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## Internationalization model revisited: e-marketing approach

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### Abstract

Widely used internationalization theories (e.g. Uppsala model) unfortunately do not explain phenomenon of accelerated and rapid internationalization. E-marketing role in the process of firms' business expansion outside the national borders has not been evaluated. As the Internet, ICT and e-marketing provided new opportunities for developing business abroad, internationalization model has to be adapted to accommodate a changed environment (Becker, 2012). The aim of the paper is to propose a revisited conceptual internationalization model from e-marketing perspective. The designed conceptual internationalization model integrates revisited internationalization antecedents – information availability and usage, international mindset, international business networks and communication interactivity - and e-marketing strategy and tactics perspective leading to internationalization process success.

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*Keywords:* Internationalization; E-marketing strategy; E-marketing tactics.

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### Introduction

Development and diffusion of the Internet, information, and communication technology (ICT) have made a significant impact on many areas. For companies it created new channels for communication (Salehi et al., 2012), a new market with the customer in the centre and yet unseen marketplace to meet with them (Watson et al., 2002), and new marketing opportunities. These innovations have also shaken the traditional, prevailing marketing theories and provided a basis for the birth of e-marketing. Many marketing academics have agreed that the Internet is a key platform for e-marketing including global accessibility (Laudon and Laudon, 2002), updating convenience (Sandeep and Singh, 2005), services of real-time information (Harridge-March, 2004), interactive communication (Chaffey,

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2009), more customisation abilities (Rust, Moorman, and Bhalla, 2010). “Yet never before have companies had such powerful technologies for interacting directly with customers, collecting and mining information about them, and tailoring their offerings accordingly” (Rust, Moorman, and Bhalla, 2010, p.2). Technologies provided companies with a unique possibility to develop the business reaching the customers (B2C) and partners (B2B) globally. The significant academia attention to growing e-marketing role for global development and competitive advantage (Chaffey, 2009) however is limited regarding the opportunities to develop internationally benefiting from e-marketing practices. The research gap. Widely used internationalization theories (e.g. Uppsala model) unfortunately do not explain phenomenon of accelerated and rapid internationalization from the Internet and ICT perspective (Axinn & Matthyssen, 2001; Grochal-Bredjak & Szymura-Tyc, 2013; Rask, Strandskov & Hakonsson, 2008) and how e-marketing contributes to global expansion. As the Internet, ICT and e-marketing provided new opportunities for developing business abroad, internationalization model has to be adapted to accommodate a changed environment (Becker, 2012). Given a lack of research on the internationalization in the light of recent economic and business environment changes increasing advancement in the Internet, information, and communication technology and e-marketing a revision of internationalization model is justified. Thus the scientific problem is: how do information availability and usage, international mindset, international business networks and communication interactivity, and e-marketing strategy, and tactics contribute to internationalization model?

The aim of the paper is to propose a revisited conceptual internationalization model from e-marketing perspective. Strauss and Frost (2001) claim that e-marketing enables the emergence of new business models that in their turn can add value to customers and improve firm’s financial performance as e-marketing strategy, based on emerging e-communication abilities and e-data networks, allows to broaden firms’ capabilities. This paper therefore views firm’s internationalization from the perspective of e-marketing.

The contribution and actuality for international readers. A limited attention has been paid to research of the Internet and e-marketing within international marketing literature. With the development of Internet and its impact on marketing it is vital to examine these concepts in greater depth and specifically referring to companies’ internationalization potential “there remains considerable opportunity for future exploration into international e-marketing” (Harrison-Walker, 2002, p. 19). The designed conceptual internationalization model integrates revisited internationalization antecedents – information availability and usage, international mindset, international business networks and communication interactivity and e-marketing strategy and tactics perspective leading to internationalization process success. This study takes the position that existing internationalization theories need to be revised from a new perspective. The original contribution of the paper refers to the Internet and e-marketing components integration into internationalization model. This research advances current internationalization theory with respect to the Internet and e-marketing impact on international market growth. Thus, the contribution of this study extends internationalization theory. The internationalization processes’ researchers and managers who are interested in internationalization of their business may be interested in the analysis of the complex interrelationships between Internet, e-marketing, and international market growth. Following, the major concepts of the study are briefly described and the evidence on the Internet, ICT and e-marketing contribution to firms’ internationalization reviewed to form a revised internationalization model. The paper concludes with a discussion of the revisited internationalization model architecture.

