

A THREE COUNTRY COMPARISON OF INTERNET MARKETING

Stewart Adam
Deakin University

Rajendra Mulye
RMIT University

Kenneth R Deans
University of Otago

Dayananda Palihawadana
University of Leeds

Abstract

This paper provides information on business use of the Internet (Net) and World Wide Web (Web) across three countries *viz* Australia, New Zealand and the United Kingdom (UK), and explores reasons for observed differences in use. The study reports that UK firms are more likely to use the Internet in relationship management than are Australasian firms. The conclusion drawn is that while there is less sophisticated business use of the Internet by Australasian companies relative to UK companies, this is but one reason for lower household penetration of the Internet and lower online purchasing levels.

Introduction

It is not surprising that most Internet marketing studies are conducted solely from the United States perspective given that North America accounts for 151 million people using the Net, representing 40% of all Internet users—with over a third of these in the United States, and over 40 million US citizens buying online (Webstatistics.com 2001). While there have been studies conducted recently in Australia (Poon and Swatman, 1999) and the United Kingdom (Ng, Pan et al., 1998) it is not possible to draw any conclusions from these studies as to how and, more importantly, why business use of the Internet differs across these countries. In this descriptive paper, we attempt to address first part of the puzzle – ‘how’ or in what important ways do businesses in these countries differ in their use of the Internet and speculate on ‘why’ these differences exist in countries that operate in, arguably, similar market environment. While it would be interesting to extend this comparison to countries such as Singapore, we believe it is more important to understand the nature of differences in Internet use in countries that are similar in many respects than countries that are dissimilar where the differences would be obvious. Besides we were unable to do so because the list of domain names is not publicly available in Singapore.

In this paper we compare the countries using comparable sample bases, questions, and time frames. This comparison is needed because of systemic differences between countries in terms of household ownership of computers, Internet usage and online purchasing, and it is necessary to know if these differences reflect differences in strategic Internet use by the companies in these countries, whether cause or effect. There are reasons put forward for the lower Australasian usage, particularly lower online purchasing, such as "distance from major

markets, the early stages of eCommerce adoption, and much higher levels of consumer concern about Internet security" (Ernst and Young, 2000, p.2). There is also a possible technological reason for this difference in that only 1.5 percent of Australian households have broadband access, compared with 11 percent of households in the United States and 57 percent of Korean households (Paul Budde Communication 2001).

There is a conundrum presented for marketing organisations that set out to use a global medium to communicate primarily with local Internet users, who may well click for global information search using two fingers, but who in the main still shop on two legs at the local level. Thus, an important issue this paper addresses is to explore whether or not lower Australasian consumer usage of the Internet is a result of less sophisticated business usage of the Web relative to the United Kingdom, or for some other reason.

Online Marketing Strategy

In the eight years business and government have been using the Internet, they have struggled to accommodate this new interactive medium in their integrated marketing communications (Hofacker and Murphy, 1998; Dholakia and Rego, 1998), or broadly use the medium as a direct response tool (Adam, 2001), and more particularly as a relationship management aide (Adam, Mulye et al., 2001; Kenny and Marshall, 2000).

Newer online business models have generated a great deal of news media attention (Argy and Bollen, 1999; Rappa, 2001), consulting firm input (Andersen Consulting 1998; KPMG, 1999; Ernst and Young, 2000) government endorsement (Henry, Cooke et al., 1997; NOIE, 2000), academic attention on marketing communication (Novak, Hoffman and Yung, 2000; Hoffman and Novak, 1996; Hofacker and Murphy, 1998), business processes such as exchanges (Klein and Quelch, 1997), alliance co-ordination (Steinfeld, Kraut et al., 1995) as well as trust and commitment (Ang and Lee, 2000) in online relationship management (Adam, Mulye and Deans, 2001).

Specific benefits are put forward for business use of the Web. These may be grouped as *productivity based* and *revenue-growth based* (Hanson, 2000) and include: global presence; establishing and maintaining a competitive edge; shortening or eradicating components of supply chains (disintermediation); cost savings; and a research advantage (Ng, Pan et al., 1998). The views put forward by Rayport (1999) and Porter (2001) contrast with those of Ng, Pan et al., particularly in the way the former authors suggest that Internet marketing organisations have failed to seek strategic advantage, and in the way they have encouraged their own judgement on spurious financial outcomes. The conflicting views put forward by e-Commerce aficionados and the more circumspect management strategists concerning the Internet's role in business further confirm the need for inter-country studies of the strategic use of the Internet.

