THE DEVELOPMENT OF AN INTERNET MARKETING ADOPTION FRAMEWORK FOR SMALL BUSINESS ENTERPRISES: RESULTS FROM AN ONLINE FOCUS GROUP

Noor Fadhiha Mokhtar: Victoria University, Melbourne, Australia
Stephen Burgess: Victoria University, Melbourne, Australia

Contact: Noor Fadhiha Mokhtar, Victoria University, Level 14, Faculty of Business and Law, 300 Flinders Street, City Flinders Campus, 3000 Melbourne, Australia, (T) +61412163665, Email: noorfadhiha.mokhtar@live.vu.edu.au

ABSTRACT

This paper presents the development of an Internet Marketing Adoption Framework for Small Business Enterprises based on the result gathered from an online focus group. The expert panels for this online focus group consist of academics from a variety of disciplines. The main areas of expertise sought were: e-commerce and small businesses, marketing, ICTs, and small business in developing countries (or cross-section of these areas) and it provided different thoughts and perspectives which covered all aspects for the framework.

As the results from the discussion, a number of changes were suggested to be made on initial framework, in terms of the structure and its components. Based on the discussion, two new indicators were suggested to be added as new antecedent to Internet marketing; the customer and competitor indicators which it will becomes the external forces that pressure small businesses to adopt the Internet marketing as a marketing tool. The pressures and demand from customers and competitors will indicate small businesses to diverse their marketing activities via the Internet. Besides, the experts suggested considering the business strategies into more micro perspectives which appropriate to comply the uniqueness of small business nature.

INTRODUCTION

With the advent of Internet technology and the globalization of economies, many businesses see an opportunity to expand their products and services into a broader marketplace. The Internet can provides many advantages, especially for small business enterprises in relation to assisting them to reduce their marketing costs and improve their productivity. Nevertheless, small business enterprises experience a variety of challenges in business environment such as limited financial resources, a shortage of skilled workers, and inadequate infrastructure (Kodakanchi, et al., 2006). Instead of that, the marketing approaches of these businesses are depends on how the owner operates and runs the businesses which are often mixed and less formal. Bode (2003) supported that many small business enterprises often do not engage in strategic planning for their businesses.

The Internet can be the important factor in enhancing a firm’s market reach and operational efficiency (Porter, 2001). However, Poon & Swatman (1999) found that Internet marketing managed to fulfil some of business objectives. Based on the research findings, shown sales are lower than expected with the use of an Internet as virtual marketplace but it helps to minimize time consumption in searching for resources, develop the networking, and share the expertise. Poon & Swatman also added that the effective use of Internet for businesses depends on which sector the businesses are in. Besides, Herbig and Hale (1997) indicated that some businesses are found successful in advertising, marketing, promoting and distributing their products and services via the Internet whiles some of the businesses are hesitant of using the Internet for their particular needs. They are afraid to jump on the bandwagon but they are also afraid of being left behind by the current online businesses (Herbig & Hale, 1997).
Herbig and Hale (1997) believed that the number of online users will positively increase as it is relevant when the marketers provide pleasant online services, convenient, affordable and safe thus it will certainly the marketing aspects.

The four major indicators were proposed in the initial framework, which are e-readiness, business aims and strategies, Internet marketing, and the evaluation of Internet marketing. These indicators were developed based on the literature. It is important to include these indicators in the initial framework as the framework was mainly to propose the Internet marketing adoption framework for small business enterprises. The framework focussed on the readiness of the business to adopt the Internet as part of their marketing planning and business strategies that drive them towards business growth.

LITERATURE REVIEW

The literature review discussed the major indicators of the framework which are e-readiness, business aims and strategies, Internet marketing, and the evaluation of Internet marketing performance.

E-readiness
Rizk (2007) pointed out that many small business enterprises are low in their level of e-readiness because of lack of e-infrastructure and also barriers in terms of awareness and human capital. Lack of suitable infrastructure, limited of financial resources, lack of technological advancement, skilled and educated workforces are the major barriers hindering small business enterprises’ ability to succeed in today’s globalised economy (Stephenson & Arinaitwe, 2006). Developing countries face major challenges in terms of e-readiness such as development of adequate infrastructure, their economic situation, their social and cultural environments, and business culture and are thus behind in comparison to developed countries (Kapurubandara, et al., 2004). Kapurubandara & Lawson (2006) found that small business enterprises are reluctant to invest in ICT, probably due to a fear of changing policies to suit changes of government affected by political barriers. However, Al-Qirim (2007) argued that government policies and strategies only have a small impact on the adoption of Internet in small business enterprises.