## **1. Literature Review**

### *1.1. Internationalization – evolution phenomenon*

Internationalization is primarily understood as an outward movement process of a firm’s international operations (Welsh and Loustarinen, 1993). The relationships and network focused definition have been suggested by Johanson and Vahle (2009). Internationalization process according to them is the development of networks of business relationships in other countries through extension, penetration and integration.

A more elaborate understanding of internationalization has been proposed by Rask et al. (2008) focusing on the purpose of internationalization. Researchers classify the aims of internationalization into the four types: institutional-economic, learning, strategic competition and inter-organization. Institutional-economic perspective states that the company is looking for opportunities of internationalization in order to maximize economic efficiency. Learning

perspective assumes that accumulating experience decreases risk averse of company and pushes to choose more risky markets and entry modes. Strategic competition perspective proposes that company is looking to the internationalization as to the opportunity to survive and maximize revenues. Finally, inter-organizational perspective claims that internationalization of company happens with the help inter-organizational networks to maximize position of power of the company (Rask et al., 2008). It is obvious that internationalization is a multifaceted phenomenon incorporating a set of driving forces leading to a firm's sustainable development.

The recent changes in economic life and business: emergence of network society, new customer roles, information technology development, globalization, deregulation of financial systems, and mega-alliances creation between countries (European Union, NAFTA) have changed internationalization perspective shifting it into a new mode. The new environment requires major re-thinking of internationalization phenomenon and its antecedents.

### *1.2. Internationalization phenomenon and its antecedents revisited*

The most well-known model of internationalization-Uppsala Model (Johanson & Vahle, 1977) has been claimed to be most applicable to different economies, companies, and different situations. The main assumption of U-model is that the company develops in the domestic market and that company's internationalization process takes place as a series of incremental decisions. The basic assumption of U-model is related to market commitment and market knowledge (Forsgren & Hagström, 2007). The authors emphasize the value of experiential knowledge proposing that internationalization is an incremental process during which a company accumulates knowledge about a foreign market and eventually commit more resources to that market. Researchers agree that marketing managers' orientation towards internationalization is based on their experience and knowledge (Siegel, 2004). The new environment, in particular the Internet and ICT, created a different approach to market knowledge shifting it to the Internet based perspective: Information availability due to the Internet and the Internet-based Information usage.

Information availability. The need for the information about foreign market in the process of expansion to international markets has been well established (Johanson and Vahlne, 1977; Zahra and Ireland, 2000) as the lack of knowledge is related to perceived risk of internationalization success (Cavusgil, 1980). Information about the markets has been gained these days mainly through the Internet. Research has proven that firms acknowledge the Internet's capacity to gain information about international markets (Hamill and Gregory, 1997). Thus the Internet based information availability is an important antecedent of firm's internationalization process success. Therefore the hypothesis that "The information ability of a firm has a positive relationship with internationalization process success" can be postulated. Information usage. Firms have to not only have the capacity to access information about international markets, but also, more importantly, be able to use it: analyze, evaluate, and transfer it to firm's competitive advantage. Researchers agree on the ability of managers' to use the international information aiming to expand to foreign markets (Johanson and Vahlne, 1977; Zahra and Ireland, 2000). Therefore the hypothesis "International information usage has a positive relationship with internationalization process success" can be postulated. International business networking and communication interactivity are also well-defined internationalization antecedents. Researchers have highlighted the importance of social networks for companies' internationalization as they are important identifying opportunities, helping to learn about foreign markets, helping to choose the mode of entry, acquire information and resources (Chetty and Agndal, 2007). Moreover according to updated Uppsala model, companies internationalize incrementally and the internationalization process is determined by the network communication interactivity in which the company is embedded. Johanson and Mattsson (1988) suggest that internationalization occurs when the company takes consideration of its business network environment. Here network is understood as evolutionary process when a company develops its existing position in order to increase its resource commitments only after it first establishes its position in new networks.

