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Role of Internet Marketing for Exporting and Not Exporting Companies (Results of Recent Company Survey in Latvia)

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Abstract

The aim of current paper is to analyse the role of internet marketing for exporting and non-exporting companies. Methods used in research: scientific publications studies, survey of companies in Latvia. The survey was conducted from November 2014 to March 2015. The company register data base LURSOFT is used for survey sample creation. A systematic sampling was applied in the survey to guarantee a random selection of units included in the sample. For the analysis of the survey data – descriptive statistical analysis, cross tabulations, Mann–Whitney U test are applied. The companies' survey results show that exporting companies and non-exporting companies do not use internet marketing properly, the half of companies home page use only as a business card. About 32% of exporting companies and about 19% of non-exporting companies does not sell the products/services on the internet, but customers can order the product in home page. Products/services sell both on the Internet and at points of sale about 25% of exporting companies and about 26% of non-exporting companies. Theoretical findings and empirical research results indicates that internet marketing could be used more efficient in companies to promote and develop expert.

KEYWORDS: exporting companies, internet marketing; non-exporting companies, company survey, market promotions.

Introduction



Internet marketing has bigger and bigger role as the information technologies development pushes to open new challenges and new options for mere efficient marketing applications, including development of internet marketing. There are numerous researches done worldwide to evaluate efficiency of internet marketing in different fields and branches of business. According comparative statistical data Latvia is not applying internet as efficient as other countries and this has motivated to make deeper research on aspects of internet marketing for exporting and non-exporting companies. The aim of the current research is to analyse the role of internet marketing for exporting and non-exporting companies. Tasks for the research: analyses theoretical findings of the role of internet marketing and examine different views of the companies on internet marketing and make comparisons of the indicators for exporting and non-exporting

companies. Research methods applied: scientific publications studies, survey of companies in Latvia and comparing results of the survey for the exporting and non-exporting companies. For data processing of survey results there are used descriptive statistics: indicators of central tendency and location (arithmetic mean, mode, median) and indicators of variability – range, standard deviation and standard error of mean, cross tabulations and Mann–Whitney U test. Main findings are that companies could use internet marketing more efficient.

Internet marketing aspects are on researcher's agenda in many countries as internet takes more and more significant place in everyday life around the globe. More and more activities are performed via internet and internet marketing has significant role in attraction of consumers, export promotion and realization of goods and services. Aspects of applications of information technology in developing business models of export are analysed from several aspects (Fazlollahtabar, 2012) where the proposed system is composed of marketing, business models and web optimisation. Antecedents and effect of Internet implementation for trade shows are important research topic as trade shows are noticed as one of the most efficient trade promoters (Ling–yee, 2010) where Ling–yee also have examined the influence of the usage of the internet for trade show marketing on performance of trade shows. Ling–yee has indicated that the key lesson for exhibitors is to adopt the right approach to internet marketing – using the internet primarily for "informational and communicational purpose" in pre–show promotion, and for "customer service and support purpose" in post–show follow–up. Online activities and export performance for the smaller firm has a specific capability perspective – analysed and defined as the extent to which an export firm's objectives are achieved via online activities (Morgan–Thomas, 2009). Rapid internationalisation enabled by the Internet and a knowledge intensive company has better chances for export development (Arenius, Sasi, Gabrielsson, 2005). The nature of trade relations between different countries, like Lithuania and Russia depends also from political decisions – like trade barriers. Investigation on trade barriers is an important issue as often economic aspects are not stressed when explaining political decisions on introduction of trade barriers (Daugeliene, 2014). Internet marketing and export growth has been analysed in many countries and by many authors, like in Chile (Bianchi, Mathews, 2016) where it was examined whether the Internet has an impact on the export performance of firms from emerging markets. Bianchi and Mathews study has tested a conceptual model that includes the effect of Internet marketing capabilities on export market growth in an emerging market on a cross–national sample of export firms from Chile – the current findings of authors have indicated that Internet marketing capabilities positively influence the availability of export information, which in turn impacts the development of business network relationships and export market growth. Efficiency and exports in country prospective is analysed on different aspects including website information and export performance (Moral–Pajares, et al, 2015). Building and leveraging information in dynamic environments and the role of information technologies infrastructure flexibility as enabler of organisational responsiveness and competitive advantage of efficient internet marketing applications (Bhatt, et al, 2010).. The envelopent of criteria for assessment of innovation expression for state level in Lithuania (Daugeliene, Juocepyte, 2012). Specifics of cross–border trade are on importance where researchers also have made their investigations (Gomez–Herrera, et al, 2014). The influence of internet–marketing on marketing competencies and export performance are evaluated and examined (Prassad, et al, 2001). Different approaches could be used in different industries for distribution channels like as sophisticated computer– and internet–mediated marketing practices as the larger proportion of entrepreneurs in developing economies still deploy largely informal marketing practices and several countries have adopted the marketing revolution to varying degrees, consistent with prevailing level of development (Ogunrin, Inegbenebor, 2015). Studying