Cross-country differences of culture can act as a barrier to ICT adoption (Erumban & Jong, 2006). It was important for small business enterprises’ owners or managers to know their own culture and level of organizational learning, before promoting organizational learning to their employees (Graham & Nafukho, 2006). Graham and Nafukho also added that efforts should be made to understand the background of employees who are involved in learning processes. Thus, levels of education, skills, capital availability, business culture and other factors are keys for successful business operation. The implementation of Internet in the business operations is significant to owners’ attitude as the decision to adopt the Internet is depending on owners. The study conducted by Scupola (2009) on perceptions of Danish and Australians’ SMEs found that all the decision to adopt the Internet in the businesses of Danish and Australian businesses been made by the owners, where the ideas to adopt the Internet had generated by the employees due to customers’ pressure. Instead of that many small business enterprises perceived the adoption of ICT in their businesses do not provide value for their money and they also believed that the cost of ICT outweigh compare the benefits of ICT it selves (Chesher & Skok, 2000). Instead of that, Finance could be considered a critical element to small businesses in their ability to invest in ICTs as small businesses are highly dependent on their financial conditions (Stephenson & Arinaitwe, 2006).

Business aims and strategies
Mazzarol (2004) noted that small business enterprises are typically lacking in strategic planning and long-term vision. Thus, small business enterprises may not achieve their complete planning goals and fullest performance, and their survival might be placed at risk when they neglect strategic planning for their potential growth (Berry, 1998). Gundry & Welsch (2001) indicated that key strategic success factors perceived by high-growth oriented entrepreneurs are: the reputation of their businesses, a strong focus on quality product or service, available cash to grow the business and effective leadership. Entrepreneur’s attitudes and their decisions pertaining to a growth strategy can influence their business growth (Burke & Jarrat, 2004). According to Elmuti & Kathawala (2001) a strategic alliances strategy can be an important tool to attain and maintain competitive advantage. Wheelen & Hunger (2000) added that the businesses commonly performed strategic alliances for gaining technology
advancement, to penetrate specific markets, minimize financial and political risk, and to gain competitive advantage. The strategic alliances concept may appeal to businesses due to potential cost savings, quality improvement of business operations and cheapest labour or production costs.

The cooperation of SMEs may involve with various of relationships with other group, such as competitors and customers (Roy, 1998; Tuusjarvi & Moller, 2009). Roy added that these networks are generally more flexible and require fewer resources than do, such as strategic alliances. Pesamaa and Hair Jr. (2007) pointed out that the formation of cooperative networks could be one of the solutions for the small businesses to survive in the marketplace. Lifestyle entrepreneurs typically seek independence and control over their own schedule (Henderson, 2002). Lifestyle entrepreneurs are fuelled by the desire to earn a respectable living, gaining satisfaction in career achievement and having quality time with family and friends (Henderson, 2002). Murry (2002) captures lifestyle entrepreneurs’ desire for quality of life, suggesting a balance in family and business demands generally enhances one’s awareness that life is meaningful and manageable.

**Internet marketing**

Internet marketing is defined as **the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both buyers and sellers** (Imber & Betsy-Ann (2000) cited in Ngai (2003, p. 24). The terms Internet marketing and e-marketing are often used synonymously and are taken as having the same meaning (Gilmore, et al., 2007). The implementation of Internet marketing by small business enterprises could change the nature of businesses around the world as the Internet creates a faster communication channel for marketing (El-Gohary, 2007).

