

Chapter 12¹

Evolution of Web-based International Marketing: Patterns Exhibited by Danish Companies

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Companies that act internationally do not usually make the transition from traditional marketing to full-blown Web marketing in one step. In a study of Web strategies of Danish firms it was found that Danish companies go through three evolutionary stages. These stages are: 1) the Electronic Brochure, 2) the Electronic Manual, and 3) the Electronic Store. Moving from the Brochure to the Manual to the Store stage entails an increasing intensity of interaction between the company's website and its customers. To handle the rising degree of interaction intensity companies go through a learning process. The corporate organization has to evolve to meet the demands of increasing Web-based interactions. These demands are discussed in terms of automation, formalization, integration, and evaluation.

INTRODUCTION

What is Web-based marketing? Web-based marketing is as much about relating to customers as it is about staying competitive. In this chapter marketing will be understood as the process of managing effective interactions with current customers and initiating interactions with new potential customers. Today, such interactions take place via traditional methods (face-to-face, phone, fax) as well as through the Web. As a general rule we can state that the more interactive the corporate website, the more opportunities it offers for implementing the firm's marketing strategy. Numerous authors have classified web-marketing strategies. Many of these classifications are in terms of the technology that makes different types of interactions possible. For example, Quelch and Klein (1996) classify websites according to whether the website offers information, support, service, or transactions. Others have categorized websites according to whether they create Internet presence, provide content, or constitute an online storefront (Hoffman, Novak and Chatterjee, 1995; Peters, 1998).

In this chapter, the categorization of corporate websites is not based on technological differences but on the level of interaction intensity offered by the site and the demands such interaction places on the internal organization of the firm. A website's interaction intensity is characterized by its primary purpose, which range from the Electronic Brochure (minimal interaction) to the Electronic Manual (moderate interaction) to the Electronic Store (maximum interaction). A firm can follow several of these website strategies at the same time. In such a case, the dominant purpose is used to characterize the interaction type and Web strategy of the firm.

Web-based interaction is a two-way street. Customers learn about the company, its

¹ in *International Perspectives on E-Commerce and Online Marketing*, ed. by N Dholakia, W Fritz, R R Dholakia, and N Mundorf, Greenwich CT: Quorum Books (forthcoming)

products, and its policies. Simultaneously, the Web marketer learns what the customer learns while browsing the website. In an international setting, effective Web-based marketing should encourage customers to learn about the company in a “proper” way. For example, an appropriate learning sequence for an international customer would be one where the she first reads about the company's profile, then learns about its products and services, and finally contacts the firm to set up a sales meeting. When we look at this process from the perspective of the company who establishes a website geared to its international markets the critical task is to learn what the customers have learned. This can be done by website traffic analysis. Such an analysis generates reports that provide information about the visitors of the website, answering questions such as When do they visit?, Where do they visit from?, and What do they do during the visit to the site?

In Scandinavian countries, internationalization of companies has traditionally been seen as a learning process about international markets and international operations (Johanson and Vahlne, 1977). Internet provides new strategic as well as new learning opportunities during the internationalization process. The following sections explore some of the implications of the Internet for the internationalization process.

Instant Internationalization

The internationalization process is traditionally seen as an incremental process of global expansion. A company that is internationalizing moves from its home market to a geographically or psychically proximate market. Subsequently, it advances further and explores distant markets and at last may become a global company. With the Internet the process looks different. When a company establishes a website in a widely spoken international language it becomes, in principle, a global company. However, the company cannot be everything to everybody: it needs to focus. The Internet-based internationalization process can be characterized as *decremental*. Such a process starts in the global arena, focusing on “being everything” to a limited number of customers. In a sense then the conventional and the Internet-based internationalization process form total opposites. . In an incremental internationalization process, the company decides how it should expand from being a local player to being a global player. In the decremental process, it has to decide how to come down from a global, all-encompassing position (represented by the first website) to a well-targeted, specific market position.

The Internet alters the perception of distances and thus directly influences a company’s internationalization process. Earlier, physical distances in time and space were key dimensions in defining what international business was all about – a company became international when it began to transact with customers across national borders. Today, even for companies that do not (or do not want to) do cross-border transactions, the reality of globalization is inescapable: the Web knows no boundaries. Furthermore, because collecting market information at a low cost is now feasible, knowledge about promising markets outside the home market is created, thereby leading to an increase in international transactions. For example, in the mid-1990s, a college bookstore in California had started selling books on the Web even before Amazon.com, and it found a ready market in Japan for its collection of *Manga* comics and books on Japanese prints.

