The Effect of Internet Marketing Capabilities on the Export Performance of SMEs

Hajaliakbari, Firouzeh

Department of Business Management, Zanjan Branch, Islamic Azad University, Zanjan, Iran
Assistant Professor of Islamic Azad University, Zanjan, Iran
E-mail: firouzehajialiakbari@gmail.com

Razavi Satvati, Shadi (Corresponding author)

Department of Business Management Zanjan Branch, Islamic Azad University, Zanjan, Iran
Marketing PhD candidate at University of Islamic Azad Zanjan, Iran
Tel: 98-912-1676904 E-mail: Razavi_55@yahoo.com

Received: August 29, 2018 Accepted: Sep. 11, 2018 Published: December xx, 2018
doi:10.5296/bms.v9i2.xxxx URL: https://doi.org/10.5296/bms.v9i2.xxxx

Abstract

In developing countries, small and medium sized enterprises play an important role in economic development by increasing production, employment and exports, but due to limited financial resources, they always have to pursue strategies and competitive advantages for survival and to maintain expand their market share. The purpose of this study was to investigate the impact of SMEs Internet marketing capabilities on their export performance. Research method is based survey and the research technique is based on standard questionnaire. The statistical population of the study consisted of managers of 210 small and medium export companies in one of the industrial cities of Tehran province. Using Cochran formula, 130 questionnaires were delivered among managers. Using Structural equations Modeling and LISREL software, a conceptual model of the impact of internet marketing capabilities on export performance was investigated by accessing business-related
information and IT infrastructure and customer-orientation on export performance. The results of the research indicate that Internet marketing has a directly positive and significant effect and through the variables of access to information and infrastructure of the company's technology and customer-orientation on the performance of the export of small and medium sized enterprises and also, customer orientation in these companies is more important than other two variables.

**Keywords:** Internet marketing capabilities, export performance, SMEs
1. Introduction

Small and medium enterprises (SMEs) have an important role in the economy of many countries in terms of innovation and employment of the local workforce (Auzzir et al, 2018). The growth and development of small and entrepreneur industries as one of the economic development pathways have always been attracted by developed and developing countries in recent decades. (Sity et al, 2009). Exportation is the first step for the entry of SMEs into the international market. (Tan et al, 2017) Usually, these enterprises have limited resources, inadequate knowledge, lack of financial resources, and lack of management ability to growth in international markets (Manolopoulos et al, 2018). Therefore, the Internet is one of the most important marketing tools in the global marketplace with a high potential to export for those enterprises who do not have enough knowledge and Financial resources in order to recognize the target market and find customers (Bianchi & Mathews, 2016; Rodgers & Sheldon, 2002). Concerns over strategic costs and communications in online sales led to limitations in the participation of small and medium-sized enterprises in electronic commerce in the past (Bharadwaj & Soni, 2007; Viglia et al., 2018). However, such concerns do not exist today, and the Internet and websites are known as one of the important elements in sales and marketing (Bell & Loane, 2010; Jeansson et al., 2017; Viglia et al., 2018). In order to sell products outside the borders, all companies should somehow communicate to the buyer and or the importer company. One of the methods to find a customer is to use E-marketing, or Internet marketing. Internet marketing is the most optimal way to earn extra money and the most affordable marketing system (Brennan et al., 2002). All exporters can use Internet capabilities to enter international market or achieve market development and improve their performance (Khaki, 2015). The Internet can help exporters by enhancing the access to international markets, increasing the rate and speed of internationalization and reducing transaction costs (Kontinen & Ojala, 2010; Bianchi & Mathews, 2016). Enterprises emerging on the Internet appear to be better seen by targeted customers (Petkovic et al., 2018). These enterprises exhibit themselves via B2B or Yellow Pages sites, Internet ads and establishing a website on the Internet. Moreover, the study results show that the website of the organization providing high quality services have been more successful in attracting customers in comparison with other organizations (Tsung et al., 2009: 38). B2B small and medium-sized enterprises (SMEs) who use marketing capabilities and innovation are more successful in entering the international market (Merrilees et al., 2011). Exports has provided opportunities for market development and learning due to the competition and this results in the ability of the enterprise to survive gradually in unfamiliar and strange environments (Czinkota, 2016).