Developing on Johanson and Vahle (2009) point of view relationships not only offer companies an opportunity to learn about a foreign market, but also are more important than country specificity. Jones and Coviello (2005) assume that company's network development starts domestically and is an important prerequisite to international network development. To sum up personal contact networks and social interaction play a significant role in the entering international markets (Welch & Loustarinen, 1993). The network approach of internationalization is based on continually established, developed, and maintained relationships allowing successfully achieving company's

objectives (Johanson & Mattsson, 1988). Therefore the hypotheses “International business networking has a positive relationship with internationalization process success” and “Communication interactivity has a positive relationship with internationalization process success” can be postulated.

International mindset is one more successful internationalization process antecedent. Researchers agree that “global mind-set” is a prerequisite for successful internationalization (Levy et al., 2007). It has been proven that international readiness of companies’ management characteristics are considered significant to marketing efforts when entering the international online arena (Arnott & Bridgewater, 2002; Harrison-Walker, 2002). Thus firm’s management international mindset and orientation (Mellahi et al., 2002) may lead to failure in overseas markets “management’s lack of vision and the lack of will and ability to respond effectively and make the necessary adjustments to reverse the spiral of decline triggered by external factors”. Consequently international mindset readiness of management is considered significant to marketing efforts when expanding to international markets (Harrison-Walker, 2002). The marketing decisions depend on positive international orientation of marketing team (Moen, 2002) and therefore may affect company’s integration of Internet and e-marketing in international markets’ expansion. To sum up the literature on the internationalization provides a list of arguments indicating that lack of appropriate international mindset is necessary to adopt e-marketing potential and can impact a successful expansion abroad Therefore the hypothesis “International mindset has a positive relationship with internationalization process success” can be postulated.

### *1.3. E-marketing and internationalization*

The researchers agree that internationalization theory in the light of significant changes has to be reviewed (Petersen, Welch and Liesch, 2002). The Internet, being one of the major causes of the change, has made a significant contribution to business internationalization as well as marketing. A new paradigm of marketing - e-marketing came into play. Consequently there is a growing awareness among the academia and industry about the contribution of e-marketing to firms’ global expansion (Strauss and Frost, 2006; Chaffey, 2009; Sandeep and Singh, 2005). It is obvious that emergent e-marketing practices are bringing new perspectives to firms’ internationalization process. E-marketing is mainly understood as innovative technology-based marketing enabling interactivity between a company and customers. Chaffey (2009) proposes that e-marketing integrates information systems, information technology, and e-business strategy to create, communicate, and deliver value to customers. Thus the traditional marketing strategy and tactics have to be revised (Chaffey, 2009) in the light of firms’ internationalization process perspective. E-marketing strategy. Strategy, being a plan to achieve goals, is the most important e-marketing factor. Bui, Le & Jones (2006) discuss the importance of clear objectives foremost. They argue that when objectives are precisely set, the companies can allocate resources effectively. E-marketing strategy according to Chailom (2012) is relevant to any other strategy which incorporates the usage of the Internet and other digital information technologies. Strauss et al. (2006) claim that e-marketing strategy is the combination of traditional marketing and technology strategy. Sigala (2001) points out other criteria important to e-marketing strategy’s effectiveness and competitiveness. It is argued that higher sophistication and personalisation of e-marketing strategies is related to the previously mentioned success. This observation is in line with the ideas of Bui et al. (2006). No doubt e-marketing provides a powerful tool for marketers to reach international markets. Therefore the hypothesis “E-marketing strategy is moderating the relationship between Information availability and usage, International business networks and communication interactivity, International mindset and Internationalization process success”.

E-marketing tactics. The recommendation for e-marketing tactics is to entrust web site development and (Bui et al., 2006) and firm’s orientation towards technologies. Academics and practitioners agree that the both interdependent factors - web site and technological orientation - are very important firm’s marketplace enabling either to succeed or fail while expanding the business internationally. Alexander and Meyers (2000) emphasize that technological innovation may be the indicators of competitive advantage for entering international markets. The plethora of evidence as to the success in internationalization process confirms the importance of firms’ orientation towards technologies. The technological capabilities of a firm, which are exposed in the firm’s website very well, are closely associated with commitment to foreign markets (Johanson and Vahlne, 1990). Kyläheiko et al. (2010) pose that a successful firm needs to have technological capabilities to exploit economies of scope. To sum up, firm’s web site design and orientation towards technologies may facilitate or prohibit e-marketing strategy implementation.

