



## **Chapter II**

# **Internet Commerce and Exporting: Strategies for Electronic Market Entry**

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### **INTRODUCTION**

A host of new products and services are now available to more than a half-billion consumers. Firms now have greater opportunities to customize their product/service offerings as well as rely on standardized offerings as a preference. Global firms have the opportunity to customize their advertising and sales promotion messages to specific customer segments without the significant cost once involved in developing numerous messages for numerous markets. This communication segmentation strategy allows firms to achieve real dissemination strategies because of the elimination of wasted audience coverage and better-targeted messages aimed at the core benefits sought by various consumer segments. This is the new business world created by the Internet.

As a result of recent technological advances in market entry, many firms are now beginning to increase their marketing and export functions. An emerging part of new technologies development involves electronic transactions over the open network, the Internet. An important Internet characteristic is its global coverage. Using the Internet as an access to the international market, firms generate significant revenues. For example, the music CD distributor CDNow, as a pure on-line company generated 21 percent of its total revenue from international markets in the first quarter of 1998; Dell, a computer manufacturer, generated 20 percent; and FastParts, an electronic components distributor, generated 30 percent. With other numerous examples of generating international revenue on-line, the Internet has already been proven a strategic tool in the exporting process.

In this chapter we examine Internet marketing strategy for exporting and possible implications for firms using electronic technologies. The first part of this chapter presents Internet commerce as a specific entry mode to global markets using advanced technologies, represented by the Internet. Part Two introduces a model for Internet exporting strategies utilizing key components in the marketing mix (i.e., product, promotion, place, and price). The focus of this model is on the interaction between Internet commerce activities and software agents, and the potential impact on the exporting process. Applying the model of Internet-based exporting strategy to businesses, Part Three develops a strategic matrix that classifies firms based on the degree of product transferability and their capitalization on Internet technologies in exporting. Particular emphasis is given to the role of software agents in the electronic exporting process at different stages in strategy development. Finally, we summarize the impact of Internet commerce on exporting activities and highlight the benefits of incorporating new technologies into an exporting strategy.

## EXPORTING USING INTERNET COMMERCE

The information technology revolution, manifested through the Internet, has intensified the dynamics of the global market, both stimulating consumer demand and reducing domestic and international entry barriers. Businesses are now beginning to increase their international marketing and export functions by using the Internet to receive customer orders and handle inquiries (Hamill, 1997; Bennett, 1997; Samiee, 1998). There are three possible directions in Internet commerce, business to business (B2B), business to customer (B2C), and customer to customer (C2C). The biggest volume of trade has been generated by B2B relationships, typically suppliers to large companies such as General Electric, Mercedes Benz, etc. Also, Cisco and Oracle, technology companies, have transferred almost all their products to domestic and international companies using the Internet. B2C includes normal retail activities using the Internet commerce, such as book selling by Amazon.com or computer selling by Dell. Firms also use their retail operations to sell products into the global market.

C2C is a new model of the Internet-based relationship where consumers can trade using auction-designed Web sites such as ebay.com in the U.S., qxl.com in Europe, or sold.com.au in Australia. At present, for global operations the first two models are more appropriate. Going global is not just about getting first mover advantage and being ahead of the pack, it is increasingly becoming imperative for their success for all firms to invest in Internet commerce activities (Knight & Cavusgil, 1996). There are no geographic boundaries to using the Internet infrastructure—it is open, scaleable, and allows an instantaneous global presence. It is becoming the gateway through which manufacturers and service providers gain access to world markets without relinquishing control, and where physical distance is no longer an issue (Hoffman & Novak, 1995). There are numerous implications for firms if they use the Internet in exporting activities. The size of the company is not as crucially important for exporting through the Internet as it was for the traditional ways of exporting. On the other hand, cost reduction in finding new buyers and an improvement in the speed of information dissemination are the key benefits for exporters. These benefits increase companies' price competitiveness, provision of product/service information, and observation of buyer behavior. To gain the full benefits of the Internet in the exporting process, buyers need to have Internet access, a basic level of understanding of on-line trading, and a significant amount of trust in the companies they deal with. In developed countries there

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