Method

The data for this paper has been pooled from two studies conducted by the authors: the 1999/2000 Australasian WebQUAL Audit (Adam and Deans, 2000), and a 1999/2000 study in the United Kingdom (Palihawadana and Nair, 2000). In this section, we discuss the methodology employed in each study.

Australia and New Zealand WebQUAL Audit

The WebQUAL Audit carried out in Australia and New Zealand is a multi-stage, longitudinal, probabilistic study of business and government use of the Web. There were three phases to the 1990/2000 study: 1) an online email and Web form survey <144.132.42.242/webqual/webqual.htm> of a random sample of Australian and New Zealand organisations with registered domain names, 2) content analysis of respondent Websites <144.132.42.242/webqual/WebQualConceptualModel.htm>, and 3) personal interviews with selected respondents. The first stage of the study involved an email invitation to a sampling frame of 2,976 Websites drawn from the early 1999 population of 81,563 Australian and 17,888 New Zealand domain names (com/co; asn; edu; org; and gov). This followed a pre-test of the email and Web form software interface as well as the SQL database technologies used. The then publicly available lists of domain names in both Australia and New Zealand were used to systematically draw samples in each country, using a skip interval of 31. Before sending the email invitation to participate, each Website was visited to obtain an email address. Potential respondents were sent a country-adaptive email inviting them to participate in the survey and supplied an access code at this time. The specially developed software used was able to detect respondents who had entered the survey pages but who had not completed the survey. These respondents were re-contacted to optimise the response rate, along with the use of three reminders in the 21 days the survey Website was held open.

The study achieved a response rate of over 17%, with an overall useable response of 399 (13.4%). The analysis of results used in this paper mainly involves the online survey phase of the study in Australia and New Zealand.

United Kingdom

The UK study was carried out in 1999/2000 with the key objectives of ascertaining the characteristics of firms that have adopted the Internet in business-to-business marketing, and to examine and evaluate the variety of uses, and the extent, to which Internet is used in marketing by business-to-business organisations in Britain.

A survey was carried out among marketing organisations in Britain. A skip interval of 100 was used to systematically draw the sample of 560 firms from the population of 56,067 business organisations listed in the *Yahoo! Directory for the United Kingdom*. It is to be noted that the number of businesses that operate online in the U.K. increased rapidly, with Ng et al (1998) reporting an increase in the overall number of business sites from 20,000 in 1995 to 277,000 by 1997. In the sampling process, no distinction was made concerning the nature of the organisations' Web presence. That is, no account was taken of whether the organisation's Website simply provided basic information, or additionally, was a full secure transaction site with relationship enhancement capabilities. The only criterion employed was that the domain names selected were primarily business organisations; with an emphasis on business-to-business. Nevertheless, many of the organisations sampled, served both the consumer market and the business market, with some undertaking marketing only using the Internet, while for others, the Net was but one marketing channel used.

Questionnaires were emailed during the first week of December 1999, resulting in 143 (25.5%) responses by the beginning of January 2000. After discarding 7 responses due to

partial completion, 136 complete responses (24.3%) were used in the final analysis. The questionnaire included several sections on company profiles, the Web environment, and areas of Internet use such as marketing strategy, product strategy, promotion, pricing, distribution and managing customer relations. In the main, the questionnaire was devoted to generating information on the manner in which Internet is used by business firms. In addition to seeking information on business use of the Internet, the study sought to establish the extent to which the Internet contributes to company performance as well as the possible connection between company characteristics such as size and industry sector and the variety and extent of Internet use in business-to-business marketing.

Results

The inter-country study involves a comparison of responses to 16 key questions that have been grouped in Table 1.

