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Integrating e-commerce into existing export marketing theories: A contingency model

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Abstract. Current theory on export marketing is based on the assumption that each exporting decision is made in isolation, whereby a set of factors are considered for single market entry only, without the consideration of simultaneous entry into multiple foreign markets. Because e-commerce is able to provide instantaneous access to numerous global markets, recent technological advances force us to rethink whether existing theoretical frameworks are sufficient in explaining today's export marketing strategies. A review of the recent export literature suggests that a new paradigm may be needed to take into consideration the electronic marketplace, both in the process of entering markets, and in the management of operations within those markets. The purpose of this article is to present a model that integrates e-commerce into existing theories on export marketing. Specifically, the aim is to develop a theoretical framework that: (a) extends existing export marketing theories by incorporating e-commerce strategy; (b) proposes a contingency approach to compare and contrast the relationship among environmental variables, export market strategy and export performance; and, (c) provides a clear direction for future research through the development of research propositions investigating the role of e-commerce strategy in the exporting process. Key Words: e-commerce, e-commerce drivers, e-commerce utilization, export marketing strategy, export performance, exporting, marketing theory.
The use of e-commerce has been growing, creating new opportunities for exporters to improve current ways of doing business and influencing the development of competitive export marketing strategy. In turn, the diffusion of e-commerce-based technologies requires firms to differentiate themselves and/or their products to establish and maintain relationships with their customers or partners. In order to be competitive, exporters need to employ technologies to develop low-cost customer-prospecting methods, efficient international trading processes, and close relationships with customer/partners around the world. Therefore, a greater understanding of the influence of e-commerce in export operations is needed.

A review of the recent literature suggests that a new paradigm may be needed to take into consideration e-commerce, both in the process of entering markets, and in the management of operations within those markets (Bennett, 1997; Hamill, 1997; Hamill and Gregory, 1997; Javalgi and Ramsey, 2001; Karavidis and Gregory, 2001; Overby and Min, 2001; Petersen et al., 2002; Prasad et al., 2001; Quelch and Klein, 1996; Samiee, 1998; Tiessen et al., 2001). This is based on the view that emerging Internet technologies disrupt markets in many ways (Evans and Wurster, 1999; Sahlman, 1999) and that this disruption may impact export business. First, the Internet enhances the relative power of buyers, suppliers and intermediaries by lowering the cost of finding and distributing market related information (Mahadevan, 2000). Second, the dissemination of information through e-commerce enables more firms to offer substitute goods and services. Finally, the competitive pressure to move to e-commerce creates vigorous competition in domestic and international markets (Tiessen et al., 2001). Taking into account these market disruptions caused by e-commerce, it is necessary to identify factors that are changing the competitive landscape and to understand their influence on export business. To date, there is no known theoretical framework that incorporates e-commerce in the marketing strategy-export performance relationship.

Integrating new technologies, specifically e-commerce, into exporting theory is a subject of great importance to researchers and practitioners. Generally speaking, there are two schools of thought on how e-commerce may impact upon the exporting process: (1) e-commerce will have little or no impact upon exporting, since the key to exporting success rests primarily upon experience and commitment, not electronic technologies; and (2) e-commerce speeds up the exporting process by expanding export channels of communication and distribution and enhancing the process of learning about an export market. There is evidence from previous research that perhaps both arguments have merit. For example, Bennett (1997) found that start-up online exporters were less able to employ foreign agents because of their lack of export experience and contacts. Similarly, Samiee (1998) suggests that the Internet may open up opportunities for sporadic exporters but companies that are regular exporters have already put in place some other infrastructures (e.g. EDI networks) to improve their efficiency via electronic communication. On the other hand, exporters not capitalizing on e-commerce technologies may increase the efficiency of processing orders and gathering
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market knowledge (two of the greatest barriers to exporting) using e-commerce. We support the school of thought that e-commerce has the potential to significantly enhance and facilitate the exporting process. Hence, the purpose of this article is to present a model that integrates e-commerce into existing theories on export marketing. Specifically, the aim is to develop a theoretical framework that:

(a) extends existing export marketing theories by incorporating e-commerce strategy;
(b) proposes a contingency approach to compare and contrast the relationship among environmental variables, export market strategy and export performance; and
(c) provides a clear direction for future research through the development of research propositions investigating the role of e-commerce strategy in the exporting process.

In the context of this article, e-commerce is defined as an environment for presenting, trading, distributing, servicing customers, collaborating with business partners, and conducting transactions using electronic technologies (e.g. the Internet, Intranet, Extranet, email, EDI, and others).

Integrating e-commerce into exporting theory

There are a number of important e-commerce activities potentially affecting the export marketing strategy–performance relationship, many of which have been investigated in previous studies, and are consistent with industrial organization (IO) theory, resource-based view (RBV), and transaction-cost economics (TCE). For instance, IO theory suggests external e-commerce determinants related to the development of export market strategy, for example, e-commerce infrastructure and demand for e-commerce, serve as potential external environmental that may impact upon firm’s export marketing strategy (Evans and Wurster, 1999; Sahlman, 1999). The RBV approach supports the integration of e-commerce into internal organization resources, which in turn influence a firm’s exporting capabilities (Clemons et al., 1993). Specific capabilities especially relevant for e-commerce utilization are the firm’s e-commerce assets, product online transferability, and the firm’s e-commerce experience in export business. Using these capabilities, e-commerce utilization could be achieved through integration of internal assets (i.e. e-commerce infrastructure and human resources) and firms’ international competencies. The focus on exchange makes TCE theory relevant to a wide range of phenomena dealing with e-commerce, including exporters’ faster adaptation to international markets’ conditions, efficient search for trading partners/clients (ex ante costs), support of distribution channels, and creation of an internal environment that reduces post transaction costs (ex post costs). Combining these theoretical approaches, we extend Cavusgil and Zou’s (1994) model on marketing strategy and export performance, and examine further environmental forces that impact marketing strategy and export performance.
The result is a contingency model that incorporates e-commerce strategy into this process (See Figure 1.).