Distances, however, are not merely geographic. Cultural differences and differing national regulations also create “distances,” even when two countries are in geographic proximity (as in the case of USA and Mexico, or Italy and Slovenia). Such borders do not disappear when Internet enters the scene. The psychic distances in terms of differences in language and cultural background and differences in political-economical contexts continue to remain as barriers to Internet-based internationalization. Even in the age of the Internet, international actors have to understand such differences in order to manage the company’s internationalization process.

This chapter focuses on how Danish companies use the Web as a new marketing tool. On one hand, the Web makes their internationalization process different from what they were used to in the past. On the other hand, Danish companies may still face the old barriers to international expansion and they have to work hard to eliminate such barriers. Internet assists in internationalization, but it is not a magic bullet.

THE DANISH CONTEXT

The Danish economy is small and open – and the Danish companies have always been forced to have an international orientation. Exports and continuing internationalization of the company are the preconditions for growth and survival. Therefore it is no surprise that the first Danish companies that used Internet and World Wide Web had a strong international orientation. According to the Global Digital Marketing Index, Denmark scores very high and ranks number 7 just after USA (Bishop, 1999). Approximately fifty percent of all Danish websites have English as the primary language (Economist, 1999; OECD, 1999). Because of their deep commitment to internationalization, Danish companies can provide us with some valuable insights for understanding the evolution of Web-based international marketing.

The remainder of the chapter will present the findings of two empirical studies - a longitudinal and a cross-sectional study.² The longitudinal study monitored 43 Danish companies and their use of the Web at four points in time, starting from November 1996. It was repeated in October 1997, July 1998 and July 1999. These 43 Danish companies were representative of Danish firms using the Web for international marketing. On a global scale, Danish companies are relatively small and so are the companies in these two studies, with a few exceptions. The median size of the companies was 400 employees; the smallest had only one employee and the largest had 217,000 . In terms of annual sales, the median was \$168 million. Their websites were in English or another foreign language and their addresses and phone/fax-numbers were represented in an international way – that is, with a definition of their country and the international dialing codes. The websites of the 43 companies were downloaded and described. In 1996, the sample contained 43 Danish companies but because over the years some companies had gone out of business, were bought up, or ceased their international Web-oriented activities, only 37 were retained for the final monitoring process

² A longitudinal study entails studying a sample of firms over time while a cross-sectional study examines a range of firms at one point of time. With longitudinal studies, comparisons over time are possible while cross-sectional studies allow comparisons across the sample of firms.

in 1999. The study concerns both industrial and service companies, from the private as well as the public sector. The companies studied can be classified as Internet service providers, IT-services, Web design, industrial machinery, beverage, banking, magazines, cleaning solution, power supply, medicine, consulting, ports, hearing aid, commercial councils, pumps, shipping, credit cards, toys, pipelines, modems, network cards, software, weather forecasting, directory publishing, dating agency, telecom, museums, airports, and a records company.

From this longitudinal study, the three main interaction types – Electronic Brochure, Electronic Manual, and Electronic Store – were developed. These interaction types were used in a cross-sectional study of manufacturing companies in the North Jutland region of Denmark (Rask, 1999). The questionnaire was sent to 110 Danish industrial firms in January 1999. The response rate was 47%. There was a wide dispersion in terms of size of firms and in terms of exports as a percentage of total sales. The average size of the firms was 118 employees. The smallest company in the sample consisted of 3 and the largest of nearly 1000 employees. In terms of export share of total sales, the average was 62%; the smallest export share was 5% and the largest was 98%.

A Typology for International Web-based Marketing

Based on these studies we can derive three types of learning. First, these studies allow us to develop the three-category typology for Web-based international marketing. Second, the three interaction types represent stages in the expansion of the companies' international marketing on the Web. Third, these studies allowed us to assess the priority of these interaction types for various firms.

After analyzing the 43 websites over the three year period, it was possible to outline three ideal types of *interaction* for international marketing on the Web: the Electronic Brochure, the Electronic Manual, and the Electronic Store.

When using the *Electronic Brochure* strategy, the company's aim is to inform their potential customers about its strengths. The company expects the customer to pick up the message and hopes that the customer will contact the company. The Web furthers the internationalization of the firm as information about the company disseminates all over the World.