Table 1. Internet uses in Australia, New Zealand and the United Kingdom

Internet uses	UK n=133 (% Yes)	Australia n=242 (% Yes)	New Zealand n=74 (% Yes)	Sig. (2-sided)
<i>Strategic goals</i>				
Gaining competitive edge	76.7	14.0	18.9	χ^2 159.75, $p = .000$
Marketing intelligence	4.5	31.0	35.1	χ^2 39.39, $p = .000$
Corporate image	78.9	81.4	83.8	χ^2 .763, $p = .683$
Cost-effectiveness	61.7	28.1	25.7	χ^2 46.57, $p = .000$
<i>Marketing communication function</i>				
Provide product information	84.2	81.4	83.8	χ^2 .553, $p = .758$
Customer information purpose	55.6	90.1	90.5	χ^2 69.72, $p = .000$
Building brand identity	75.2	81.4	83.8	χ^2 2.88, $p = .237$
<i>Marketing logistics function</i>				
Direct sales	36.1	31.0	39.2	χ^2 2.12, $p = .346$
Online ordering facility	30.8	31.0	39.2	χ^2 1.928, $p = .381$
Realtime order-processing	16.5	12.0	10.8	χ^2 1.983, $p = .371$
<i>Relationship management function</i>				
Maintain relationships	59.4	37.6	37.8	χ^2 17.94, $p = .000$
After-sales service	0.8	16.5	14.9	χ^2 21.79, $p = .000$
Online customer service	44.4	9.5	9.5	χ^2 71.602, $p = .000$
Online communication facilities with customers (e-mail and /or form)	55.6	93.0	85.1	χ^2 77.742, $p = .000$
Online customer communities	31.6	3.3	5.4	χ^2 68.518, $p = .000$
Promptly handling customer queries	65.4	14.9	12.2	χ^2 118.297, $p = .000$

The responses are grouped into four categories, namely *strategic goals*, *marketing communication function*, *marketing logistics function*, and *relationship management function* on the basis of the categories of use reported for small business by (Adam and Deans, 2001) using a factor analysis of 11 business uses of the Internet.

Discussion and Implications

The primary goal of this paper was to compare the results of online studies carried out in the three countries selected that each explore commercial use of the Internet. The studies have similar timeframes and methodologies, and were conducted in similar cultural environments. The comparisons made in this study are based on responses to a subset of questions common to the three studies. These responses are grouped as indicated in Table 1. While there are many similarities evident in how business uses the Internet, there are also considerable differences across the countries in terms of these groupings.

The most pronounced difference appears in the strategic use of the Internet to gain competitive advantage, to improve cost-effectiveness, as well as on many aspects of relationship management where Australian and New Zealand companies under-perform their UK counterparts. This might be thought to be the result of UK businesses using the Net longer than Australasian firms. However, even when the affect of time is controlled for via a three-way cross-tabulation, the results remain the same. Thus, time has no measurable affect.

In order to understand these results more clearly, we highlight a point made by Adam and Deans (2000) to the effect that businesses follow some sort of an evolutionary process whereby they migrate from marketing communication use to marketing transactions use and then lastly to use the Net in relationship management. The findings of this study do lend support to this observation in that Australian and New Zealand firms were using the Internet to communicate with local firms, and maintain relationships at a local level in support of sales made through traditional channels. Where the respondent firms were using the Net to transact, they were seeking revenue growth from international buyers. We suggest that because there is fragmented use of the Internet across these functions, business does not see such use as leading to a strategic advantage. Porter (2001) provides a further reason when he points out that the Internet is a possible source of fear for many companies and industries, in that it lowers the cost of entry for both substitutes and competitors.

However, a conundrum is evident from the studies. At issue is whether the purchasing behaviour of Australians and New Zealanders is a consequence of a failure by business to strategically use the Net to its full potential, or rather, that business views low online purchasing levels as a reason not to invest in the Internet beyond using it as they do the telephone, or indeed mass media such as free-to-air television. This latter point was made by Poon and Swatman (1999). The answer to this conundrum is not immediately obvious, and suggests the need for further research. It is clear that further research is needed from the consumer perspective, to unequivocally establish whether it is consumers who are reticent in their use of this new interactive medium for transaction and fulfilment purposes, or if business is indeed making a less than optimal use of the technological capabilities of the Internet in marketing practice.