The contingency model (Figure 1) presents the link between internal and external determinants and marketing strategy moderated by e-commerce drivers, on one side, and export marketing strategy and export performance moderated by e-commerce utilization, on the other side. E-commerce drivers include internal drivers, investments in e-commerce assets (human resources, technology, physical, etc.), and product online transferability (digitizability of product/service), and external drivers, demand for e-commerce (suppliers, customers, channel members) and e-commerce market infrastructure. E-commerce utilization may be considered as the effective usage of e-commerce technologies in business operations. For example, efficiencies created by e-commerce in sales and marketing, processing transactions electronically, and supply and distribution processes could be captured through e-commerce utilization. Additional areas where exporters can utilize e-commerce include:
(a) providing online product/service catalogue to customers;
(b) promoting and advertising company’s products, services and capabilities;
(c) offering online ordering of product/services;
(d) enabling salespeople online access to product/price/performance information;
(e) answering customer queries about product availability and order status; and
(f) gathering market related information on customers, competitors and industry (Burd, 2001).

Recent evidence suggests there are at least three fundamental ways that lead to e-commerce utilization to achieve profitability: achieving efficiencies in marketing, fulfillment, and customer service through economies of scale such as product catalogues; using banner advertising or online mall transactions to generate revenues and profit streams through an immense customer database; and creating new means of commercial transactions such as auctions (Amit and Zott, 2001). Altogether, e-commerce utilization captures the usage and effectiveness of e-commerce technologies for a wide array of marketing and business functions. The impact of such technologies on the relationship between export marketing strategy and performance is of particular importance in the proposed framework.

In essence, this framework proposes a number of important propositions based on two broad research questions. First, does e-commerce utilization strengthen the relationship between export marketing strategy and export performance? Second, do e-commerce drivers affect the relationship between internal-external forces and export marketing strategy? Next, each of these questions will be explored, along with the development of research propositions for future research.

Export marketing strategy – export performance relationship

When export marketing strategies are co-aligned in the context of an export venture, positive performance can be expected for the venture (Anderson and Coughlan, 1987; Cavusgil and Zou, 1994; Morgan et al., 2004; Porter, 1980; Venkatraman and Prescott, 1990). Having said this, however, the actual measurement of export performance is one of the most challenging topics in international marketing research. To date there is still no agreement on how best to measure export performance (Matthyssens and Pauwels, 1996; Zou and Stan, 1998). Traditional performance measures range from objective measures such as market share, return on assets, return on investments, return on equity, and sales growth, to subjective measures such as strategic objectives achievement and management commitment to export. Since export sales, profits, and composite scales of overall export success and success in achieving export goals are frequently used measures of export performance (Zou and Stan, 1998), we propose to use these measures for export venture performance in testing the operational model. Extending these export performance measures to e-commerce could include:
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- the extent to which e-commerce strategic goals are achieved;
- the average annual electronic sales and profit growth rates; and
- management’s perceived success of e-commerce utilization in exporting.

The extent to which e-commerce strategic goals are achieved could include:

- to gain a better understanding of customers’ needs;
- to provide lower cost channels for transacting with customers;
- to maintain relationships with overseas customers;
- to exploit new sources of revenue;
- to reduce export operating costs;
- to access new international markets; and
- to bring new services and products to international markets more quickly.

This list of potential measures should be developed even further, and could be measured using importance/achievement scales (Cavusgil and Zou 1994).

Consistent with previous findings, it is suggested that exporters proactively seek the best way to implement e-commerce through all parts of their business. This basic idea is incorporated in the contingency model (Figure 1) through e-commerce utilization as a moderator in the strategy–performance relationship. As discussed earlier e-commerce utilization is assessed as the effective usage of e-commerce in sales and marketing, processing transactions electronically, and supply and distribution processes. In the context of export performance, e-commerce utilization may stimulate firms’ efforts to enhance export performance through product adaptation, communication efficiency, promotion adaptation, distribution support, distribution efficiency and price competitiveness.

Thus, it is expected that the interaction between export marketing strategy and e-commerce utilization is associated with improved export performance. Based on the extant literature and integration of industry research in e-commerce, the following proposition is offered:

P1: The link between export marketing strategy and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

Following the export literature that export marketing strategy has an impact on export performance (Cavusgil and Kirpalani, 1993; Cavusgil and Zou, 1994; Christensen et al., 1987; Cooper and Kleinschmidt, 1985; Lee and Yang, 1990), it is necessary to discuss elements of the export marketing mix that are most influenced by e-commerce.

Product adaptation

The link between product adaptation and export performance is one of the most widely researched issues in the export literature. Product adaptation can be defined in terms of the degree to which the firm’s actual and augmented product elements are adapted for export markets to accommodate differences in environmental forces, consumer behavior, usage patterns, and competitive situations (Leonidou et al., 2002). In a competitive export market, a high degree of product
adaptation may be needed due to intense competitive pressures and the need to gain a competitive superiority over rivals (Cavusgil and Zou, 1994; Hill and Still, 1984). With this option, firms are able to diversify their product range, and most importantly, give consumers/partners the opportunity to design products/services based on export market needs, regardless of physical location (domestic or international market).

The emergence of e-commerce creates a unique opportunity for exporters to realize benefits in product adaptation by enabling end users to instantaneously customize product and service offerings based on immediate needs. Three benefits can emerge when utilizing e-commerce in product adaptation. First, e-commerce has improved the potential of competitiveness and quality of service. Intermediaries are able to improve competitiveness by becoming ‘closer to the customer’. Many companies are employing e-commerce technology to offer improved levels of pre-and post-sales support, with increased levels of product information, guidance on product use, and rapid response to customer inquiries (Kalakota and Whinston, 1997). Second, e-commerce provides a mechanism to collect information about potential customers through database marketing. Database marketing uses new online tools (e.g. cookies – data sent by web servers to web browsers) and online registration forms to build a profile of customer interests in order to create individualized product/services to customers. Third, e-commerce has a big influence on mass customization of personalized products and services (Peppers and Rogers, 1999). Since electronic interaction with customers allows the gathering of detailed information on the needs of each individual customer, firms can automatically tailor products and services to those individual needs. This results in customized products comparable to those offered by specialized suppliers, but at mass market prices (Ellofson and Robinson, 1998).

