

E-MARKETING FOR A COMPANY: EXTERNAL AND INTERNAL INFLUENCE

Deniss Ščeulovs¹, Elīna Gaile-Sarkane²

¹ Riga Technical University, Latvia, deniss.sceulovs@rtu.lv

² Riga Technical University, Latvia, elina.gaile-sarkane@rtu.lv

Abstract

Fast development of technologies, economic globalization and many other external circumstances stimulate changes in marketing. One of major trends in today's marketing is orientation on exploitation of Internet and social media for promoting of the company and its products. Latest researches confirm that E-marketing provides faster exchange of information, but successful employment of information raises the effectiveness and profitability of an organization.

In electronic marketing as in classic one, exist external and internal environment's factors, which influence entrepreneurship. As a result of e-environment development, e-commerce and e-marketing grow as well. In e-marketing exist different external and internal environment influencing factors. For instance, such external factors as globalization, development of new technology, price sensitive consumers, Internet, new distribution and communication channels, etc. (Kotler, Jain, Maesinsee, 2003). J Caune adds to external factors demographic, politic, social and cultural macroeconomic factors, as well as technology growth and globalization. He divides all internal factors into three large groups: competitive advantage, resources and skills available to enterprise, company's need to change (Caune, 2009).

Objective of the paper: to describe and evaluate possible internal and external factors what influences a company e-marketing activities.

Research methodology: The author employs well-established quantitative and qualitative methods of research: grouping, analysis, statistic method, etc.

The theoretical and methodological background of the research is formed by, scientific researches and publications, publications from mass media and professional literature; statistical information from legal institutions as well as information collected by the author during the survey.

Findings. Research result shows that external and internal factors may be divided in three main groups – direct, indirect and situational factors.

Originality/value. In this paper the authors presented their findings based on theoretical, scientific and field research. Authors have conducted research on e-environment utilization among Latvian enterprises.

Conclusions:

Main conclusion – at present time in Latvia, even considering that Internet in Latvian entrepreneurship is widely used during long time, active e-marketing employment in e-environment is at inception point. This observation is especially characteristic to Latvian micro and small companies.

Keywords: e-marketing, factors, marketing environment, SME.

JEL Classification: M31, M21.

Introduction

Industrial and technological convergence, extinction of physical constraints, changes in consumer and retailer needs, competitors that turn up from previously non-market sectors, made it much more difficult. Nowadays it is difficult to understand how to position oneself, how to differentiate competitors from partners and co-producers (although sometimes these positions coincide). The market is different, and it continues changing (Fisks, 2009).

Authors assume that changes are mainly associated with technologies, but these changes also depend on economical and sociological factors.

In order the company could successfully operate in today's market, especially in the electronic market, it has to have a good knowledge of the external environment, especially in e-environment that affects business operations. The company's important to know and predict environmental conditions - the opportunity and threat effects. Without the external environment, also exists the company's internal environment with its own strengths and weaknesses. These environments mutually interact. In order to analyse the various factors and environmental impact on the company's operations in the electronic environment, the authors will use SWOT analysis and will apply it, in order to analyse and structure factors affecting the company and which must be taken into consideration dealing with e-marketing.

Today's market characteristics

Today's market can grow incredibly fast. New ideas and structures, standards, and necessities can spread in the way, it happened earlier with all the vogues. Such a rate is determined by a possibility of communicating with the help of technology, not tied to geographic districts and the formation of consumers' continued desire for the newest, best, most stylish, smaller and faster devices. Once a product enters the same market, it passes into the other. Each new future technology is much better than its predecessor. (Battelee,2005). As soon as something new and revolutionary appears on the market, it is immediately being desired. It is enough to make one click in amazon.com, in order to get the desired product within a few days being anywhere in the world (Fisks, 2009). Changing market environment brings new habits, urgencies and rules, which put business and marketing in a face of new challenges. Customers are mutually divergent and educated, their requirements are higher and they have more impact than ever before. (Hart & Daoust, 2006). Martin Lindstrom from Branchild, for example, claims that children are coping with complexity easier than adults. Children are able to conduct 5.4 simultaneous operations - watching, playing, talking, eating and writing text messages, while adults are able to do only 1.7 activities (men even less) (Lindstrom & Seybold, 2011). Customer's structural and behavioral model's changes transformed the market fundamentally, making the formerly profitable industry for a loss, forcing currently profitable industries to look for other options; it opened up completely new fields of business.