References

- Adam, Stewart (2001). "OnetoOne eMarketing Strategy Alignment: Five Internet Case Studies". *Academy of Marketing Annual Conference*, Cardiff, Wales, United Kingdom, Cardiff University, (2-4 July): CD-ROM.
- and Deans, Kenneth R. (2001). "Inter-Study Comparisons of Small Business Internet Use in Australia and New Zealand". *AusWeb 01 Conference Proceedings*, Coffs Harbour, Southern Cross University, (21-25 April): <http://ausweb.scu.edu.au/aw01/papers/refereed/adam/index.html>.
- , Mulye, Rajendra and ---- (2001). "The Evolution of Relationships in eMarketing". *Customer Relationship Management: Emerging Concepts, Tools and Applications*. Sheth, Jagdish N. Parvatiyar, Atul and Shainesh, G. Tata McGraw-Hill, New Delhi: 135-142.
- and ---- (2000). "Online Business in Australia and New Zealand: Crossing a Chasm". *AusWeb2K Conference Proceedings*, Cairns, Australia, Southern Cross University, (12-17 June):pp.19-34. <http://ausweb.scu.edu.au/aw2k/papers/adam/index.html>.
- Anderson and Consulting (1998). "eCommerce: Our Future Today". Sydney, 45.
- Ang, Lawrence and Lee, Boon-Chye (2000). "Engendering Trust in Internet Commerce: A Qualitative Investigation". *ANZAM 2000 Conference Proceedings*, Sydney, Macquarie University. <http://www.gsm.mq.edu.au/conferences/2000/anzam/banner.html>.
- Argy, Philip and Bollen, Rhys (1999). "Australia: Raising the eCommerce Comfort Level". *IT Pro*, 56-58.
- Paul Budde Communication (2001). "Broadband Access Among Internet Households 2001", reprinted in Meredith, H. (2001). "DSL, we export what we cannot have". *The Australian Financial Review*, (24 May): 46.
- Dholakia, Uptal M. and Rego, Lobo L. (1998). "What makes commercial Web pages popular? An empirical investigation of Web page effectiveness". *European Journal of Marketing*, 32(7/8):724-736.
- Ernst and Young (2000). "Virtual Shopping in Australia". Sydney, Australia.
- Hanson, Ward (2000). *Principles of Internet Marketing*, South-Western College Publishing, Cincinnati, Ohio.
- Henry, Dave Cooke, Sandra and Montes, Sabrina (1997). *The Emerging Digital Economy*. Secretariat on Electronic Commerce, U.S. Department of Commerce, Washington, D.C.
- Hofacker, Charles F. and Murphy, Jamie (1998). "World Wide Web banner advertisement copy testing". *European Journal of Marketing*, 32(7/8):703-712.
- Hoffman, Donna L. and Novak, Thomas P. (1996). "Marketing in Hypermedia Computer-Mediated Environments: Conceptual Foundations". *Journal of Marketing*, 60(3):50-68.
- Kenny, David and Marshall, John F. (2000). "Contextual Marketing: The Real Business of the Internet". *Harvard Business Review*, 78(6):119-125.
- Klein, Lisa R. and Quelch, John A. (1997). "Business-to-business market making on the Internet". *International Marketing Review*, 14(5): <http://www.emerald-library.com/brev/03614ec1.htm>.
- KPMG (1999). "Electronic Commerce: The Future is Here!" Melbourne, 15. www.nolannorton.com.
- Ng, Hooim Im, Pan, Ying Jie and Wilson, T. D. (1998). "Business Use of The World Wide Web: A Report on Further Investigations". *International Journal of Information Management*, 18(5):291-314.
- NOIE (2000). "e-Commerce beyond 2000". Canberra: 1-200. <http://www.noie.gov.au>.
- Novak, Thomas P., Hoffman, Donna L. and Yung, Yiu-Fai (2000). "Measuring the Customer Experience in Online Environments: A Structural Modeling Approach". *Marketing Science*, 19 (1), 22-42.

- Palihawadana, Dayananda and Nair, P. (2000). "An Investigation of Internet Use in Business-to-Business Marketing in Britain". *Academy of Marketing Annual Conference 2000*, Derby, UK, University of Derby.
- Poon, Simpson and Swatman, Paula M. C. (1999). "A Longitudinal Study of Expectations in Small Business Internet Commerce". *International Journal of Electronic Commerce*, 3(3):21-33.
- Porter, Michael E. (2001). "Strategy and the Internet". *Harvard Business Review*, 79(3):63-78.
- Rappa, Michael (2001). "Business Models on the Web". *North Carolina State University*, (9 April): http://ecommerce.ncsu.edu/business_models.html.
- Rayport, Jeffrey F. (1999). "The Truth about Internet Business Models". *Strategy+Business*, (26 July): www.strategy-business.com/briefs/99301/page1.html.
- Steinfeld, Charles Kraut, Robert and Plummer, Alice (1995). "The impact of electronic commerce on buyer-seller relationships". *Journal of Computer-Mediated Communication*, 1(3). <http://jcmc.huji.ac.il/vol1/issue3/steinfld.html>.
- Webstatistics.com (2000). Accessed 15 May 2001.