Given these advantages (and many others), the relationship between product adaptation and export performance may be strengthened for those exporters who utilize e-commerce in export marketing strategy. Therefore the following proposition is offered:

P1a: The link between product adaptation and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

Communication efficiency

The theoretical rationale for further consideration of communication efficiency by marketing scholars and managers is rooted in the generally accepted definition of marketing as a set of activities involved in the facilitation of exchange (Bagozzi, 1975; Kotler and Levy, 1969). As products and services move along the value-added chain (Porter, 1987), from supplier to firm to distributor to consumer, increasingly, a major component of exchange is the exchange of information. In that sense, the value-added chain can be viewed as a communication channel (Glazer, 1991). The introduction of the Internet and other e-commerce tools has been seen as a great opportunity to increase information collected and processed as a part of exchanges along the value-added chain. This is particularly important
for firms operating in information-intense industries. Efficiency in the communication channel can also reduce customers’ search and bargaining costs (Brews and Tucci, 2004; Lucking-Reiley and Spulber, 2001), as well as opportunistic behavior (Williamson, 1975).

Furthermore, the interactive nature of e-commerce transforms the role of customers, from their traditional passive role as receivers of marketing communications, to active participants in the exchange of greater amounts of dynamic information (Hoffman and Novak, 1996). Although people tend to communicate more frequently using the Internet environment, language has been seen as a real barrier for customers from non-English speaking markets. For this reason customers and business-oriented exporting firms must develop multi-language web sites to successfully reach their target markets (Bin et al., 2003; Samiee, 1998; Tiessen et al., 2001). Applying e-commerce technologies such as these, firms have much greater opportunities to efficiently communicate with clients and collect valuable evidence for promotion strategy creation, which in turn creates opportunities to improve export performance. For instance, database marketing allows firms to not only build a profile of customer interests in order to customize product offerings, but also to create individualized advertising campaigns. Such campaigns can now target Internet users with alarmingly precise accuracy, facilitating even greater communication efficiency.

Lastly, e-commerce provides a two-way dialog between the marketer and the customer (Kalakota and Whinston, 1997), which in turn has implications for communication efficiency. While television advertising is based on a one-way communication from the marketer to the customer, with e-commerce, customers actively search and seek information and then provide feedback in order to find the products and services that will meet their needs. Based on this discussion, the relationship between communication efficiency and export performance should be strengthened for exporters who utilize e-commerce in their export marketing strategy. Therefore, the following proposition is offered:

P1b: The link between communication efficiency and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

Promotion adaptation

An issue of special concern for export managers is whether to pursue a standardized promotion strategy across all countries, or adapt it to the specific requirements of each foreign market. Previous findings generally support the notion that promotion adaptation exhibits a strong positive association with overall export performance, irrespective of the time, place, and products (Leonidou et al., 2002). However, Cavusgil and Zou’s (1994) findings do not support this association. Since promotion is highly bounded by culture, it may be that export customers are less responsive to promotion that fails to precisely match their cultural preferences. This may have been true with one-way communications through traditional media. However, the emergence of e-commerce now enables individual, interactive and media-effective contacts along with real-time communications...
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with customers. With these activities exporters can tailor promotion activities based on online communication with their customers, which in turn may reduce the impact of culture on promotion adaptation. And as a fairly standardized medium being adopted worldwide, the Internet transcends cultural and country boundaries, potentially reducing the impact of culture on communications in export marketing. Hence, it is expected that a high level of utilization of e-commerce in export operation will enhance promotion adaptation and subsequent export performance. Following this line of thinking the following proposition is offered:

P1c: The link between promotion adaptation and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

Distribution support

Channel relationships, generally expressed as dealer/distributor support, motivation, and involvement, emerge as a key determinant of export sales, profits, and growth (Bilkey, 1982). The exporting firm’s ongoing and sustainable distribution support leads to better export performance through the development of productive and long-lasting business relationships (Cavusgil and Zou, 1994). Exporters can use their distributors/subsidiaries in various ways, including business counseling, market research assistance, sales force training, technical assistance, missionary selling, cooperative advertising, and financing (Czinkota and Ronkainen, 1998).

E-commerce enables marketers to uncover new ways to eliminate process redundancies and establish direct interface with customers, suppliers, and strategic alliance partners, thus reducing transaction costs significantly (Papows, 1998). Integrating online technical support into current distribution support will likely increase exporter’s competitiveness. Technical support may include continuous coverage in different languages and product/service adaptation through web site presentation in domestic languages. This means that if firms design their web sites in foreign languages, technical support will need to be provided in local languages to realize efficiencies. Since these activities might increase costs, it may be necessary to take a more balanced approach before investing money into these activities. Hence, distribution support in the form of sales training, technical assistance, marketing know-how, and promotional support, using online facilities is expected to positively influence export performance. In turn, this relationship should be strengthened by higher utilization of e-commerce. The following proposition represents this relationship:

P1d: The link between distribution support and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.
Distribution efficiency

Recent research points to transaction efficiency as one of the primary value drivers generated by e-commerce (Amit and Zott, 2001). Consistent with TCE theory (Williamson, 1975, 1985), Amit and Zott (2001) found that transaction efficiency increases when the costs per transaction decrease. By leveraging the cost-effective interconnectivity enabled by information technology infrastructure, e-commerce further enhances transaction efficiency by enabling faster and more informed decision making (Amit and Zott, 2001). Therefore, greater transaction efficiency gains enabled by e-commerce lead to lower costs and enhanced performance.