To illustrate the influence of technology on the market changes the authors of the paper offer this picture, which shows the impact of technology on the market processes (Fisks, 2009).

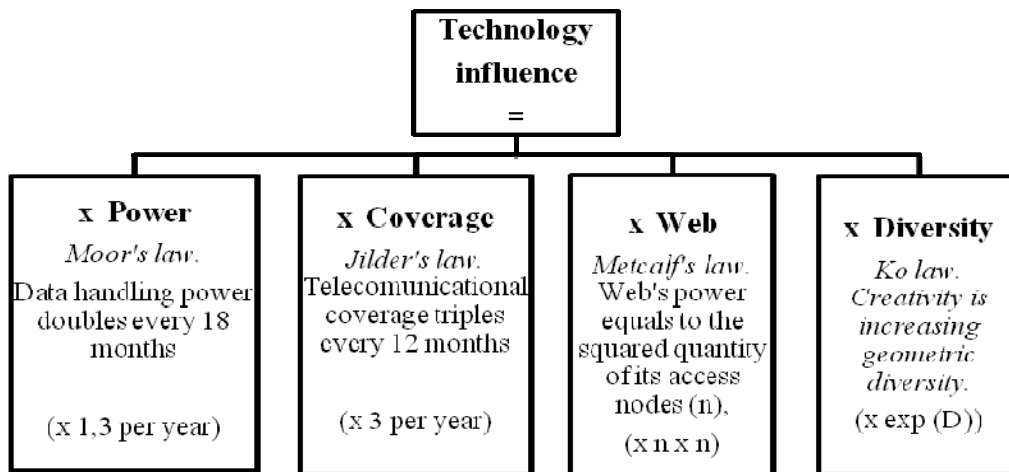


Figure 1. Technology impact

Gordon Moore, Intel's founder, observed that the processing power in the world doubles about every 18 months, while costs remain constant (in other words, the same processor power may be squeezed in a twice a smaller chip). Just this discovery at a large extent can be attributed to the fact that today's products have extremely short life cycle and quickly become morally out-dated.

However, the impact of the Internet goes far beyond the impact of access devices. Much more significant than Moore's Law is its kindred Metcalf's law, which explains the network effects, how they create new forms of interaction and in short terms shows strong virtual community, reaching a huge volume and space. Roberts Metcalf's, who created 3Com, suggested that network effects could be calculated squaring its access node number. Every new member geometrically increases network effect. For example, eBay, whose offer's quality is directly dependent on the number of users and diversity of products offered. (Fisks, 2009).

From above mentioned it can be concluded that the market is completely changed, the changes are adopted on various factors, which, till recently, companies could not even imagine. Authors of the paper believe that this situation is vital for a company to understand and analyze these factors, to recognize and respect renewed market's rules of the game. To better understand the diversity of market influencing factors, their impact on the company's operations, the authors of the paper will explore these factors in the next chapters, will group and classify them, as well as will use the SWAT analysis to identify factor's influence on the company.

External and internal environmental factors

Internal environmental factors.

In order to successfully operate a long-term run, enterprise should develop according to the environment in which it operates. Many companies are successful in meeting the market demand, but are unable to track environmental changes, considering that the initial formula of success will work forever. They do not understand the ongoing changes in the external environment until the other company becomes able to meet customers' requirements better. For this reason, such firms often lose their competitive advantage and are forced to leave the market. (Caune, 2009).

J. Caune believes that the external environment consists of the general external environment and the industry or competitive environment. Unfriendly external environment implies much less chance of success for the company, than an attractive one.

Demographic, political, social, cultural and macroeconomic factors, as well as technological advances and globalization characterize general external environment. (Caune, 2009). The authors of the paper agree with this classification, but still believe that the external environment consists also from the following factors:

- Information and data processing power, data interaction and virtual links
- Time-space compression
- Rapidity of change
- Operational transparency
- Instant imitation of new products
- Shortened product life cycle
- Cultural globalization
- Religious diversity
- Globalization of the brand
- Importance of intellectual property
- Importance of intangible assets
- Others

In general environment there are forces and trends that, more or less, affect all businesses. The competitive or industry environment contains factors that are essential to every company in the corresponding sector. The main forces that are operating in any industry are: customers, competitors, suppliers and potential substitutes for goods and services. (Pickton & Broderick, 2001).