Manufacturers of small and medium-sized industries can directly introduce their goods online through the Internet to global markets. The Internet reinforces advertisements, sales, market research, services and logistics (Bianchi & Mathews, 2016; Prasad et al., 2001). The Internet allows enterprises to establish a direct relationship with the customer and develop relationships with them in business (Bianchi & Mathews, 2016). So far, some studies have
been conducted on the Internet communication and the export outcomes. For example, Morgan et al. (2017) concluded that export marketing capability is one of the most important areas for achieving such success in competitive markets. Leonido, Katsikeas and Samaee (2017) and Akhavan Foumani (2016) emphasized the effect of export marketing capabilities on their global development. However, the special role of the Internet as the leader of export performance of the enterprises has been less studied. This study seeks to examine the factors affecting the Internet marketing capabilities of SMEs to create values for customers (Morgan, 2012; Bianchi & Mathews, 2016) and increase the exports. Since SMEs lack adequate resources and knowledge of foreign markets, the Internet can as catalyst to overcome the limitations (Mathews & Bianchi, 2016). The main objective of the study is: How can the Internet acts as a guidance for the export performance of small and medium-sized enterprises? Therefore, a conceptual model, including the effect of the relationships between Internet marketing and access to information and infrastructure of information technology (IT) and customer-orientation on the export performance will be investigated to answer this question.

2. Theoretical Background and Conceptual Model

2.1 Internet marketing capabilities (IMC)

Using the Internet in marketing activities will provide special marketing capabilities for organizations (Bianchi & Mathews, 2016; Liao, Kickul, & Ma, 2007; Yalcinkaya, Calantone, & Griffith, 2009). Internet marketing capability in the international markets includes activities related to producing market insight in relation to the export activity of the company, release of the insight in accordance with decision makers, and designing and implementing direct responses to the clients of exports, competitors of exports and other factors affecting the company and capabilities of the company to create superior value for the exports customers (Cadogan & Associates, 2002) and all online advertising activities, online sales, online after-sales services, market research and purchase provisions at domestic and international market. Internet marketing capability is a part of e-commerce, which involves information management, public relations, customer service and sales. Of course, all forms of virtual communication use the Internet (Sharma & Shtt, 2004).

2.2 Export Performance

Export performance is the infrastructure of the export marketing literature; that is, to what extent the company has achieved its strategic and economic goals in foreign markets (Cavusgil & Zou, 1994; Shoham, 1998, Sinkovicsa et al., 2018). Most researchers reached a consensus that organizational performance is a multidimensional issue and it is not enough to consider a specific criterion for it (Pahizkar et al. (2010); Mohtaram et al., 2015). There are many criteria to measure export performance, such as profitability, export sales, export rates, as well as other criteria, including satisfaction and achievement to goals that are at lower levels (Sousa, 2004; Madsed & Moen, 2018). Previous studies indicate that perceptions of managers generally measure the export performance (Madsed & Moen, 2018).

Hypothesis 1: Internet marketing capability has a positive effect on the performance of the
small and medium-sized enterprises (SMEs).

2.3 Customer orientation (CO)

Customer orientation is a set of beliefs about customer requirements and their satisfaction as a priority for the organization. Customer orientation is defined as an organizational culture to create superior value for both the customer and the company through a deep understanding of customers and competitors, a long-term commitment to meet customer needs and continuous effort to understand unspeakable needs (Blocker, Flint, Myers, & Slater, 2011; Smirnova et al., 2018). After choosing the target market, strategic direction of an enterprise is one of the most important factors to achieve profitability (Tutara et al, 2015) and customer orientation is one of the main approaches to the strategic direction of the enterprise, which includes retaining and strengthening relationships with the existing online customers, developing long-term relationships and establishing relationships with new online customers in the Internet marketing (Mathews & Bianchi, 2016).

**Hypothesis 2**: Internet marketing capability has a significant effect on the customer orientation.

2.4 Access to information (IAV)

Access to information is another important capability of the Internet marketing that can be well used in the export market. Access to the information of the exports to take part in the market research in order to understand customer needs and choose suppliers and distribution channels will be provided by the Internet faster and cheaper.

Enterprises seeking for innovation are more successful with the above-mentioned capabilities, and this will result in more competitive advantage and increased export growth (Merrilites et al., 2011). Today, the Internet has made the world borderless, and producers, traders and sellers can more quickly access market information.

**Hypothesis 3**: Internet marketing capability has a significant effect on the access to information.

2.5 Information technology infrastructure (ICT)

Information and communication technology infrastructure (ICT) is a major factor affecting the growth of developing countries. Therefore, these countries are hardly attempting to localize ICT to be able to reach the economical level of developed countries faster (Bancole, Osei-Bryson, & Brown, 2013; ASEAN, 2011; Kooshki & Ismail, 2011; Bollou, 2010; Shirazi, Gholami, & Higon, 2009; Kuppusamy, Raman, & Lee, 2009; Thompson & Garbacz, 2008; Jorgenson & Vu, 2005; Kuppusamy & Santhapparaj, 2005; Chakraborty & Nandi, 2003).

