



The Internet: a Challenging Competitive Weapon for Improving Industrial Companies' Performance is Emerging

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Internet has began to be considered, by many companies, as a huge electronic market that connects millions of customers and enterprises from all over the world. Notwithstanding the fact that its adoption proliferates at exponential rates, its relatively young age hasn't permit the execution of research into the contribution of Internet to the companies in the business-to-business field.

Recently, there is a study being carried out (<http://www.aueb.gr/karayanni>), at the Athens University of Economics and Business, which aims to investigate the new strategies followed by the industrial companies that have already included this new technology in their development, as well as to evaluate the effectiveness of these strategies.

The data were collected from 78 industrial goods companies, mainly from the USA (10.4% response rate). Analysis of the data have resulted in the following important findings and implications:

Findings

- 1) The top management of the industrial companies of our sample use Internet in all the activities related to the successful commercialisation of their products, regardless of the company size or the product complexity.
- 2) The company size doesn't constitute a decisive factor for the differentiation of the business strategies. However, it appears that the smaller companies tend to pursue the Market Expansion Strategy at a higher degree, showing a more aggressive use of Internet, through a more aggressive promotion strategy that places emphasis on product benefits.
- 3) As far as the product complexity is concerned, companies with simple or relatively simple products show a greater inclination to the strategic goal of Market Share Increase through the use of Internet. It appears that Internet favours the simple products, or the simple buying processes. Nevertheless, the complexity doesn't seem to affect the Internet Strategies that refer to both the successful product commercialisation and the sales force task that relates the customer needs with the companies' products. The research verified that companies with complex products tend to use Internet for the development of new products via collaboration with other actors of the market (suppliers, clients, universities, organisations, institutes, etc.).
- 4) Through the use of Internet the functional integration within the marketing department is facilitated, namely the co-ordination of the sales, promotion and logistics departments. In addition, the interdepartmental (marketing, production, finance) co-operation is facilitated, with the aim to :

- enhance the customers' loyalty,
- accelerate the development of innovations and
- enhance the effectiveness of the sales force.

5) Strategies involving Internet in the Marketing function favour:

- the application of the value added chain concept, both upstream to the customers and downstream to the suppliers,
- the pursue of the strategic goal of market expansion via the institution of strategic alliances and the
- integration of the whole spectrum of companies' functions, in an effort to enhance the quality service offered to the customers, thus applying the concept of the Total Quality Marketing.

6) According to the results, the contribution of Internet to the companies' sales force is translated to increasing responsibility in the execution of the strategic marketing plan. The new generation of salesmen should be more educated and qualified, in order to use this new technology, for gaining market knowledge, which combined with their experience will allow them to :

- increase customers' loyalty
- monitor new market segments and new markets
- successfully relate the customer needs to the companies' capabilities.

7) In the present phase of the Internet diffusion among the industrial companies, the intensity of its use is highly related with the companies' performance. More specifically, the use of Internet improves the companies' efficiency, due to :

- more efficient customers' prospecting
- more efficient customer portfolio management
- reduction of the advertisement budgets

Implications

The above findings have some useful implications for both the providers and the state:

a) The encouragement of the Internet adoption via the establishment of a carefully set designed pricing policy by the Internet providers would accelerate the diffusion of this new technology to the critical mass of industrial companies. Indeed, so long as the suppliers' strategy affects the diffusion of innovations in the industrial markets, the providers should deploy an appropriate pricing strategy, based on algorithms, that will encourage the use of Internet. Nevertheless, as many researchers suggest, in the long run, which coincides with the maturity stage of the Internet life-cycle, a pricing system that is based on the frequency of use, is more appropriate, in order to avoid the network overloading and traffic jams.

b) Being in alignment with other numerous reports about Internet, we should stress the need for improvement of the network lines, on the ground that this would improve the information bandwidth of the companies. At the same time, the formation of special international commercial and privacy standards to guide the electronic commercial behaviour, coupled with the application of encryption methods (public key encryption and electronic signatures), that would solve much of the Internet security problems, are essential, in order for the diffusion of the commercial use of Internet to be accelerated. However, the research have shown that the above "defects" of Internet do not constitute essential factors that restrict its use. The vast majority of the companies reported that the greatest disadvantage of Internet was its limited commercial use, since, by definition, the diffusion of the interactive technologies is on a par with the creation of the critical mass of the users.