In terms of competitive environment's factors the authors would also draw attention to ones that, till recently, companies didn't realize. Factors associated with the customer:

- Customer's data protection requirements
- Customer's personal life's immunity
- Customer's distrust, volatility
- Others

General external environment's interaction with competitive environment resulted more coherent phenomena:

- People in Western nations are much richer, but they have less time to enjoy it
- Older people are getting wealthier and willing to travel around the world
- Growing online communities, consumer groups and political lobbies number
- Appeared concerns about obesity and general health state deterioration; quantity of sport achievements decreased
- Though a large proportion of people already have everything they need, they want more. (Fisks, 2009).

The authors of the paper conclude that these structural and behavioral model's changes transformed markets and turned upside down different sectors, making a profitable industries unprofitable, but at the same time enabling the discovery of new operational fields.

Internal environmental factors.

Enterprise's operation or enterprise's internal environment is associated with a variety of issues. It is commonly thought that the changes in the external environment, determine the company's need for change. But the company's internal environment may cause the company's need to change as well. (Siliņš, 2007).

Authors of the paper believe that the company's change is based on the company's competitive advantage creation, as it relates to all company activities.

Internal environmental factors' analysis requires large amount of information on a variety of different business functional areas.

Electronic environment also consists of external and internal environment. Thanks to e-environment's specific features, its external and internal factors differ.

According to the paper's authors opinions, external e-environmental factors consist of a mix of traditional market's external environmental factors and specific e-market factors. Similarly, the company's internal e-environmental factors - they are mainly related to technology, know-how e-marketing, e-commerce, e-business, etc.

In order to determine the external and internal e-environmental factors and understand their impact on e-business environment's functioning, the authors of the paper use the SWOT matrix; the "Strengths" and "Weaknesses" quadrants characterize company's internal e-environment, "Opportunities" and "Threats" quadrants characterize company's external e-environment. See Table 1.

Table 1. SWOT matrix for company's e-environment

Strengths (characteristics of the e-business or team that give it an advantage over others in the industry).	Weaknesses (are characteristics that place the company at a disadvantage relative to others)
<p style="text-align: center;"><u>Internal factors</u></p> <ul style="list-style-type: none"> - High level of employees Digital Literacy - Developed existing e-infrastructure - Powerful website that meets the company's sales and marketing policies - Arranged and optimized operating processes (procurement, personnel selection and training, communicative, etc. processes) and an active e-tool usage in above mentioned processes, which saves a variety of resources and makes the company's operations more transparent and well-managed - Regular participation in activities and social networks - Products, which consumers can order or at least obtain information about via Internet - Exists possibility of ordering and paying for products via Internet - Exists possibility of choosing several options of paying for products - Customer service that meets the announced level - Exists possibility of receiving consultation, recommendation or response to a request within the defined time via Internet - A variety of corporate information availability, which leads to a better information index on the company's search robots (search engines) - E-environment gives an opportunity to offer products for cheaper price than in comparison with competitors, who sell them in the classical market - Sales process is less expensive - Undertaking the development of e-environment give more favourable prospects and opportunities to acquire ISO - E-environment's usage facilitates two way communication with customers, partners, accelerating the process of carrying business - The ability to adapt proposal to customer's individual needs - Holistic marketing use 	<p style="text-align: center;"><u>Internal factors</u></p> <ul style="list-style-type: none"> - Necessity of substantial investment into intellectual capital - There might be information leakage, as the company may lack the internal resources to implement all e-processes, and it will be forced to use the services of third parties - Low or inadequate staff digital literacy level - Employee's inability to perceive and process large amounts of information - Employee's crudity and / or inability to work with e-tools regularly - Despite the fact that Internet resources are cheap and some of them even are free, all business process automation requires substantial human and financial resource's investment - Obsolete and out-dated information in corporate web sites (homepage, blog etc.) - Home page and other communicative e-tools translated into one language (for instance Latvian), which hinders information access for users