The extent of the use of the Internet and bandwidth is of high importance in communications and interactions between commercial and administrative businesses, which are the two main factors of economic growth (Pradhan et al., 2018). Today, the effect of information technology infrastructure on business activities, such as supply chain management, B2C and
B2B is undeniable. Bandwidth is one of the characteristics of technology infrastructure that results in communicating with more audiences and creating values (Pradhan et al., 2018).

The IT infrastructure of the enterprise must be considered as other sectors such as marketing, sales, finance, human resources, and so forth (Gheysari et al., 2012). All organizational units are connected to each other through IT and the necessary data is shared between these units. IT personnel can establish good interaction with users based on cooperation (Anote et al, 2006).

**Hypothesis 4**: There is a positive relationship between Internet marketing capability and IT infrastructure.

**Hypothesis 5**: Customer orientation has a positive effect on the export performance of SMEs.

**Hypothesis 6**: Access to information has a positive effect on the export performance of SMEs.

**Hypothesis 7**: IT infrastructure has a positive effect on the export performance of SMEs.

2.6 Conceptual Model

According to the theoretical framework and the research background, we can say that in this research the independent variable is Internet marketing capability and the dependent variable is the company's export performance. And the variables, which plays as intermediary variables role in the current study, include: customer orientation, access to information and information technology infrastructure.

![Conceptual Model](image)

**Figure 1. conceptual research model suggested by Mathews et al., 2010**

3. Method

The current study follows a descriptive method, uses survey and aims for implementation. The present study used survey to collect the data, i.e. research is based on library method and the questionnaire was designed and delivered to collect the required data. Initially, the elements of Internet marketing capabilities, access to information and customer orientation were extracted after a thorough review of the literature. After the extraction, a questionnaire was
designed for the statistical sample of the study to investigate the effects of the Internet marketing capabilities on the export performance. The questionnaires were collected after delivered by a specific statistical sample for analysis and evaluation. In this research, LISREL software has been used for statistical analysis in which the structural equation model is used for data analysis and testing the hypotheses. Regarding the statistical population of the study, 210 small and medium production units located in one of the industrial cities of Tehran province in the food, tile and ceramic industries and detergents were considered. Using the Cochran formula, the statistical sample of 132 was determined. The questionnaire was distributed among 140 managers of small and medium sized enterprises. Data were collected from 109 completed questionnaires in statistical analysis.

3.1 Validity and Reliability of the Questionnaire

In this research, a standard questionnaire (Matthias et al., 2015) has been used, but the researcher has changed some of the items according to the conditions of small and medium sized enterprises in Iran, and then the designed questionnaire was delivered to 5 experts to judge about the "suitability" of the items for the variable, and after the corrections made, face and content validity of the instrument was confirmed. For reliability, the Cronbach alpha was also found to be significant in Table (1). The Cronbach's alpha value for all variables in the research is higher than 70%, which indicates the reliability of the questionnaire.

Table 1. the result of factor loading and alpha Cronbach

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Factor Load</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet marketing capability</td>
<td>Q1</td>
<td>0.79</td>
<td>0.761</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>0.53</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>0.74</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q5</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>Costumer orientation</td>
<td>Q6</td>
<td>0.74</td>
<td>0.717</td>
</tr>
<tr>
<td></td>
<td>Q7</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q8</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q9</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>Access to information</td>
<td>Q10</td>
<td>0.74</td>
<td>0.766</td>
</tr>
<tr>
<td></td>
<td>Q11</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q12</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q13</td>
<td>0.85</td>
<td></td>
</tr>
<tr>
<td>information technology infrastructure</td>
<td>Q14</td>
<td>0.59</td>
<td>0.702</td>
</tr>
<tr>
<td></td>
<td>Q15</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q16</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q17</td>
<td>0.77</td>
<td></td>
</tr>
<tr>
<td>Export performance</td>
<td>Q18</td>
<td>0.68</td>
<td>0.879</td>
</tr>
<tr>
<td></td>
<td>Q19</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q20</td>
<td>0.70</td>
<td></td>
</tr>
</tbody>
</table>

The results of confirmatory factor analysis show that all of the indexes of the research, at a confidence level of 99%, have factor loading higher than 0.4.

In this section, according to the data obtained from the sample and using the structural
equation test, we test the hypotheses of the research. In this output, all the coefficients and parameters of the model are standardized. In the output of the meaningful graph, all the coefficients and numbers of the model are tested.