Thus the hypothesis “The relationship between e-marketing strategy and internationalization process success is moderated by e-marketing tactics - website design and firm’s orientation towards technologies” can be postulated.

#### 1.4. Proposed internationalization model

Internationalization in this paper is defined as firm’s international operations enhanced by e-marketing and technologies’ based management perspectives. The proposed internationalization model integrates revisited internationalization antecedents – information availability and usage, international mindset, international business networks and communication interactivity - and e-marketing perspective leading to internationalization process success. E-marketing tactics component is hypothesized to have a moderating effect on the e-marketing strategy and internationalization success relationship. E-marketing factors –marketing strategy and marketing tactics - add significant value when evaluating internationalization processes. The proposed model represents a conceptual revisited internationalization framework in the light of the changes of economic and business environment (Fig. 1).

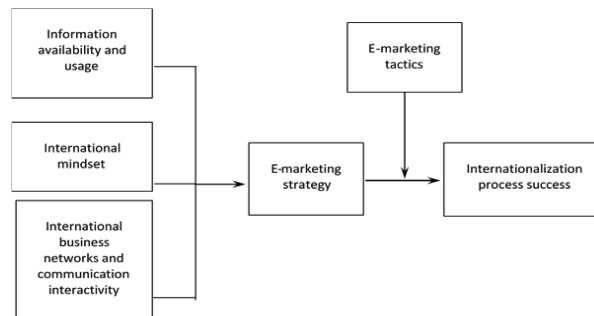


Fig 1. Revisited internationalisation model: e-marketing approach

## Conclusions

The historical development of theoretical models of internationalization covers many different aspects which are important however globalization and hyper-competition have led to new phenomenon of international start-ups which represent a challenge to old approaches of internationalization. New approaches and new theories need to be developed and e-marketing approach offers a fresh perspective of internationalization. This study contributes to internationalization development theory with the conceptual integration of various internationalization theories into a new area of e-marketing. This study also contributes to theory by proposing a revised theoretical integrative conceptual model centring on three major internationalization antecedents (information availability and usage, international business networks and communication interactivity, and international mindset) as well as key factors of e-marketing: e-marketing strategy and e-marketing tactics. The Internet and ICT are vital for the internationalization and e-marketing. Meanwhile, traditional internationalization theories do not explain the patterns of internationalization nowadays, emerged from changes brought by the Internet and ICT. It is argued that overall theories of management, marketing and internationalization must be reviewed with respect to the changes of economic and business environment in particular the Internet and ICT emergence (Axinn & Matthyssen, 2001). Researchers notice that accelerated and early internationalization are driven by the Internet (Bell & Loane, 2010). It is also important to notice that Internet, which is a base for e-marketing, is international in nature (Moini & Tesar, 2005). Talking about links between e-marketing and internationalization, researchers frequently refer to the Internet provided resources and capabilities, which companies need to manage which is especially important to middle and small size companies as their resources and capabilities are scarcer than resources of large companies and multinational corporations (Bell & Loane, 2010). For example, the Internet can be used as a worldwide accessed sales channel to overcome scarce resources and foreignness liability, and speed up internationalization (Arenius et al., 2006). Moreover, the Internet helps to gather information about foreign market and improve communication and networking with all stakeholders abroad, which are important for successful internationalization (Tiessen et al.,

2001). On the other hand, because of the global nature of the Internet and increasing number of internationalized companies, markets become saturated quicker than ever before (Axinn & Matthysens, 2001). Furthermore e-marketing capabilities, born from application of the Internet to marketing, speed up internationalization (Luo, Zhao & Du, 2005). So, practical implication of the new approach to internationalization is also significant. The e-marketing adoption benefits reported by many academics include: improving personalization and customization of offerings, enhancing customer relationships and reducing marketing costs compare to traditional marketing operating 24/7 and round the clock in 365 days (Ngai, 2003). However the current literature does not explore the areas related to internationalization performances from an e-marketing perspective. Hence, a revised internationalization framework provides insights into the current internet enabler marketing potential for firms to expand internationally and create competitive advantage. Future research is needed to test the proposed e-marketing enhanced internationalization model empirically.

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