The involvement of e-commerce in transaction and distribution channels may lead to enhancement of distribution processes, allowing some layers of the value chain to be eliminated. This is commonly referred to as disintermediation. Disintermediation not only can reduce costs but also can increase the speed and responsiveness of transactions (Prasad et al., 2001). An example can be seen in the use of Extranets, which facilitate communication in the supply chain and create efficiencies in dealing directly with customers – contributing directly to the disintermediation process. E-commerce can also play an important role in enhancing the productivity and effectiveness of the logistics process by facilitating the selective automation of processes related to integrating sales activity, shipments, payments, insurance and so on (Kalakota and Whinston, 1997). Competitive export markets require efficient distribution support forcing the distributor to provide adequate communications, timely delivery and proper maintenance and service (Terpstra, 1987). Based on this discussion, it is expected that the relationship between distribution efficiency and export performance will be enhanced for exporters who utilize e-commerce in their export venture business. Therefore, the following proposition is offered:

\[ P_{1e}: \text{The link between distribution efficiency and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.} \]

Price competitiveness

Competitive advantage is viewed as a position of superior performance that a firm attains through offering either undifferentiated products at low prices, or differentiated products for which customers are willing to pay a price premium (Day, 1994; Porter, 1980, 1987). When exporting, prices often escalate for a number of reasons: economic, political-legal, price controls, and other environmental forces; marketing, distribution, and transportation costs; market structures and demand; tariffs, taxes, and other financial trade barriers; pricing practices of competitors; and costs and margins of distribution channels (Leonidou et al., 2002). These often uncontrollable forces affecting foreign market pricing make price competitiveness necessary for firms to survive and remain competitive in host markets (Louter et al., 1991).

Cost effective interconnectivity using e-commerce provides greater selection at
lower costs by reducing distribution costs, streamlining inventory management, and simplifying transactions. Online transactions allow individual customers to benefit from scale economies through demand aggregation and bulk purchasing, streamlining the supply chain, and speeding up transaction processing and order fulfillment. Marketing and sales costs, transaction-processing costs, and communication costs can also be reduced as a result of e-commerce, and the firm’s value-creating potential can be enhanced through scalability (i.e. increasing the number of transactions that flow through the e-business platform) (Amit and Zott, 2001). These arguments could be applicable to larger companies that benefit in cost reduction since they have capacity to invest in building e-commerce assets. However, smaller companies may not always be able to acquire the dedicated infrastructure and expertise required to execute e-commerce strategies (Tiessen et al., 2001). Nevertheless, presenting products on the Internet and engaging in price negotiations with clients using e-mail facilities could still benefit smaller companies without significant start-up costs.

Recent evidence suggests that there has been an increase in demand for using online auctions as a mode for price negotiation. Garciano and Kaplan (2000) found that using an online rather than an offline auction format for trading cars between businesses halves transaction costs. Involving electronic or intelligent brokers in the relationship process, customers (or partners) will be able to negotiate the price electronically in an auction module (Garciano and Kaplan, 2000), leading to natural efficiencies in transactions and reduction in transaction costs. At the same time, e-commerce activities that create efficiencies in transactions and reduction in costs have the potential to increase the importance of price competitiveness. Therefore, it is expected that high usage of e-commerce strengthens the relationship between price competitiveness and export performance, as reflected in the following proposition:

\[ P_{1i} \text{ The link between price competitiveness and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low. } \]

In sum, it is proposed that a greater level of utilization of e-commerce technologies will further strengthen the relationship between export marketing strategy and export performance. More specifically, product adaptation, communication efficiency, promotion adaptation, distribution support, distribution efficiency and price competitiveness should have a greater impact on export performance when firms utilize the tools and technologies of e-commerce.

**Internal determinants – export performance relationship**

Based on past research, two internal determinants are believed to have a direct and positive impact on export performance: *international competence* and *management commitment* to export venture (Cavusgil and Zou, 1994). A firm’s international competence appears to have an important influence on its choice and implementation of strategies to translate marketing competences into successful
export performance (Aaby and Slater, 1989; Madsen, 1987; Zou and Stan, 1998). Additional determinants in this context include the firm’s resources available for export development (Terpstra and Sarathy, 2000), its international experience (Douglas and Craig, 1989), and management commitment (Aaby and Slater, 1989; Cavusgil, 1984; Cavusgil and Nevin, 1981; Leonidou et al., 1998). International competence in export operations enables firms to select better export markets, formulate suitable marketing strategy and efficiently implement the chosen strategy (Douglas and Craig, 1989; Terpstra, 1987). Since e-commerce utilization accelerates information flow about potential markets, such technologies should provide new value for market strategy and enable more efficient implementation of chosen strategies. Extending the notion of international competence to include e-commerce experience in exporting serves as an important dimension for the integration of e-commerce in export venture projects. Hence, it is expected that the relationship between a company’s experience, in both export and e-commerce, and export performance, will be enhanced by higher e-commerce utilization. The following propositions are proposed to represent these relationships:

P2: The link between export experience and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

P3: The link between e-commerce export experience and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.

The role of management commitment and its impact on export performance is well-established in the extensive literature on internationalization (Coviello and McAuley, 1999; Leonidou et al., 1998). Researchers have consistently found that management commitment to exporting and export planning are positively associated with export performance (Beamish et al., 1993; Cavusgil, 1984; Cavusgil and Kirpalani, 1993; Leonidou and Katsikeas, 1996). When managers are committed to an export venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture (Cavusgil and Zou, 1994). Consequently, the importance of this factor to exporting reflects the fact that it is necessary to devote and direct e-commerce resources into exporting business. It is reasonable to expect that motivation and ability to deploy e-commerce into successful export performance are likely to be higher for firms with a greater degree of management commitment to e-commerce as well. Furthermore, it is expected that management commitment to export venture will impact on export performance. In turn, this relationship could be enhanced for those companies that have greater e-commerce utilization. Hence, the following proposition is offered:

P4: The link between management commitment to export venture and export performance will be greater when e-commerce utilization is high than when e-commerce utilization is low.
Environmental determinants – export marketing strategy relationship

The second broad research question examines the moderating effects of e-commerce drivers on the environmental determinants – export marketing strategy relationship. Although there are many possible environmental variables impacting on export marketing strategy (Zou and Stan, 1998), for the purpose of this research environmental determinants are classified into two groups, internal forces – related to international competence, management commitment to export venture, and product uniqueness; and, external forces – related to export market competitiveness, technology orientation of industry, legal/regulatory barriers, and sophistication of export market infrastructure. Consistent with IO and RBV theories, e-commerce drivers can be classified in two groups: internal e-commerce drivers – related to product online transferability and firms’ e-commerce assets; and, external e-commerce drivers – related to export market e-commerce infrastructure and demand for e-commerce in export markets.