Opportunities (external chances to make greater sales or profits in the e-environment)	Threats (external elements in the e-environment that could cause trouble for the business)
<p style="text-align: center;"><u>External factors</u></p> <ul style="list-style-type: none"> – Information and data processing power, data interaction and virtual links – Time-space compression – Operational transparency – Cultural globalization – Brand globalization – Intellectual property's importance increase – Intangible assets importance increase – Western nations are much richer, but they have less time to enjoy their wealth – Older people are getting wealthier, becoming a potential segment for e-market – Growing online communities, consumer groups and political lobbies number – Although a large proportion of people already have everything that is necessary, they still want more – E-environment gives the possibility of introducing a lot of e-tools with minimal financial investment – Businesses should be aware and be prepared for becoming worldwide operating, as getting into the e-market erases geographical borders – E-environment gives business and opportunity to reach the selected target audience accurately and quickly – E-market operating 365 days a year, 7 days a week, 24 hours a day 	<p style="text-align: center;"><u>External factors</u></p> <ul style="list-style-type: none"> – Information volume's rapid growth – Rapidity of change – New product's instant imitation – Brand's hijacking – Religious distinctions – Complexity of price controlling process – Data protection requirement's numerical growth – Customer's privacy immunity requirements – Customer's distrust, volatility – Social sharing across generations - younger generations have a good e-skills, but lack of financial resources – Senior generations concentrate most of financial resources, but they are poorly responsive to e-marketing activities and badly orient themselves within the e-environment – Complicated IT processes require significant investment – Shortened product life cycle – Consumer has access to a large amount of information not only about products, but also about prices that can be compared and advantageous product chose – Processes and activities to a large extent depend on the Internet quality – Internet is opened to the public, so there is a threat to tamper internal company information and processes – Absence of single legislative base regulating Internet usage – Large part of entrepreneurs (especially senior generation representatives) distrust the e-safety and do not use e-tools

As can be seen from table summarizing the factors, e-environment is used to give the company a strong potential, to increase its competitiveness and create a companies competitive advantage. Meanwhile, e-environment demands from the company's management and employee's specific knowledge and skills, which must be constantly developed, as e-environment is dynamic and constantly evolving.

Identified factors suggest the central role of the consumer. In the past, business "hunted" the consumers, now the consumer himself became a "hunter". (Саттон & Кляйн, 2004). The consumer shall notify the company about its specific needs, determine the price that should be paid, should advice the supply options and decide whether to give the company permission to receive promotional materials or not. Companies move away from "produce-sell" philosophy and adopt an "understand-produce-sell" one. (Фатхутдинов, 2008). Companies should look at the broader consumer value functions and strive to meet customer needs in most convenient form, reducing the time and energy spent by consumers on product search, ordering and receiving the product. Companies should exploit their partners (e.g. suppliers, employees, society) in more effective manner if they aim to satisfy consumer needs qualitatively. It is necessary to recognize the validity of these two fundamental basics: production and service commoditization from the supplier's point of view and the customization from consumer's side.

Most popular e-environment usage by Latvian enterprises

The authors of the paper carried out a research on October 2010 – December 2010 with the aim to define how they use most popular e-tools such a corporate homepages, blogs etc. The target group comprised people in the age group from 30 to 65 years (managers and employees of different companies), both genders; total number of respondents was 175 small and medium enterprises, acting in various Latvian economic structures emerging sectors. A questionnaire consisted of 10 questions.

99% of all respondents have homepages in Latvian, but only 43% of all respondent' homepages translated into Russian and English or other language. Only 31% of all respondents have corporate blogs, and only 13% of them regularly update information in blogs. 90% of bloggers write those in Latvian. 80% of all respondents' homepages name and emails correspond to the name of the company. Only 5% of all respondents use homepage for human resources activities – headhunting (for example, in other western countries and America this proportion is close to 20 %) (LIA, 2010). 76% of all respondents have separate section with products and services offered description. Only 34% of all respondents have links to their profiles in popular social networks. Only 12% of respondents offer to buy and pay products and services via corporate homepage. 98% of all respondents' homepages users easy can find company info. On the positive side stands the fact that one third of the respondents maintain relationships with customers with corporate blog help, but communication takes place only in Latvian. Irregularity of such communication also reduces the company's awareness among other consumers.