Internet-marketing does affect the four basic P’s and adds its own four correspondent objectives that extend beyond these basic four. The 4C’s, namely customer, cost, convenience and communication define a web site’s primary purpose (Smith, 2003). Smith suggested that the businesses should know what the customer needs and wants instead of the product itself. The new era of marketing approaches via the Internet can offer improved customer service by customizing offers for customers, personalizing sites and providing added value which leads to customer loyalty rather than the traditional marketing approach which is much more concerned on physical presence and creating a totally new shopping experience (Walsh & Godfrey, 2000). Businesses should consider the cost born by the customers as well as making profits. The use of Internet gives convenience to the customers as they could purchase the products from home (Smith, 2003). Internet marketing can offer services ‘around the clock’ and around the world which means people could potentially access goods wherever they are located (Walsh & Godfrey, 2000). Businesses also need to focus on developing two-way communication with customers instead of having one-way communication (Smith, 2003). Businesses can take the opportunity of the Internet as a communication channel to exchange and communicate information with customers (Kiang, et al., 2000). The Internet could allow the businesses to quickly respond to market changes and customer preferences. The usage of the Internet in the business may reduce the advertising and promotion costs; increase communication speed between buyer and seller; shorten the traditional supply chain, minimize the transportation obstacles and reduce delivery cost; provide savings in transaction costs; and minimize the physical limitation of time and space (Chan, 2001; Schneider, 2002).

**The evaluation of Internet marketing performance**

Larsen & Bloniarz (2000) identified the steps to access and measure the performance in determining the benefits of using the Internet in businesses through the use of a performance worksheet. This model is primarily for businesses that have not yet decided whether or not to deliver online service. This model is also appropriate for businesses considering expansion of their Web sites with additional services. In accessing and measuring performance, the major benefits are characterized into three categories; better, cheaper, and faster. Indirect benefits may include increased public visibility for the business and improved staff morale.

Payne (2002) suggested some features that can be used to measure the expected result of e-commerce performance:

- Increase of revenue per employee
- Increase of customer satisfaction
- Reduce of inventory
- Increase sales per salesperson
The suggested method of measurement by Payne (2002) is more or less similar to Larsen & Bloniarz (2000) and Wen, Lim & Huang (2003). However, they have been presented in a simpler way, particularly for small business enterprises in developing countries when measuring the success of Internet marketing.

AN INTERNET MARKETING ADOPTION FRAMEWORK FOR SMALL BUSINESS ENTERPRISES

The initial framework is developed with the purpose to assist small business enterprises to adopt Internet marketing as a part of strategic planning in their businesses. The initial framework was derived from e-readiness and business aims and strategies which will lead to the Internet marketing approach and finally the evaluation of the Internet marketing performance to small business enterprises.

In the e-readiness indicator, it consists of six factors that have been listed based on the literature review; infrastructure, policy, culture, owner’s attitude, shortage of skilled workers and limited of financial resources.

The level of impacts on e-readiness of small business enterprises in developing and developed countries were indicated to be considered either they are ‘e-ready’ or not to be ‘e-ready’ based on the related factors. The business aims and strategies were chosen to be as one of the indicators in order to know whether it is applicable to small business enterprises in generating long-term goals. The selected strategies for business aims and strategies indicator were growth strategy, strategic alliances, co-operation strategy, and lifestyle strategy. The e-readiness and aims and strategy will be the main indicators for the implementation of the Internet-marketing approach to the small business enterprises.

For Internet marketing indicator, the extension of basic principle of marketing (4P; price, place, promotion, and product) were selected which was the 4 C’s. The 4 C’s consist of customer, communication, convenience and cost. These elements will be considered in implementing an Internet marketing approach for small business enterprises. Finally, the performance of Internet marketing will be evaluated based on revenue per employees, customer satisfaction, inventory level, sales per person and market share which applicable to small businesses in nature. Figure 1.0 illustrates the initial framework of Internet marketing adoption for small business enterprises.
RESEARCH METHODOLOGY

This study is a qualitative study mainly to review the initial framework of Internet marketing adoption framework for small business enterprises. An online discussion was chosen in this study as it gave the convenience to the participants to join the discussion when the different time-zone was considered.

In this study, the expert panels in an online focus group consist of various discipline of expertise. The main areas of expertise sought in this study were e-commerce and small businesses, marketing, ICTs, and small business in developing countries (or cross-section of these areas). The academics were selected as the expert panels for the discussion as it provided greater thought and perspectives in terms of theory and knowledge base. The selections of experts were based on publication records; journal articles, conference papers, book chapters, and other relevant literature and recommendation by peers.

The numbers of experts targeted for this phase were six to eight people. The purpose of small number of experts selected to participate in the discussion as it was more manageable for researcher as managing a large number of experts may cause difficulties and crowded of comments in an online bulletin’s post comments section. Participants were invited via e-mail to join the discussion between December 17, 2009 and January 7, 2010. An introductory e-mail were sent to participants which
describing the aims of the study and they were requested to respond the e-mail if they were interested to participate in the discussion. It was an appropriate to use an e-mail as source of medium since it involved with cross-country of experts.