Theoretical findings

and prioritising the effective elements of Internet advertising on e-marketing has its specifics and research findings like as external perspective on using internet and new technologies for electronic communication together with traditional media for receiving and delivering services to customers as e-marketing is considered as the pulse of strong exports in modern global markets and underlying employment, production and improvement as well as foreign exchange incomes and economic development – one of the bases for e-marketing provided by internet is internet advertisement: Internet ads include notice messages to internet users by websites, e-mail, support ads software, text messaging and mobiles with internet connection feature (Doostar, Mohammadi, 2014). The internet as an alternative path to internationalization – examinations of the drivers and performance outcomes of two patterns of internet use supporting export marketing: the internet as an alternative to a physical presence and the internet as a sales channel are questions investigated by researchers and stating that traditional exporters are likely to use the internet as a complement to, and thus to support, existing physical operations with foundp practical implications that managers should focus on relationship building and on-site learning, instead of putting too much emphasis on the internet as a substitute for a physical market presence and authors develop a framework and explore previously untested relationships that suggest the internet may play a complementary role in firm internationalization. (Sinkovics, et al, 2013).

The Digital Scoreboard is published by European Commission and shows progress of European countries digital economies. For this purpose European Commission uses multiple indicators that are secondary statistical data gathered from several sources. Data are openly available for download online (European Commission, 2016a,b) and also contains some indicators related to internet marketing (social media and web site usage, advertising in internet). In general Latvia shows quite low overall performance (see Table 1). Small and medium enterprises (SMEs) represent the larg-

Table 1

Latvia internet marketing data compared with EU28 average, % of enterprises, 2015

| Indicator (indicator code) | Latvia (rank) | | Latvia (value, %) | | Average EU28 value, % | |
|---|-------------------|---------------|-------------------|-------|-----------------------|-------|
| | SMEs | Large | SMEs | Large | SMEs | Large |
| Enterprises using social media (<i>e_sm_any</i>) | 25 | 14 | 27.01 | 64.90 | 38.36 | 62.82 |
| Enterprises having a web site or homepage (<i>e_web</i>) | 25 | 17 | 58.16 | 94.56 | 74.75 | 94.05 |
| Use two or more social media (<i>e_sm_ge2</i>) | 24 | 14 | 9.55 | 42.42 | 17.01 | 43.50 |
| Enterprises exploiting the “Business to Consumers” opportunities of web sales (<i>e_aws_gt1_b2c_gt10ws</i>) | 23 | 6 | 4.22 | 13.75 | 6.39 | 8.11 |
| Enterprises selling cross-border to other EU countries (<i>e_aeseu</i>) | 23 | 18 | 3.92 | 17.71 | 7.52 | 23.19 |
| Enterprises using any computer network for sales (<i>e_esell</i>) | 22 | 23 | 8.30 | 21.52 | 16.15 | 37.98 |
| Enterprises paying to advertise on the internet (<i>e_ads</i>) | 18 (out of 23) | 6 (out of 23) | 27.57 | 50.31 | 30.28 | 42.21 |
| Enterprises having a website with some sofisticated functionalities (<i>e_webf2</i>) | 15 | 5 | 56.17 | 87.40 | 55.04 | 99.93 |

Source: European Commission secondary data (European Commission, 2016 a, b)

est part of all enterprises, employ an increasing number of persons and form about 25% of GDP in Latvia. Statistical data related to internet marketing first suggests that results of large companies are much higher compared with SMEs (statistically significant difference). Second, difference between performance of SMEs in Latvia and performance of SMEs in EU28 on average is also very high. Thus Latvian SMEs are performing worse than large companies. Moreover, two other Baltic States have higher values – Lithuania slightly outperforms Latvia, while Estonia is very close to the leaders. Thus the research of different internet marketing usage among Latvian companies in different aspects is very important.