Conducted study shows that Latvian companies use the main e-tools not very actively and effectively, using mostly only a single language to communicate with consumers, which narrows the number of potential buyers. Author assumes that they are not completely aware of the market's globalization, as well as e-market's opportunities and benefits. The study also confirms the fact that the majority of respondents use a website as a company's business card, and not as a sales and interactive communication tools.

The authors believe that Latvian entrepreneurs should change themselves ASAP, change their views on e-market e-business and e-commerce management, as it can lead to the situation where not only competitors, but also consumers will be more intellectually mature on the same business and thus the business will bring significant losses, as Chairman and Chief Executive of GE prof. Jack Welch said: "At a time when off-track change take place faster than in-house one, your end is not far away." (Businessweek, 1998).

Conclusions

The main set of both external and internal environmental factors testifies about the market's irreversible change. In case entrepreneur will be unable to adapt to new requirements - they will disappear.

All factors are favorable to business development. A major role in the new economy is e-environment. E-business environment provides significant opportunities to sell products and make money. Factors that hinder successful business operation, above all, are subjective, and are related to the management and staff qualifications and educational level. Employee's willing to change and adapt to new market conditions is also extremely crucial.

The authors of the paper recommend Latvian entrepreneurs to adopt and realize the fact that market broadens far beyond the Latvian border.

Main conclusion – at present time in Latvia, even considering that Internet in Latvian entrepreneurship is widely used during long time, active e-marketing employment in e-environment is at inception point. This observation is especially characteristic to Latvian micro and small companies.

The most popular e – tool between Latvian enterprises is corporate homepage, but unfortunately the companies do not use all possibilities of it and their insights of a modern website are outdated. Authors are suggesting to use more of e – tools in business processes, because, it they are available easily and can be used in most fields of the everyday activities.

Authors of the paper recommend each company to build it's own SWOT matrix in order to understand the external and internal environment, including e-environment's influence on the business, as well as establish and strengthen company's strengths and try to minimize its weaknesses. Determining all the factors the company can develop an appropriate e-marketing strategy to successfully engage e-business, e-commerce, e-market.

However, the field of research is very wide and this paper presents just an insight in the large scope of questions what should be analyzed in the future researches.

References

1. Battelee J. (2005), THE SEARCH. New York: Penguin Group Inc.
2. Caune, J., Dzedons, A. (2009). Strātēģiskā vadīšana. Rīga: Apgāds "Lidojošā zivs".
3. Essay, Research Paper: Marketing Strategy and E-Commerce.
<http://www.customessaymeister.com/customessays/Economy/4336.htm> (20.10.2010).
4. Fisks, P. (2009). Mārketinga ģenijs. Rīga: "Jāņa Rozes apgāds".
5. Hart J., Daoust B. (2006). Blueprints For Success: eMarketing. Pleasanton: Blueprint Books.
6. HOW JACK WELCH RUNS GE: A Close-up Look at How America's #1 Manager Runs GE. <http://www.businessweek.com/1998/23/b3581001.htm> (15.01.2011.).
7. Internet Worlds Stats. <http://www.internetworldstats.com> (04.02.2010).
8. Kotler, P., Jain, D., Maesincee, S. (2000). MARKETING MOVES A New Approach to Profits, Growth, and Renewal. Harvard: Harvard Business School Publishing Corporation.
9. Lindstrom, M., Seybold P.B. Brandchild. <http://www.brandchild.com> (15.01.2011.).
10. Pickton, D., & Broderick, A. (2001). Integrated Marketing Communications. Financial Times Prentice Hall. <http://books.google.com> (13.01.2010).
11. Pētījums "Latvijas bizness un Internets": sākumā bizness, bet pēc tam Internets.
12. Reedy, J., Schullo, S., Zimmerman, K. (2000). Electronic Marketing: Integrating Electronic Resources into the Marketing Process. Orlando: Harcourt College Publishers, FL.
13. Siliņš, A. (2007). Inovatīva domāšana. Rīga: SIA "Lietišķās informācijas dienests".
http://www.lia.lv/aktualitates/12/petijums_latvijas_bizness_un_internets (04.02.2011.).
14. Саттон, Д., Кляйн Т. (2004). Новая наука маркетинга. Санкт-Петербург: ЗАО Издательский дом «Питер».
15. Фатхутдинов, Р. (2008) . Стратегический маркетинг. Санкт-Петербург: ООО «Питер Пресс».