When using the *Electronic Manual* strategy, the company tries to guide the customer in using the company's products and services. The company expects that Web-based product and service guides will enhance the customer experience and engender a great deal of satisfaction with the company and its products and services. In the traditional setting, the internationalization process can be very resource intensive – demanding a lot of communications efforts and travel. The website relieves some of these pressures and thus allows the company to project a more global presence without the customer feeling that the company is “far away”.

When using the *Electronic Store* strategy, the company aims at persuading the customers to use (or buy) their products and services. The website of the company is its

global store and the company is usually thoroughly globalized. With a Web-based global store, the market possibilities of the firm are not constrained by its geographical localization.

The intensity of Web-based interaction between buyers and sellers varies across these three interaction types. Interactions at the Electronic Brochure type website are primarily based on giving information about the company and its products. With the Electronic Brochure strategy, the interaction ends when the current or potential buyer has read the information, unless the buyer chooses to contact the company. The Electronic Manual strategy is based upon guiding the buyers in solving their problems. The level of interaction intensity is higher than with the Electronic Brochure strategy, but not as complex as the Electronic Store strategy. Web-based guidance implies that buyers actually depend on the assistance provided by the company's website. If the explanations on the website are inadequate, then buyers' problems can get exacerbated. The Electronic Store has the highest intensity of interaction. Such interactions entail a very complex process to persuade and enable a customer to buy and/or use the product.

Table 1: Evolution of Interaction Types over Three Years

	98	97	96	Manual 99	98	97	96	Store 99	98	97	96
Brochure 99											
3D-Video Produ.	B	B	B	Berendsen COM	B	B	B	CapaCity Soft.	M	M	M
Araneum	B	B	B	Cabinplant	M	M	B	Copenhagen Airport	S	S	S
Belle Systems	B	B	M	Carlsberg	B	B	B	CTW	S	S	S
Den Danske Bank	B	B	B	GRUNDFOS	M	M	M	DataCompagniet	S	S	S
Engineering Weekly	B	B	B	ISS	B	B	B	DMI	S	S	S
Kampsax	B	B	B	Jyske Bank	M	M	M	Hugin Expert	S	S	S
LEC	B	B	B	Lasat	M	M	M	Kraks Forlag	S	S	S
NESA	B	B	B	Nordisk Wavin	B	M	M	LEGO	S	M	M
PBS	B	B	B	Olicom	M	M	M	Maersk Line	S	M	M
Port of Aalborg	B	B	B	Oticon	M	B	B	Novo Nordisk	M	B	B
TofKo	B	B	B	Port of Aarhus	M	M	M	Tele Danmark	S	S	S
				Ramboll	M	B	B	Tycho Brahe Planetarium	S	S	S
								Voices Of Wonder	B	B	S
								Aalborg Commercial Council	S	B	B

B indicates that the companies used the Brochure strategy in a given year, M stands for Manual and S means the Store. Web references can be found at <http://www.i4.auc.dk/rask/cotim99/>

RESULTS

In 1996, approximately 50 percent of the 43 firms used the Electronic Brochure strategy. The Electronic Manual and the Electronic Store strategies each accounted for about 25 percent. In July 1999, the picture had changed. Table 1 shows that in 1999 each of the three types of interactions represented approximately a third of the sample. Many of the companies using the Electronic Manual or the Electronic Store strategies in 1999 had upgraded their websites from a lower level of interaction intensity. It is remarkable that only one company had ratcheted down its interaction intensity.

One would expect that the companies would start by using the Electronic Brochure strategy and over time increase the interaction intensity as they learn how to handle the new Web-based marketing channels. However, not all companies are able to use the Electronic Store strategy because they have products that cannot easily be sold on the Web if at all.

Overall, table 1 shows that over time companies gradually increased their interaction intensity. This is a natural consequence of the learning process. The complexity of the learning process varies from company to company, and such learning makes varying demands on the companies. It is also important to observe that many companies did not change their Web interaction type before 1999. This shows that it takes time to overcome the challenges of Internet-based international marketing and to assemble the resources to upgrade to a higher interaction level.

Priorities Assigned to Interaction Types

The prioritization of the interaction types was studied in the cross sectional study that showed that 8 out of 10 companies intended to have a website by the end of 1999, which corroborates the findings of a nationwide survey of Danish firms (Forskningsministeriet, 1999). The cross-sectional survey also showed a positive relationship between the level of experience with a website and the size of export share: the more web-savvy firms had greater export shares. Interestingly, the size of the company did not have any obvious relation to the degrees of experience with a website. Smaller firms, thus, could outdo their larger rival by being more web-savvy.