Product online transferability

A central trend underlying an e-commerce economy is the transformation of information content embedded in many goods and services into digital formats capable of rapid dissemination, and enabled by e-commerce technologies (Varadarajan and Yadav, 2002). We refer to this transformation as product online transferability. Product online transferability is central to a firm’s ability to electronically transfer products and services (or any part thereof), and may assist in efficiently adapting products for exporting. The degree of product adaptation, however, is highly dependent on two sets of product characteristics including (a) traditional characteristics variables, such as product strength, quality, adaptation and standardization (Cavusgil and Zou, 1994; Kaynak and Kuan, 1993; McGuinness and Little, 1981), and (b) product features that can be transferable through e-commerce. Product online transferability relies to a large extent on the degree of product ‘intangibility’ or ‘digitalization’. This implies that the tangibility and transferability of product/service offerings may affect the firm’s ability to deal with environmental forces when deciding on export marketing strategy. Figure 2 presents the portion of our contingency model (Figure 1) that deals with the moderating influence of product online transferability in the environmental forces – export marketing strategy relationship.

Experienced exporters understand the subtle differences in environmental conditions, market demand, and the degree of competition, and are more likely to select the most attractive market and align products to the export market (Cavusgil et al., 1993; Douglas and Craig, 1989; Hill and Still, 1984). Experienced e-commerce exporters are able to speed up the whole process of adapting the product rapidly and increase distribution efficiency due to the ability to electronically interact with parties involved in the export venture market. Thus, it
is expected that the impact of experience (export and e-commerce) on product adaptation and distribution efficiency is greater when product online transferability is high than when it is low.

A product that is unique could have a limited acceptance in export markets. In this case, greater adaptation of the product will be required to meet export customers’ product use conditions (Cavusgil et al., 1993). Customizing product offerings online can speed up education of export customers in using and maintaining the product. Therefore, product online transferability is expected to enhance the product uniqueness – product adaptation relationship.

It is widely thought that legal/regulatory barriers negatively influence product adaptation and distribution efficiency. Because of the ability to transfer products online, it is expected that some legal/regulatory barriers can be reduced, if not eliminated. This means that product online transferability may reduce the impact of legal/regulatory barriers on product adaptation, as firms are able to bypass certain barriers and provide instantaneous product customization. The same logic holds true for distribution efficiency. That is, product online transferability has the ability to circumvent certain legal/regulatory barriers and create more efficient ways to distribute products.

Although advances in communication technologies create distribution efficiencies, increased communications via electronic channels has resulted in additional legal and regulatory concerns. One such concern is that of deployment of secure
technologies (such as digital signatures, digital certificates and secure electronic payment mechanisms). Concerns over data security; protection of intellectual property rights and conditional access services; privacy; as well as a clear and neutral tax environment have also lead to many nations imposing tariff and non-tariff barriers to e-commerce. These barriers could have a detrimental effect on e-commerce and result in inefficiencies; hence, the need for a legal and institutional framework to support these technologies. The World Trade Organization’s (WTO) Agreement on Basic Telecommunications addresses some of these issues and aims to contribute directly to the reduction of tariff and non-tariff barriers and the emergence of standardized trade using electronic commerce. Similarly, recent international agreements to eliminate tariff and non-tariff barriers through the European Union (EU) Directive should rapidly bring down the cost of key information technology products, encourage the take up of electronic commerce, and reinforce European competitiveness. Online transferability of products requires a legal and regulatory environment that facilitates e-commerce transactions so that consumers have instantaneous access to product/service offerings (e.g. music, software, books, financial services, etc.). When such an environment is in place, one might expect that product online transferability may reduce the impact of legal/regulatory barriers on distribution efficiency.

It is important that competitive pricing is offered so that the export venture will not be undermined by competitors (Cavusgil and Zou, 1994). The ease of collecting and comparing information on the Internet regarding prices, features and quality means that costs are becoming increasingly transparent (Sinha, 2000). This is particularly important for those exporters who can transfer their products online. It is expected that the impact of export market competitiveness on price competitiveness, as well as distribution efficiency, would be greater when product online transferability is high and the product/service is digitizable.

According to Cavusgil and Zou (1994), technology orientation of industry also emerges as a variable with a significant impact on price competitiveness. Since e-commerce requires high technology involvement, it should have a significant impact on price competitiveness as well. More specifically, product online transferability should strengthen the impact of technology orientation of industry on price competitiveness. While Cavusgil and Zou (1994) found that technology orientation of industry negatively influenced product adaptation, product online transferability may enable companies to modify product features even if they are in a technology-intensive industry. The same holds true in the distribution efficiency of products, with advances in technology enabling many firms to efficiently distribute products/services using electronic channels. Hence, it is expected that product online transferability will strengthen the impact of technology orientation of industry on both product adaptation and distribution efficiency.

Finally, it is believed that the level of sophistication of export market infrastructure enables firms to provide online product adaptation and product distribution more efficiently. Thus, the impact of export market infrastructure on both product adaptation and distribution efficiency should be enhanced when product
online transferability is high and firms can use such infrastructure to deliver products directly to customers.

In sum, the relationship between environmental determinants and product adaptation, distribution efficiency, and price competitiveness is strengthened when product online transferability is high rather than when it is low. The only exception is between legal/regulatory barriers and product adaptation and distribution efficiency, where it is expected that the relationship could be reduced when product online transferability is high. Therefore, the following propositions between environmental determinants and export marketing strategy moderated by product online transferability are offered (see Figure 2):

P5: The link between environmental forces and product adaptation will be greater when product online transferability is high than when product online transferability is low.

P6: The link between environmental forces and distribution efficiency will be greater when product online transferability is high than when product online transferability is low.

P7: The link between environmental forces and price competitiveness will be greater when product online transferability is high than when product online transferability is low.