The empirical research showed that about 45% of exporting companies and about 52% of non-exporting companies in Latvia considered that the role of internet marketing was significant, average evaluations (arithmetic mean, mode and median) were around 8 points (in evaluation scale 1 – 10). The non-exporting companies evaluated significance of internet marketing slightly higher than exporting companies (indicated by arithmetic mean, mode and median). The evaluations on internet marketing significance were quite different (indicated by indicators of variability – range, standard deviation, standard error of mean). However, the evaluations of exporting and non-exporting companies' on internet marketing significance did not differ statistically significant as proved by the results of the Mann–Whitney test ($p=0.427$). The main statistical indicators of manager's evaluations on internet marketing significance of exporting companies and non-exporting companies' are reflected in Table 2.

About 46% of exporting companies and non-exporting companies considered that internet marketing impact on marketing and sales objectives was significant, average evaluations (arithmetic mean, mode and median) were around 8 points. The exporting companies and non-exporting companies' evaluations on internet marketing impact on marketing and sales objectives were similar (arithmetic mean 6.8 and 6.7, mode 8, median 7). The evaluations of exporting companies and also non-exporting companies were quite different (indicators of variability). The main statistical indicators of exporting companies and non-exporting companies' evaluations on internet marketing impact on marketing and sales objective are reflected in Table 3.

The evaluations of exporting and non-exporting companies' on internet marketing impact on marketing and sales objectives did not differ statistically significant as proved by the results of the Mann–Whitney test ($p=0.427$).

Empirical research results and discussion

| Statistical indicators | Exporting companies | Non-exporting companies |
|------------------------|---------------------|-------------------------|
| Arithmetic mean | 6.9 | 7.0 |
| Standard error of mean | 0.176 | 0.180 |
| Median | 7 | 8 |
| Mode | 7 | 8 |
| Standard deviation | 2.304 | 2.444 |
| Range | 9 | 9 |
| Minimum | 1 | 1 |
| Maximum | 10 | 10 |

Table 2

Statistical indicators of managers evaluations on internet marketing significance

Source: Authors' calculations based on manager's survey conducted in 2015 (n=406), evaluation scale 1 – 10, where 1 – not significant; 10 – very significant.

Table 3

Statistical indicators of managers evaluations on internet marketing impact on marketing and sales objectives

| Statistical indicators | Exporting companies | Non-exporting companies |
|------------------------|---------------------|-------------------------|
| Arithmetic mean | 6.8 | 6.7 |
| Standard error of mean | 0.165 | 0.164 |
| Median | 7 | 7 |
| Mode | 8 | 8 |
| Standard deviation | 2.159 | 2.2 |
| Range | 9 | 9 |
| Minimum | 1 | 1 |
| Maximum | 10 | 10 |

Source: Authors' calculations based on manager's survey conducted in 2015 (n=406), evaluation scale 1 – 10, where 1 – not significant; 10 – very significant.

The exporting companies and non-exporting companies' significance of internet marketing role for gaining feedback, for analysis of digital communication channel efficiency, for marketing expenses reduction, for increase sales quantities and for brand/product/company popularisation have evaluated similarly. The highest evaluations on internet marketing role respondents of both companies groups (exporting companies and non-exporting companies) gave for brand/product/company popularisation, slightly higher evaluations gave non-exporting companies (arithmetic mean respectively 7.7 and 7.6, mode 10, median 8), the respondents evaluations were quite different (indicators of variability).

The exporting companies and non-exporting companies high evaluated also internet marketing role for increase sales quantities, the evaluations were quite different. The exporting companies slightly higher than non-exporting companies evaluated internet marketing role for marketing expenses reduction and analysis of digital communication channel efficiency.

However the differences in the evaluations of exporting companies and non-exporting companies on internet marketing role for gaining feedback, for analysis of digital communication channel efficiency, for marketing expenses reduction, for increase sales quantities and for brand/product/company popularisation were not statistically significant (results of Mann-Whitney test, $p>0.291$). The main statistical indicators of exporting companies and non-exporting companies' evaluations on role of internet marketing are reflected in Table 4.

The use of internet marketing possibilities exporting companies and non-exporting companies evaluated similarly – as middling, the evaluations were quite different. The main statistical indicators of exporting companies and non-exporting companies' evaluations on use of internet marketing possibilities are reflected in Table 5.