A total of thirty seven of invitation emails were sent to potential participants. Out of thirty-seven, ten invitees responded positively to participate in the discussion, nine invitees replied that they could not participate, one did not replied due to e-mail address failure, and seven did not respond. Two of invitees replied they could not participate, but did recommend their colleague’s name. One of the recommended experts was agreed to participate and the other one was out of office (automated reply). The ten confirmed participants were from different areas of expert which gave a good cross-selection in term of views and perspectives. Instead of that, there were also experts from developing countries that generated broader of ideas and deeper thought on the discussion issues as well as experts from developed country. Thus it creates an excellent combination of expert panels in the discussion.

Discussion was conducted in five rounds. Each of the round was divided on weekly basis; each round per week. Each round discussed a different topic based on the structure of initial framework. The topic of discussion was designed accordingly to the structure of the initial framework. Out of five weeks discussion, a total of 33 comments were posted. Most of the comments received from the experts were details and rich in contents which assist this study to gather much information in refining the framework. The positive supports from the experts in along the discussions generated a large number of perspectives towards the framework.

**FINDINGS**

**Overall findings on the framework**
The overall discussion generated a number of in-depth suggestions concerning the framework. Comments on the overall structure of the framework were generally accepted at this stage of study however, the framework seemed too simplistic from experts’ point of views. Pertinent to the suggestion on overall structure of the framework, the comments were suggested there should be an iterative loop or feedback loop after the evaluation phase of Internet marketing implementation and there should have an arrow between e-readiness and aims and strategies as it seems inter-related to one another.

“First, I suspect that after evaluation there is likely to be some kind of feedback loop. The reflection of the operator might change their internet marketing approach, or might influence (negatively or positively) their aims & strategies or encourage them to improve their e-readiness.” (Expert A; an expert in SMEs and e-commerce)

“Furthermore, by looking at the model it seems that evaluation is the final phase, however, this is more likely to lead to some kind of refinement in most cases. Therefore, consider some kind of iterative loop.” (Expert D; an expert in SMEs, e-commerce, and developing countries)

Most of the experts that participated in that particular discussion on e-readiness factors has agreed the listed factors of e-readiness did affected small business enterprises in adopting an Internet into their businesses. Expert C (an expert in SMEs and e-commerce) and Expert D agreed that customers and competitors are the driving force for small business enterprises to adopt an Internet for business purposes.

“I think the items you have pointed out are consistent with my research. I noted a comment about customers and competitors, which I think are also driving forces.” (Expert C)

“Two key factors that I would urge to consider in e-readiness are customers and competitors.” (Expert D)

The overall impact of the listed factors were agreed by the experts except the component of government policies where been changed from some impact to major impact particularly for developing countries, both urban and rural areas. However, the listed strategies in the discussion has
been considered by experts were too broad and not applicable for small businesses. Most experts suggested focusing the business aims and strategies indicator into micro-strategies perspective.

Expert H (an expert in marketing and developing countries) stated that the strategies that are more micro in nature are more appropriate at this point especially when it is linked to e-business. For example, aims and strategies may be geared more towards entrepreneurial capabilities relating to e-business requirements such as level of IT knowledge and capabilities in executing such a task. This is supported by Expert J which is also an expert in marketing and developing countries which believed that the strategies need to be more micro sense that related to small business in nature like market penetration strategies with the help of ICT tools.

For Internet marketing indicator, Expert A who was an expert in SMEs and e-commerce agreed it was appropriate for not using the traditional 4P’s of marketing (place, promotion, price, and product). According to Expert A, the literature on small businesses and marketing suggests that the 4P’s were not appropriate for small businesses as traditional 4P’s required human and financial resources to apply them successfully. Expert A also concerned with the used of 4C’s, and if the owner-managers does not support or see Internet marketing as feasible and valuable then they will not adopt the approaches. Instead of that, this was supported by an expert in marketing and developing countries (Expert H) that the 4C’s have its relevance. Against, Expert H highlighted the focus is on small businesses where peculiarities of small business should be taken into account. The existing of 4C’s must be matched with the requirements of the small businesses.

