Over the last few years, some Iranian enterprises have adopted internet marketing and are already benefiting from it. Many Iranian SMEs have been unable to resolve such problems by themselves, which is why government authorities, financial institutions and large enterprises have undertaken to support and encourage them with their policies and their assistance programs. With a few rare exceptions, Iranian enterprises, like most enterprises in developing countries, have not yet adopted much technological innovations, often because of a lack of resources, but also because of the work habits and culture of those who manage these SMEs. Many cannot, or will not, accept the risk inherent in changing the way they do business and their decision-making processes. Although the internet

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