Journal of Business Research xxx (2015) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

Internet marketing and export market growth in Chile

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ARTICLE INFO

Article history:
Received 1 February 2015
Received in revised form 1 April 2015
Accepted 1 June 2015
Available online xxxx

Keywords:
Internet marketing
Information availability
Business relationships
Export market growth
Chile

ABSTRACT

Previous studies show that the Internet positively influences firms' export activities from developed markets. However, the literature is vague as to whether the Internet has an impact on the export performance of firms from emerging markets. This study tests a conceptual model that includes the effect of Internet marketing capabilities on export market growth in an emerging market. Drawing on a cross-national sample of 204 export firms from a Latin American country (Chile), findings indicate 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.

1. Introduction

An increasing number of studies emphasize the importance of the Internet in firms' international activities (Aspelund & Moen, 2004; Moen, Madsen, & Aspelund, 2008; Petersen, Welch, & Liesch, 2002). Specifically, the Internet supports the international expansion of exporters (Gabrielsson & Manek Kirpalani, 2004; Loane, 2005; Mathews & Healy, 2008), and increases international market growth of firms (Lu & Julian, 2008). Studies show that the Internet has a positive effect on firm information availability and the development of business networks in international markets, as well as an improvement in firm performance (Morgan-Thomas, 2009; Samiee, 1998; Teo & Choo, 2001). Nevertheless, most research is largely exploratory and examines the potential impact of the Internet from a conceptual viewpoint, without formally testing research hypotheses (Loane, McNaughton, & Bell, 2004; Mathews & Healy, 2008; Samiee, 1998). As such, limited empirical research is conducted on the Internet's impact on export market performance (Sinkovics, Sinkovics, & Jean, 2013).

Furthermore, prior research that examines the use of the Internet for commercial purposes in developed countries may not necessarily be relevant for emerging countries such as Latin America due to differing cultural dimensions and levels of development (Bianchi & Andrews, 2012; Gong, 2009; Nasco, Grandon, & Mykytn, 2008). Emerging market contexts have lower levels of economic development in comparison to developed nations (Wright, Filatotchev, Hoskisson, & Peng, 2005). The export process of emerging market firms may require different resources and capabilities. Given the above, as well as the importance of exporting to a nation's economy (Leonidou & Katsikeas, 1996) and the increasing use of the Internet in business activities in emerging markets, a study that examines the effect of the Internet on export market growth for Latin American firms is timely.

The current study proposes that the Internet enables the development of Internet marketing capabilities such as online advertising, sales, after-sales support, market research, and purchasing/procurement. These capabilities in turn have an impact on export market growth, which consists of export sales in current and new markets. Capabilities are defined as bundles of skills and knowledge, not easily imitated by competitors, and exercised through organizational processes that create competitive advantages for a firm (Day, 1994). The Internet allows organizations to establish a direct interface with customers and suppliers and provides export marketers with Internet marketing capabilities by strengthening advertising, sales, market research, service, and procurement (Prasad, Ramamurthy, & Naidu, 2001).

The authors develop a conceptual model which postulates that Internet marketing capabilities can impact export market growth by combining or supporting two additional capabilities: (1) the availability of export information and (2) the development of business network relationships. These two capabilities are based on previous research which shows that the Internet can facilitate the development of organizational capabilities, such as marketing research capacity or customer relationship ability. These capabilities are firm-specific and more difficult to duplicate across organizations (Bauer, Grether, & Leach, 2002; Prasad et al., 2001; Saban & Rau, 2005).

This research makes the following theoretical and empirical contributions. First, this study tests the relationship between Internet

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http://dx.doi.org/10.1016/j.jbusres.2015.06.048

marketing capabilities, export information availability, business network relationships, and export market growth drawing on a resource-based view (RBV) and capabilities approach (Barney, 1991; Teece, 2007; Teece, Pisano, & Shuen, 1997). Second, this research contributes to the relatively scant but increasing number of empirical studies which investigate the link between export marketing strategy and export performance in emerging market contexts (Calantone, Kim, Schmidt, & Cavusgil, 2006). Third, this study contributes to the limited empirical research that advises export managers on how to be more effective in their Internet marketing efforts and practices (Sinkovics et al., 2013). Finally, this study provides descriptive information on Internet marketing activities, export ratio, and an international market of exporters in Chile, an emerging market in Latin America. According to the Pew Research Center, Chile has one of the greatest Internet usage rates (Rainie & Poushter, 2014) and is one of the highest ranked countries in terms of sustained economic growth in the region (WEF, 2014).

The next section reviews the literature pertinent to Internet marketing and exporting, and develops specific hypotheses that relate to Internet marketing capabilities and export market growth. Discussions of the methodology, results, limitations, and future research follow.

2. Theoretical background

The Internet is one of the most significant marketing tools in the global marketplace, offering enormous potential for export businesses (Rodgers & Sheldon, 2002). For example, the Internet can aid exporters by enhancing access to international markets, increasing the rate and speed of internationalization, lowering transaction costs (Kontinen & Ojala, 2010; Lohrke, Franklin, & Frownfelter-Lohrke, 2006), and improving communication and efficiency of information exchange (Gabrielsson & Manek Kirpalani, 2004; Loane et al., 2004; Mathews & Healy, 2008). Research in Latin America shows that the Internet allows firms to expand their exporting activities and conduct their business more efficiently (Rohm, Kashyap, Brashear, & Milne, 2004).