Firm’s e-commerce assets

RBV theory emphasizes that transaction and management costs are dependent on the capabilities and resources of the firm (Tsang, 2000). Since allocated budgets for e-commerce, as a financial resource, are only a means to acquire productive assets, resources critical to e-commerce should be developed in technical infrastructure and human skill sets. As a result, it is expected that firms with greater investments in information technology (IT) and e-commerce technologies will tend to develop e-commerce functions that could serve as a source of competitive advantage and value creation. We refer to such investments in infrastructure and human resource skills as e-commerce assets. The overall availability of resources, especially human resources and capital, is associated with success in using e-commerce in export business. As depicted in Figure 3, we expect that a firm’s e-commerce assets will moderate the environmental forces – export marketing strategy relationship.

International export experience enables firms to invest in and maintain relationships with export partners. E-commerce experience further enables firms to increase connectivity, and subsequently improve the implementation of marketing strategy in export markets. As previously stated, increased resources will allow firms to adapt products and create more efficient ways of communicating using e-commerce technologies. Hence, it is expected that increased investment in e-commerce assets will strengthen the impact of experience (export and e-commerce) on product adaptation and communication efficiency.

The commitment to invest in e-commerce resources (technical infrastructure and human resource skills) provides a means to enhance existing marketing strategy. It is expected that increased competitive pressures in global markets should bring to light the importance of management commitment to invest
in e-commerce assets. Greater assets, in turn, enable better opportunities to efficiently adapt/customize products to meet export market requirements. The same holds true for communications efficiency, as e-commerce assets improve a firm’s ability to provide more diverse and efficient communications. Electronic communications also provide instantaneous response to channel members and online distribution support worldwide. Therefore, it is expected that the impact of management commitment to export venture on product adaptation, communications efficiency, and distribution support is greater when e-commerce assets are high than when they are low.

As previously discussed, firms that have the ability to create products and transfer them online can improve product adaptation. This is especially true if the firm commits to and invests in e-commerce assets. Consequently, one would expect the impact of product uniqueness on product adaptation to be enhanced when e-commerce assets are high rather than when they are low.

The technology orientation of the industry, and export market infrastructure, typically serve to facilitate higher interconnectivity and usage of e-commerce strategy. Highly developed technological infrastructure facilitates e-commerce flexibility to accommodate export markets, creates communication efficiencies to support e-commerce export sales activities, and provide online technical support to foreign distributor or subsidiaries. Therefore, it is expected that the impact of technology orientation of industry on communications efficiency and distribution support is greater when e-commerce assets are high than when they are low. Similarly, the impact of export market infrastructure on communications efficiency and distribution support should be greater when e-commerce assets are
high than when they are low. Overall, based on this discussion, the following propositions involving the environmental determinants – export marketing strategy relationship moderated by e-commerce assets are offered (see Figure 3):

P8: The link between environmental forces and product adaptation will be greater when e-commerce assets are high than when e-commerce assets are low.

P9: The link between environmental forces and communication efficiency will be greater when e-commerce assets are high than when e-commerce assets are low.

P10: The link between environmental forces and distribution support will be greater when e-commerce assets are high than when e-commerce assets are low.

Export market e-commerce infrastructure

E-commerce has the potential to have a significant impact on export strategy due to its scope for efficiency, wide variety of users, wide range of uses, and strong technological complementarities. What is evident from various perspectives of e-commerce as a multidimensional phenomenon is the persistent significance of infrastructure, whether measured as networks, facilities, equipment, or other fixed investments that facilitate electronic interactions. In this context, several layers of infrastructure can be identified:

(a) infrastructure for Internet access;
(b) Internet infrastructure-software necessary to facilitate transactions and transaction intermediaries;
(c) Internet intermediaries’ businesses that generate revenues through advertising, membership subscription fees, and commissions; and
(d) companies that are conducting web-based commerce transactions (Malecki, 2002; Zwass, 1999).

In order for e-commerce to expand efficiency, all parties in the export business have to be familiar with the benefits and potential applications of e-commerce. The critical part for creation of this environment is the development of e-commerce infrastructure in export markets. E-commerce infrastructure constraints are present in every export market to varying degrees, but are less pronounced in the most developed markets. Much of the economic value of e-commerce can be derived if underlining technology platforms and the protocols for connecting and exchanging information and products are established. If exporters want to exploit the full potential of e-commerce, it is vitally important that an export market has developed e-commerce infrastructure with easy and affordable access to e-commerce networks. Once in place, export market infrastructure would be expected to influence the impact of key aspects of the environment on export marketing strategy. Each year the Economist Intelligence Unit (EIU) rates countries on six e-commerce indicators (connectivity, business environment, e-commerce consumer and business adaptation, legal and regulatory environment, supporting e-services, and social and cultural infrastructure) as an indication of a country’s e-commerce readiness (EIU, 2004). These indica-
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![Diagram of contingency model](image)

Figure 4
Relationship between environmental forces and export marketing strategy
moderated by export market e-commerce infrastructure

Influencers might be very valuable to exporters in the development of export market entry strategy, especially when assessing the e-commerce infrastructure of the host country. Figure 4 presents the portion of our contingency model (Figure 1) that represents the moderating effects of export market infrastructure in the relationship between environmental forces and export marketing strategy.

As previously stated, export and e-commerce experience are expected to enable firms to increase connectivity, and subsequently improve the implementation of marketing strategy in export markets. A well-developed e-commerce infrastructure will provide a mechanism for experienced firms to adapt products instantaneously, create more efficient ways of communication, and improve distribution efficiency when using e-commerce technologies. Hence, it is expected that increased e-commerce infrastructure will strengthen the impact of experience (export and e-commerce) on product adaptation, communication efficiency, distribution support and efficiency.

Although the commitment to invest in e-commerce resources provides a means to enhance existing marketing strategy, an established e-commerce infrastructure is expected to lead to increased commitment, and have a greater influence on export marketing strategy. It is anticipated the relationship between export market competitiveness and marketing strategy would be augmented through the development of e-commerce infrastructure. An established e-commerce infra-
structure is also expected to create additional opportunities to efficiently adapt/customize unique products to meet export market requirements. Therefore, it is expected that increased e-commerce infrastructure will strengthen the impact of management commitment, export market competitiveness, and product uniqueness on product adaptation, communication efficiency, distribution support and efficiency.