Pertaining to Internet marketing evaluation indicator, Expert H suggested it was ideal to look at small businesses perspectives, as on the aspect of sales per salesperson or market share which it was not relevant evaluation bases for small businesses. This was agreed by one of the expert in SMEs, e-commerce, and developing countries that the sales per salesperson was probably not relevant to small businesses.

Recommendation of changes for initial framework
Several of comments were made on the overall structure of the framework which viewed by the experts was too simplistic. The comments were considered to refine the framework into more complex and details. The ‘iterative loop’ was suggested to be added after the evaluation phase in the framework. The inter-connected was appropriate to consider either the implementation of Internet marketing positively or negatively impact to the business operations. E-readiness and business aims and strategies were two different environments as e-readiness focused on macro issues and business aims and strategies on micro perspectives. Business aims and strategies looked on the issues inside the organization itself. Therefore, there will be appropriate not to add an arrow that inter-linked between e-readiness and business aims and strategies.

For the factors of e-readiness discussion, the customer and competitor indicators was suggested to be added parallel to Internet marketing as new antecedent which it was the external forces that pressure the small businesses to apply an Internet as marketing tools. The comments suggested considering customers and competitors as driving forces that urge small business enterprises to adopt an Internet for business purposes. The pressures and demand from customers and competitors indicated small businesses to diverse their marketing activities via the Internet. This is consistent with B.M Sadowski, Maitland, & Dongen (2002) and Scupola (2009) stated on the influences by the competitors indicates the small businesses to adopt an Internet in their businesses. Besides, the studies from Kalakota & Robinson (2001) and Scupola (2009) indicated that the pressure and demand from customers also the reason for small businesses to equip their businesses with an Internet. Thus, the competitors and customers anticipated will be the external influences to the small businesses.

Considering all the comment and suggestion on narrowing the focus from macro to micro perspectives in the framework, a new indicator suggested to be added which is marketing strategies. The marketing strategies will reflect into micro strategies. This will allows the framework to narrow the focus on Internet marketing it selves. Thus, it was appropriate to comply with the uniqueness of small businesses nature. Four new marketing strategies were appropriate to be indicated in the framework; market development, diversification, market penetration, and product development (Chaffey, et al., 2006). Market development is used to sell new and existing products to new market segment. According to Smallbone, Leigh, & North (1995) new market is not necessary involves with geographic market extension, it may also varied between location, industrial sectors or local markets. While,
diversification where new products are developed and sold into new market. Diversification can be diversified into related businesses, diversified into unrelated businesses, upstream integration (with suppliers; through data exchange), and downstream integration (with intermediaries; data exchange with distributors). Market penetration involves of selling existing products into existing markets which can help them for better market growth, improve customer loyalty, and improve customer values. Finally, product development is used to add value to or extend existing products such as extend their product range. As overall, these strategies are compatible to support the different growth strategies via the use of Internet as it can help small businesses to take advantage of the lower cost of the marketing approach.

Overall, it was suggested that no changes need to be made on the Internet marketing components; 4C’s as it is appropriate to be applied for Internet marketing purposes. The application of Internet marketing is consistent with the marketing strategies (market development, diversification, market penetration, and product development) as it aligns in minimizing marketing cost of small businesses which are particularly limited in financial resources. Due to that, the components of Internet marketing evaluation (sales per sales person, and market share) will be considered to be removed in order to comply with small businesses in nature as suggested by experts.

The next stage of study will involves incorporating all the suggested recommendation in refining the initial Internet marketing adoption framework for small business enterprises. The revised framework will be tested by conducting the interviews with the actual small business owners-managers.

CONCLUSION

This paper presents the development of Internet marketing adoption framework for small business enterprises based on the result gathered from online focus group. The final framework on Internet marketing adoption for small business enterprises will provide better understanding to small business enterprises particularly owners and managers in perform a transition from traditional to new marketing approach which helps to improve their productivity as well as to stay competitive in the market. The new approach of marketing via the Internet is appropriate to fulfil the gap especially in personalizing the customers and more added values that encourage repeat customers or customer loyalty. As overall, Internet marketing is the approach to market the products or services. This is supported by El-Gohary (2007) that the implementation of Internet marketing by small business enterprises could change the nature of their business around the world as the Internet creates a faster communication channel for marketing.

REFERENCE