Hamill (1997) suggests that the Internet can substantially improve communication with actual and potential international customers, suppliers, and partners. The Internet generates a wealth of information on worldwide market trends and can also be a very powerful promotion and sales tool. The Internet facilitates conducting export business and supports promotion, information delivery, and export revenue growth (Aspelund & Moen, 2004; Bennett, 1997). Additionally, the Internet can be an efficient tool to reduce entry costs and provide relevant information, which may help to increase relationship development. Not only can large firms with sizeable capital resources support their export activities through the Internet but small and medium companies may also do so with moderate investments (Arnott & Bridgewater, 2002).

RBV and the capabilities approach offer a theoretical base for understanding how to achieve and sustain a firm's competitive advantage and superior performance (Barney, 1991; Teece, 2007; Teece et al., 1997). The RBV considers a firm as a bundle of resources and capabilities that are available to deploy and difficult for rivals to imitate (Amit & Schoemaker, 1993). Resources can be organizational or managerial, such as the competitiveness of products, technological and financial resources, international experience, and the leadership qualities of managers (Barney, 2001). On the other hand, capabilities allow firms to acquire and absorb internal and external sources of knowledge and reconfigure a firm's resource base (Eisenhardt & Martin, 2000; Teece et al., 1997). Firms develop and acquire resources and capabilities to expand their source of competitive advantage in new international markets and improve their export performance (Day, 1994; Srivastava, Fahey, & Christensen, 2001). Capabilities generate a competitive advantage and improve export performance in two ways (Piercy, Kaleka & Katsikeas, 1998). First, capabilities allow firms to identify and respond to opportunities by developing new processes, products, or services for international markets that are difficult for competitors to imitate and have the potential to increase revenue (Zou, Fang, & Zhao, 2003). Second, capabilities improve the speed, effectiveness, and efficiency with which firms operate and respond to new international markets by reducing costs (Tallon, 2008).

Firms apply Internet technology to firm processes in international business activities (Booth & Philip, 1998; Lichenthal & Eliaz, 2003). Reuber and Fischer (2011) find that firm resources such as Internet technology are pivotal in the pursuit of international marketing opportunities. However, accumulating valuable resources is not enough to achieve a competitive advantage (Teece et al., 1997) and investments in information and communication technology may not necessarily benefit firms (Barney, Wright, & Ketchen, 2001). Internet technology as a resource is easily imitable and does not necessarily lead to a competitive advantage for firms (Li & Ye, 1999).

Powell and Dent-Micallef (1997) and Booth and Philip (1998) show that leveraging the value of the Internet requires embedding the Internet in organizational practices and processes or using the Internet in tandem with other unique resources within the firm. Trainor, Rapp, Beitelspacher, and Schillewaert (2010) also argue that focusing on the technology alone is not sufficient. The authors examine the value of technology resources and find that the Internet's impact on other complementary firm-level capabilities positively influences firm performance by improving customer retention and satisfaction. Thus, embedding the Internet within organizational processes can generate a competitive advantage, which in turn impacts a firm's performance (Barney, 2001; Li & Ye, 1999; Tippins & Sohi, 2003). For example, exporters that apply the Internet to marketing activities such as sales and market research can identify and respond to opportunities through new processes which are faster, more effective, lower in cost, and difficult for competitors to imitate (Bengtsson, Boter, & Vanyusyn, 2007; Zou et al., 2003).

The Internet can facilitate the development of marketing capabilities, such as marketing research capacity or customer relationship ability which are firm-specific and more difficult to duplicate across organizations (Bauer et al., 2002; Hamill & Gregory, 1997; Saban & Rau, 2005). Specifically, this study focuses on Internet marketing capabilities: a firm's capability to use the Internet in marketing functional areas to generate value for customers (Morgan, 2012).

Prior research suggests that different marketing capabilities help firms achieve superior performance (Ramaswami, Srivastava, & Bhargava, 2009; Vorhies & Morgan, 2005). The literature identifies two types of marketing capabilities that are particularly relevant to exporters. The first type of marketing capability relates to the export information gathering process through which firms learn about international markets and then use this insight to make appropriate export marketing decisions (Morgan, Zou, Vorhies, & Katsikeas, 2003; Piercy et al., 1998; Teece et al., 1997). These capabilities include the use of routines to gather, process, and interpret export market information, distribute relevant foreign market information to export decision makers and develop export venture marketing strategies (Day, 1994; Vorhies & Morgan, 2005). The second type of marketing capability relates to the export marketing strategy which includes export distribution, post-sales service, marketing communication, network relationships, and selling processes to target customers in foreign markets (Day, 1994). Drawing from the literature, this study considers firm capabilities that relate to export information availability and business relationship networks in addition to Internet marketing capabilities.

Although the previous section helps to explain how the Internet may assist firms in their export growth activities, these studies predominantly investigate the role of the Internet in exportation in developed markets, such as Australia (Mathews, Healy, & Wickramasekera, 2012), the United States of America (USA) (Samiee, 1998), and Europe (Moen et al., 2008). On the contrary, no studies examine the impact of the Internet on export market growth in emerging markets such as those in Latin American. Some research evidence suggests that cultural differences may exist for both consumers (e.g., Andrews & Bianchi,

Please cite this article as: Bianchi, C., & Mathews, S., Internet marketing and export market growth in Chile, *Journal of Business Research* (2015), http://dx.doi.org/10.1016/j.jbusres.2015.06.048