When the companies were asked about the purpose of their website, the general consensus was that websites were not merely a way of advertising the company and its offerings. The purpose was also to relieve the pressure on resources. With a good website, a company could project a more global presence without its customers feeling that the company is remote. These companies were also asked about the results they obtained from their websites. The general consensus was that the websites had very positive impact in terms of customer service, customer satisfaction, and sales and that the Internet had resulted in a strong expansion of the market opportunities abroad.

To probe the relationships between the purpose and the result of the companies' international Web marketing, two descriptive factor analyses were carried out. Tables 2 and 3 show the results of these analyses. These tables show how the "five purposes of websites" relate to the "four results from websites". In table 2, the percentages reflect the number of companies that reported a given "website purpose" as having high or some importance and at the same time strongly or partly agreeing with a given "website result". In table 3, the percentage reflect the number of companies that strongly or partly agree with a given "website result" and at the same time had given the states "website purpose" a high or some importance. In both tables, 60% was the limiting value: the "website purposes" and "website results" scoring lower than 60% are not listed. The column named "Number of Firms" in table 2 shows the number of companies that explained a given purpose as having high or some importance. In table 3, the "Number of Firms" gives the number of companies that strongly or partly agree with a given result. The frequency column presents the number of firms as percentage of the total number of companies in the analysis.

Table 2: The Companies' Purpose with the Website Compared to the Result

If the purpose is - - then the result will be ®	Increased company recognition	That the company is not perceived as "far away", by the company's contacts	Better customer service	Increased sale	Number of Firms	Frequency	Interaction type
A business card on Internet	89%	70%	68%	68%	37	84%	Brochure
An information channel for customers, because it increases the recognition	91%	74%	69%		35	80%	
An image creating effect, because the company's Internet address is used in advertising	91%	76%	70%		33	75%	
To relieve the pressure on the company, in a way that the customer does not feel that the company is "far away".	92%	81%	77%		26	59%	Manual
That the customer can easily use the company's products or services	100%	81%		81%	16	36%	Store

Table 2 shows five purposes grouped in three interaction types. It appears that the Electronic Brochure is the most important strategy as 8 from 10 companies recognize the related purposes as having high or some importance. The Electronic Manual is the second most important strategy, recognized in 6 from 10 companies. Finally, the Electronic Store strategy is only recognized in 4 from 10 companies.

This priority of the interaction types in a purpose perspective can also be found when comparing results and purpose as shown in table 3. However a smaller difference is found between the purposes and the results of the websites. Actually 5 out of 10 companies had experienced an increased sale based upon their website where only 4 out of 10 had that same purpose.

Table 3: The Companies' Results from the Website Compared to the Purpose

If the result is - - the company had the purpose®	To have an information channel to customers	To relieve the pressure on the company	To have an image creating effect	To have a business card on the Internet	That the customer can easily use the companies products or services	Number of Firms	Frequency	Interaction type
Increased company recognition	91%	69%	86%	94%		35	80%	Brochure
That the company is not perceived as "far away".	93%	75%	89%	93%		28	64%	Manual
Better customer service	89%	74%	85%	93%		27	61%	
Increased sale				100%	62%	21	48%	Store

Organizational Impact of the Web Marketing Strategies

The findings showed that the Electronic Brochure, Electronic Manual, and the Electronic Store are prototypical concepts that capture the companies' strategies in

international marketing on the Web. The concepts are also expressions of the stages the companies go through when they expand their international marketing on the Web. Finally, it is shown that the companies prefer interaction types with a low rather than a high level of intensity. International marketing on the Web is a learning process and the Danish companies are still in the initial phases of the learning process. Table 4 summarizes the findings of this chapter and outlines the demands that the three prototypical stages make on the corporate organization.