The company home page used only as a business card a nearly half of companies (about 45% of exporting companies and about 52% of non-exporting companies). About 32% of exporting companies and about 19% of non-exporting companies do not sell the products/services on the internet, but customers could order the product in their web page.

Companies sell products/services both on the Internet and at points of sale – about 25% of exporting companies and about 26% of non-exporting companies but on the Internet sold about 3% of non-exporting companies and no one of exporting companies.

Companies with web pages and those who are exporting their goods/services, more often use Facebook (60.7%), have blog (15.4%), use Google adverts (46.3%), e-mail marketing (45.9%) and use SEO optimisation (34.1%) compared with companies that are not exporting (use Facebook – 59.9%, have blog – 55.6%, use Google adverts – 39.6%, use e-mail marketing (54.6%) and use SEO – only 34.1%).

Results suggest that exporting companies more often use social media and such tools as SEO optimisation, while non-exporting companies more often use banner advertising that is usually more expansive and does not provide feedback from customer as well as direct communications with customer. It is recommended to all companies to follow the latest possibilities and developments of internet marketing to apply modern and effective tools for internet marketing.

| Internet marketing role | Exporting companies | | | | Non-exporting companies | | | |
|--|---------------------|--------|------|--------------------|-------------------------|--------|------|--------------------|
| | Mean | Median | Mode | Standard Deviation | Mean | Median | Mode | Standard Deviation |
| For gaining feedback | 6.2 | 7 | 8 | 2.65 | 6.5 | 7 | 8 | 2.49 |
| For analysis of digital communication channel efficiency | 5.4 | 6 | 8 | 2.82 | 5.2 | 5 | 1 | 2.79 |
| For marketing expenses reduction | 6.3 | 7 | 7 | 2.51 | 6.1 | 6 | 5 | 2.68 |
| To increase sales quantities | 7.2 | 8 | 9 | 2.56 | 7.0 | 8 | 10 | 2.65 |
| For brand/product/company popularisation | 7.6 | 8 | 10 | 2.35 | 7.7 | 8 | 10 | 2.50 |

Source: Authors' calculations based on manager's survey conducted in 2015 (n=406), evaluation scale 1 – 10, where 1 – not significant; 10 – very significant.

| Statistical indicators | Exporting companies | Non-exporting companies |
|------------------------|---------------------|-------------------------|
| Arithmetic mean | 5.4 | 5.1 |
| Standard error of mean | 0.186 | 0.175 |
| Median | 5 | 5 |
| Mode | 3 | 4 |
| Standard deviation | 2.333 | 2.292 |
| Range | 9 | 9 |
| Minimum | 1 | 1 |
| Maximum | 10 | 10 |

Source: Authors' calculations based on manager's survey conducted in 2015 (n=406), evaluation scale 1 – 10, where 1 – incomplete; 10 – very well.

Table 4

Statistical indicators of managers evaluations on internet marketing role in their companies

Table 5

Statistical indicators of managers evaluations on internet marketing impact on marketing and sales objectives

Conclusions

- Usage of internet marketing can significantly affect companies' performance.
- Latvia lacks behind other European Union countries in terms of internet marketing usage. Moreover, performance of small and medium enterprises in Latvia is highly low.
- The companies' survey results show that exporting companies and non-exporting companies do not use internet marketing properly. Companies' evaluations for the significance of internet marketing and the impact of internet marketing on the marketing and sales are rather high, but the variability of evaluations are high.
- Evaluations of exporting companies and non-exporting companies for the usage of internet marketing possibilities are on average level.
- The half of companies do not use sophisticated web page, but uses it only as a business card.
- The exporting companies and non-exporting companies' significance of internet marketing role for gaining feedback, for analysis of digital communication channel efficiency, for marketing expenses reduction, for increase sales quantities and for brand/product/company popularisation evaluated similarly. The exporting companies and non-exporting companies evaluate internet marketing role for brand/product/company popularisation, for increase sales quantities. The exporting companies slightly higher than non-exporting companies evaluated internet marketing role for marketing expenses reduction and analysis of digital communication channel efficiency.
- The variability of exporting companies and non-exporting companies' evaluations on internet marketing significance role is high.
- In general results suggest that companies (both – exporting and not-exporting) understand the importance of internet marketing for business, however, they do not use fully internet marketing potential for some reason. Non-exporting companies more often are using banner advertising while exporting companies tend to use social media (Facebook, blogs), as well as SEO and Google adverts more often.

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