Figure 2. Structural Equation Modeling of the Conceptual Model of Research (Standard Estimation)

Figure 3. Structural equations modeling of the conceptual model of research (coefficient significance)

As you can see in Figures 2 and 3, the following results are obtained in relation to the acceptance or rejection of the hypotheses.
Table 2. Summary of the results of the research hypotheses

<table>
<thead>
<tr>
<th>from</th>
<th>To</th>
<th>Standard coefficient (β)</th>
<th>t statistic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet marketing capability</td>
<td>Costumer orientation</td>
<td>0.88</td>
<td>8.65**</td>
<td>confirmed</td>
</tr>
<tr>
<td></td>
<td>Access information to</td>
<td>0.74</td>
<td>7.30**</td>
<td>confirmed</td>
</tr>
<tr>
<td></td>
<td>information technology</td>
<td>0.78</td>
<td>6.98**</td>
<td>confirmed</td>
</tr>
<tr>
<td></td>
<td>infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Export performance</td>
<td>0.51</td>
<td>5.19**</td>
<td>confirmed</td>
</tr>
<tr>
<td>Costumer orientation</td>
<td>Export performance</td>
<td>0.72</td>
<td>6.48**</td>
<td>confirmed</td>
</tr>
<tr>
<td>Access information to</td>
<td>Export performance</td>
<td>0.35</td>
<td>3.94**</td>
<td>confirmed</td>
</tr>
<tr>
<td>information technology</td>
<td></td>
<td>0.43</td>
<td>4.47**</td>
<td>confirmed</td>
</tr>
<tr>
<td>infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** p < 0.01 * p < 0.05

The results of the research findings indicate that internet marketing capability has a positive and significant effect at the level of 99% confidence on the variables of access to information, IT infrastructure, customer orientation and export performance of small and medium sized enterprises.

Also, the variables of access to information, technology infrastructure and customer orientation have a positive and significant effect on the export performance of small and medium sized enterprises at a confidence level of 99%.

Different indicators were used to measure the studied pattern in this study. These are: root mean of square approximation error: the first criterion for determining the fit of the total model is the root mean of the square approximation error, which is shown as 2RMSEA.

When the statistic value is less than 0.05, it shows that the model has a good fit, the absolute fit index 3 is the next two criteria for fitting the model called absolute fit indices. These criteria will appear as 4GFI and 5AGFI on the output. These indices should be between zero and one and values greater than 0.9 represent the Goodness of Fit Index. Adjusted Goodness of Fit Index show how the model fit is better than baseline model, which is independence model. These indicators include 8CFI, 7 NNFI, 6NFI, with the exception of the NNFI index, the values of all the indices of this group are between zero and one, and if they closer to one, indicating goodness of fit model (the NNFI value can be greater than one), working with the Laser program, generally, each of the indicators that are obtained for the model alone is not the reason for fit indices of model or themselves, but the indicators should be interpreted together and mutually.
Table 3. Indicators of the fitting of the conceptual model of research

<table>
<thead>
<tr>
<th>Index name</th>
<th>Limit</th>
<th>Obtained value</th>
</tr>
</thead>
<tbody>
<tr>
<td>X2/df</td>
<td>3 and less</td>
<td>1.52</td>
</tr>
<tr>
<td>NFI</td>
<td>0.9 and more</td>
<td>0.95</td>
</tr>
<tr>
<td>NNFI</td>
<td>0.9 and more</td>
<td>0.94</td>
</tr>
<tr>
<td>IFI</td>
<td>0.9 and more</td>
<td>0.91</td>
</tr>
<tr>
<td>CFI</td>
<td>0.9 and more</td>
<td>0.95</td>
</tr>
<tr>
<td>GFI</td>
<td>0.9 and more</td>
<td>0.92</td>
</tr>
<tr>
<td>RMSEA</td>
<td>Less than 0.08</td>
<td>0.07</td>
</tr>
</tbody>
</table>

4. Discussion and Conclusion

The results of this study show that, considering to Internet marketing capabilities, the company's performance can be improved. According to this study, internet marketing capability is more effective than the variables of access to information and IT infrastructure, as well as the ability to market online through customer orientation in the performance of small and medium-sized enterprises. Considering customer as the first priority is the duty of all employees and in this case the strategy of all sectors must be consistent and The company's seniors should address this variable when reaching export performance goals. It is recommended that the Company's strategy for the export of customer needs be up-to-date and continuously assess customer satisfaction and be responsible to the complaints. In this regard, staff training is recommended for an identical view towards customer-oriented goals, continuous and useful interactions with the customer and improvement of the company's IT infrastructure and the systematic use of new online and business-related information.

5. Research Limitations and Suggestions for Further Studies

Limitation is an integral part of the research. In this research: The lack of access to all exporters in small and medium-sized companies, as well as the limited timeframe of research, affects the generalizability of results.

The research model is analyzed in different populations with larger samples. The impact of other indicators, such as the characteristics of the domestic and foreign markets, the characteristics of the industry and management characteristics of the supply chain and the performance of small and medium sized enterprises should be investigated.

The impact of Internet marketing capabilities on performance improvement by new indicators from the buyer's point of view should be examined

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