Table 4: International Marketing on Web - Concepts for Awareness and Action

	Brochure <i>Low</i>	Manual <i>Middle</i>	Shop <i>High</i>
Intensity of interaction			
Action	Information	Guidance	Usage of product/service
Expectation	The customer acquires information	Increase in customer satisfaction	The customer use the company's product/service
Result	Increase the company recognition	The company is not "far away"	Market opportunities are independent of geography
Automation and Formalization	Routine promotion in hypertext format	Parts of the company's customer contact (except sales)	Existing and new sales process focusing on product- or service descriptions and ordering
Integration	Marketing/sales function	Marketing/sales coordinate the contributions from the centers of competencies	The whole company
Evaluation	Simple interaction analyses by statistical tools	Comparison of customer inquiries, profiles and the used resources plus customer satisfaction analyses	Actual sale combined with evaluation as the two other interaction types

In table 4, “action, expectation and result” address the definition of the interaction type. “Automation and formalization” refer to the processes involving individuals within and outside the company. “Integration” is a condition for automation and it refers to the degree of cooperation between the various departments of a company. “Evaluation” refers to the possible methods for understanding the actions of the website users. Table 4 shows that the three interaction types make very different demands on the corporate organization:

- ❖ When using the Electronic Brochure strategy, the marketing department should be able to routinely collect the needed information from the rest of the organization and to publish such information in a hypertext format on the Internet. Understanding the impact of this strategy is made possible by website traffic analysis reports; information about the patterns of who visits the website, when do they visit, where do they visit from, and what do they do during the visit to the site.
- ❖ When using the Manual strategy, the marketing department should coordinate and the competence centers (i.e. customer service, technical support, etc.) should create added value by automating and formalizing the customer contact processes. The evaluation of this strategy’s impact is based upon comparing the customer’s inquiries with the profile of the same customer as well as compared with the customer’s satisfaction with the product and general performance of the company. These data should be understood in the perspective of the amount of resources used on the current customer.
- ❖ When using the Electronic Store strategy, the marketing department should coordinate the sales process and the rest of the company should support this process. Especially, obtaining support from the finance departments and logistical units could be very

important. The main understanding of this strategy's impact is measured in Web-based turnover and return of investment. These figures can be compared with the evaluation results created in the Electronic Brochure and Manual Strategy.

Given the complexity of the organizational learning process, especially for the Electronic Store stage, it is understandable why Danish companies were still in the initial phases of a Web-based internationalization strategy in 1999. First of all, the interaction type with a lower level of interaction intensity place less demands on the internal organization than interaction types with higher levels of interaction intensity. Second of all, and maybe even more important, feedback possibilities are not as developed in the Electronic Brochure strategy as in the Electronic Manual and the Electronic Store strategies. Thus, it can be difficult to show the value of the Web development work. The recognition of the importance of international marketing on the Web is not easily visible to the rest of the organization. Therefore it can be difficult to gain the organizational support and the needed resources for expanding the strategy to interaction types with a higher level of intensity. In addition it can be even more difficult to get the whole organization's interest and participation in the learning process.

MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH

The chapter has shown that, in terms of international Web marketing strategies, Danish companies use three types of interactions: Electronic Brochure, Electronic Manual, and Electronic Store. Danish companies have been going through a learning process as to how to handle the challenges and opportunities of international Web marketing and how to increase the intensity of Web-based interactions over time. It is, however, still the Electronic Brochure strategy – the one with the lowest level of interaction intensity – that has the highest priority. The second in terms of priority is the Electronic Manual strategy and the final one is the Electronic Store strategy. One reason for this could be that the three types of interactions entail an escalating set of internal requirements in terms of automation, formalization, integration, and evaluation. Another reason could be that the companies are only in the early stages of getting a grasp of the new incremental, Web-based internationalization process.

More research is needed to understand the organizational learning required for Web-based internationalization and how such learning occurs in different situations. In the meantime, companies can initiate discussions on these issues. Such discussions could focus on the following:

- Which types of products/services are appropriate candidates for international Web-based marketing?
- What kind and amount of resources are the companies willing to put into Web-based marketing activities?
- How do you benchmark your company's performance on the Web against the best practices in your industry?

One approach to determine the industry "best practices" standard is to create a better understanding of country, competitor, and customer conditions related to Web-based

international marketing activities. Taking the typology presented in this chapter as a starting point, it is possible to create international Web-based marketing activities that incorporate the interaction type most suited to the firm's resources, products, and prevailing competitive situation. Last but not least, if companies are to learn from their experiences, they need to create systems for continuous monitoring and evaluating of the use of their websites.

QUESTIONS FOR DISCUSSION

- 1) What distinguishes the “decremental” process of internationalization from the more conventional incremental process of internationalization?
- 2) Discuss whether interaction intensity is a good concept for developing a typology of firms' Web strategies. Can you think of alternative approaches?
- 3) Assuming that globalization will keep accelerating, could you conceive of any reasons why a firm might want to *reduce* its internationalization efforts?