In many ways, both technology orientation of the industry and export market infrastructure are dependent upon the sophistication of the e-commerce infrastructure in export markets. A highly developed e-commerce infrastructure would enhance efficiencies in use of e-commerce activities on marketing strategy. And following previous logic, legal/regulatory barriers are expected to have a reduced impact upon marketing strategy when e-commerce infrastructure is highly developed. By and large, it is expected that increased e-commerce infrastructure could strengthen the impact of technology orientation of industry and export market infrastructure on product adaptation, communication efficiency, distribution support and efficiency. Whereas increased e-commerce infrastructure is expected to reduce the impact of legal/regulatory barriers on product adaptation, communication efficiency, distribution support and efficiency. In sum, the following propositions between environmental determinants and export marketing strategy influenced by e-commerce infrastructure are offered (see Figure 4):

- \( P_{11} \): The link between environmental forces and product adaptation will be greater when e-commerce infrastructure is high than when e-commerce infrastructure is low.
- \( P_{12} \): The link between environmental forces and communication efficiency will be greater when e-commerce infrastructure is high than when e-commerce infrastructure is low.
- \( P_{13} \): The link between environmental forces and distribution support will be greater when e-commerce infrastructure is high than when e-commerce infrastructure is low.
- \( P_{14} \): The link between environmental forces and distribution efficiency will be greater when e-commerce infrastructure is high than when e-commerce infrastructure is low.

**Demand for e-commerce**

To respond quickly to change (i.e. customer preference changes and technological change), firms need to achieve greater agility with the help of supply chain partners (Christensen et al., 1987). Long-term relational exchanges with importing customers emulate certain characteristics of intra-firm export transactions because these importers count on continuous flow of the products in question for the duration of their contracts (Samiee, 1998). Powerful importing customers are in an advantageous position for implementing export processes because of their ability to develop, coordinate, and to some extent dictate, channel activities. Demand for e-commerce development puts pressure on exporters to develop e-commerce capabilities due to reliance on importers’ stream of continuous business. Furthermore, e-commerce requires cooperation and flexibility among business partners operating in export markets (Javalgi and Ramsey, 2001). The demand for e-commerce will most likely influence the effects of the environment...
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Figure 5
Relationship between environmental forces and export marketing strategy moderated by demand for e-commerce in export market

on export marketing strategy. Figure 5 depicts the moderating role of demand for e-commerce in the relationship between environmental forces and export marketing strategy.

Export markets that have highly developed e-commerce infrastructure, in turn, create demand from customers, suppliers and distributors for e-commerce usage. Since various aspects of promotion adaptation result from an enhanced understanding of export markets gained through export experience, the demand for e-commerce in the export market is expected to enhance the relationship between e-commerce experience and promotion adaptation. Hence, it is expected that increased demand for e-commerce will strengthen the impact of e-commerce experience on product adaptation. At the same time, greater demand for e-commerce usage could result from the need to customize product offerings. Often this is the case for products that can be promoted and distributed in digital form, whereby consumers and clients demand customization and distribution of unique product/service needs electronically. One might expect that the relationships between product uniqueness and promotion adaptation and distribution support be strengthened when the demand for e-commerce usage is high.

Furthermore, the ease of collecting and comparing information on the Internet regarding prices, features and quality means that costs are becoming increasingly transparent (Sinha, 2000). This is particularly important for those exporters who have greater demand from clients for e-commerce usage. As a result, the impact of export market competitiveness on promotion adaptation, distribution support and price competitiveness could be stronger when there is high demand for e-commerce usage.
As previously established, distribution support can be more easily facilitated through enhanced online capabilities and technologies. When the technology orientation of the industry is high, e-commerce becomes a necessity in providing efficient distribution support. Technology orientation of industry may also have a significant impact on price competitiveness, especially since e-commerce requires high technology capabilities. This is especially true when clients demand e-commerce usage for transactions and price comparisons and rely on ‘real-time’ pricing. For this reason, high demand for e-commerce is expected to strengthen the impact of technology orientation of industry on both distribution support and price competitiveness.

Sophistication of export market infrastructure also enables firms to communicate their promotional messages much more efficiently. In conjunction with stronger demand for e-commerce usage, export market infrastructure would have a stronger impact on promotion adaptation. Additionally, in markets where infrastructure is highly developed, a platform for broader market coverage is established, enabling more efficient distribution support. This would most likely be brought about if distributors have high demand for e-commerce.

Finally, legal/regulatory barriers can be expected to influence promotion adaptation. However, when demand for e-commerce usage is high, once again it is expected that some barriers can be reduced, if not eliminated. Therefore, high demand for e-commerce is expected to strengthen the impact of export market infrastructure on both promotion adaptation and distribution support, yet reduce the effects of legal/regulatory barriers on promotion adaptation. In sum, the following propositions between environmental determinants and export marketing strategy influenced by demand for e-commerce are offered (see Figure 5):

\[ P_{15} \] The link between environmental forces and promotion adaptation will be greater when demand for e-commerce is high than when demand for e-commerce is low.

\[ P_{16} \] The link between environmental forces and distribution support will be greater when demand for e-commerce is high than when demand for e-commerce is low.

\[ P_{17} \] The link between environmental forces and price competitiveness will be greater when demand for e-commerce is high than when demand for e-commerce is low.

**Directions for marketing research**

As a first step towards the testing of our proposed contingency model (Figure 1), we present some directions for establishing measures and testing the proposed relationships. At the onset, exploratory research should be conducted to explore the impact of e-commerce on export business in practice, to determine specific dimensions that might have influence on electronic export performance, and to ascertain the most appropriate ways in which to measure variables of interest. In-depth interviews with exporters currently using e-commerce in exporting should serve as a first step in this process. The individual export venture, which is defined as the marketing of a specific product in a specific market, could be taken as the unit of analysis to obtain a more precise measurement of the relationship between
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export marketing strategy and performance. Empirical knowledge gained from the performance of single export ventures can improve the firm’s export learning process and subsequently improve firm export performance (Matthyssens and Pauwels, 1996). If using export venture as the unit of analysis, to test the extent a chosen export venture represents the firm’s overall e-commerce export activities, additional measures should be incorporated to determine similarities of e-commerce strategy in the export venture under investigation with all other export ventures across the firm. Exploratory research will serve as a basis to develop initial measures, develop and/or adapt additional measures, and improve upon the understanding of existing relationships within the proposed conceptual framework. As presented in Figure 1, potential explanatory variables can be categorized into six constructs associated with export marketing strategy, internal and external environmental characteristics, e-commerce drivers and e-commerce utilization. The results of exploratory research should be used as input into the next stage: developing and validating measures of the constructs of interest.

Since this framework is an extension of Cavusgil and Zou’s (1994) model, it would be appropriate to extend and adapt their existing measures of export performance. These measures are a blend of subjective and objective measures, including the extent to which strategic goals have been achieved, perceived success of the export venture, and average sales growth and profitability. Using these measures, additional measures could be developed to capture e-commerce dimensions (e.g. extent to which e-commerce strategic goals are achieved, perceived success of export venture using e-commerce, etc.). There are existing measures of export market strategy that can be used and adapted to capture e-commerce components. For example, measuring the degree of product adaptation could include measures such as degree of product adaptation using Internet/web, web site adaptation to local language, and adaptation of after-sales support using online facilities. Essentially, each strategy component can be measured both in terms of the degree of adaptation that is used in a traditional sense, as well as the degree in which e-commerce is used in the adaptation process.

Measures related to e-commerce utilization will also need to be developed and tested. Past research suggests that three main areas where e-commerce utilization occurs include: sales and marketing, payment transactions and tracking, and distribution and processing (Burd, 2001). Existing measures can also be incorporated from previous research, such as: providing online product catalogues, salespeople online access, online promotion of products, and allowing customers to place orders online (Prasad et al., 2001). Lastly, measures of internal and external e-commerce drivers should be developed. Assessing the degree to which firms have the potential to use online facilities to transfer products and perform services, as well as the degree of ‘actual’ usage of such facilities, could capture product online transferability. E-commerce assets could be comprised of investments in human resources, infrastructure, and e-commerce support systems. Export market e-commerce infrastructure can be determined by investigating the degree of sophistication of e-commerce facilities in the export market, usage of the Internet in the market and by competitors, and barriers/incentives to utilize
e-commerce in the export market. In addition, looking at degree of demand by customers, suppliers, and distributors, as well as assessing the degree of channel member access in the export market, can measure demand for e-commerce. Hence, a combination of existing measures in the literature and outcomes from exploratory research will allow researchers to develop measurement instruments that can be used to determine the effects of e-commerce on the relationships between environmental forces and export marketing strategy, and between market strategy and export performance.

Analysis of the contingency model will focus on examining the moderating effects of e-commerce utilization and e-commerce drivers. In order to test this framework, moderated regression analysis (MRA) is generally accepted as the most appropriate way to assess the viability of a contingency framework (Matsuno and Mentzer, 2000; Murray et al., 1995; Sharma et al., 1981). This method considers three regression equations:

Model 1: \( y = b_0 + b_1 x \),
Model 2: \( y = b_0 + b_1 x + b_2 z \),
Model 3: \( y = b_0 + b_1 x + b_2 z + b_3 x z \),

where:
- \( y \) = dependent (criterion) variable
- \( x \) = independent (predictor) variable
- \( z \) = independent (moderator) variable
- \( xz \) = interaction term of predictor and moderator

Model 1 represents a regression model with an independent (predictor) variable \( x \) and dependent (criterion) variable \( y \). Model 2 is the same as model 1, with the addition of an independent (moderator) variable \( z \). Model 3 is the same as model 2, with the addition of the transformed cross product of independent (predictor) variable \( x \) and the independent (moderator) variable \( z \), which is referred to as the interaction term (or product). With this approach it would be possible to understand the impact of moderator variables on every single relationship. Although the MRA technique is suitable for the type of the research propositions presented, there are some limitations in this technique. For instance, MRA can only examine a contingency effect of a single relationship at a time. An alternative approach would be to consider structural equation modeling (SEM). SEM is especially appropriate when a dependent variable becomes an independent variable in subsequent dependence relationships, such as those presented in the contingency model. Also, since e-commerce drivers change the nature in different relationships, SEM allows interrelated relationships to be tested simultaneously as well. Hence, further research could employ SEM as a data analysis technique in a more holistic model approach rather than in separate single relationships.
Conclusions

Building on the existing export literature and emerging e-commerce literature, this article presents a conceptual framework highlighting the role of e-commerce as an enabler and driver of competitive export marketing strategy. The result is a contingency model proposing that the relationship between export performance and export marketing strategy is moderated by e-commerce utilization, and that the relationships between environmental determinants and export marketing strategy are moderated by e-commerce internal and external drivers. A number of research propositions are presented along with directions for future research.

The proposition that the linkage between export marketing strategy and export performance is strengthened by e-commerce utilization warrants future research. Further refinement and measurement of the e-commerce utilization construct may be needed to determine potential moderating effects on this important relationship. Export managers can be expected to achieve greater success if the integration of e-commerce into existing marketing activities is carried out in a way to strengthen their strategic position in export markets. This can only be realized if it is known how e-commerce activities intercede in the relationship between strategy and performance. Exporters need to consider the enhancements in their export marketing strategy by utilizing e-commerce.

Extending existing theory that environmental determinants only have an indirect effect on export performance through marketing strategy (Cavusgil and Zou, 1994), the contingency model further proposes that firms’ e-commerce drivers (internal and external) play an important role in this process. Integration of e-commerce into export marketing strategy and environmental determinants can significantly improve firms’ efficiency in export business. This in turn may enhance export performance substantially if e-commerce drivers are utilized effectively relative to important environmental forces.

Finally, it is the goal of the article to bring to the forefront the importance of incorporating emerging technologies into existing export marketing theory. Despite its wide-reaching effects on marketing practices, there is still limited theory development and empirical research integrating e-commerce and export marketing strategy. By investigating the intervening effects of e-commerce (e.g. e-commerce utilization and internal/external drivers), researchers will be in a better position to integrate e-commerce into existing theories, as well as understand the potential impact of e-commerce on export marketing strategy and export performance.

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