

THE IMPACT OF THE INTERNET ON ORGANIZATIONS' EXTERNAL MARKETING ENVIRONMENT

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Abstract: The article refers to the impact of the Internet on organizations' external marketing environment. The managers of organizations should analyze those changes, trends in the different segments of the macro environment, in the industry environment, in the competitive environment which have great influence on the organization's activity, survival, success and possibility of development, because it is important to take in view the effects of these environmental changes and trends in the development and implementation of the strategy and marketing strategy.

1. INTRODUCTION

In the era of the Internet the managers of organizations realized that the environment relevant for the development of the organizations suffered a lot of changes, which sometimes are significant, and which must be taken in consideration when developing strategies to assure the survival and the success of the organizations.

The performances of organizations depend a lot on the characteristics of the environment in which they activate. For this reason organizations should analyze and understand what impact does have the Internet on the organization's environment, on different levels of the organization's external environment: on the general (macro) environment, on the industry environment, and on the competitive environment.

2. THE IMPACT OF THE INTERNET ON THE MACRO ENVIRONMENT

The political environment (governmental policies), the legal environment, the natural environment, the technological environment, the demographic and social environment, the national boundaries, deregulations/regulations etc. play an important role in getting organizational performances. The Internet has a great impact on all these macro environment segments, generating different changes in them.

Governments play the one of most important roles in modifying the macro environment, from the point of view of profitability. The Internet itself could not exist if governments didn't exist, because the Internet, the World Wide Web is the result of the initiative of the USA government. Even more, governmental policies from all over the world will determine how and at what extent will the Internet extend, which industries, and inside these which companies will mostly benefit from this new technology. The governments play an important indirect, but critical role in creating new industries.

Regulations and deregulations (including those referring to the use of Internet for business purposes) can increase or can decrease the barriers of entry into an industry, and the profits which can be achieved by a company in an industry.

If we analyze the impact of the Internet from the demographical and social point of view, we can affirm that those persons, citizens who were brought up using every day the Internet for different purposes, they get used to it and its different applications, and as a result will have different needs, expectations in comparison with those persons who have no Internet using culture.

National and international economic factors, as the rate of interest, exchange rate, rate of unemployment, income of population etc. have a great impact on the attractiveness of an industry.

The macro environment has an indirect impact on the performance of an organization, because it influences the competitive environment and the business models. Some environments are more favorable for innovation, if they are characterized by the followings [1, 131-133.]:

1. A system which offers financial support and rewards for innovation – the activity on the Internet needs money to be financed, and the reward system differs from country to country, the availability of venture capital influences the e-businesses;
2. A failure tolerating culture – because those entrepreneurs who didn't success for the first time with their businesses on the Internet can learn a lot from their failure, as a result can improve their future chances for success, can develop competencies which can be harvested in a new way of innovation;
3. The presence of correlated industries, universities and research centers – the environment represents an important source for innovation, and because tacit technological knowledge and market know-how are transferred through interactions between persons, local environments are excellent innovation sources, offering for local companies, organizations the possibility to recognize easily the potential for innovation. The presence of related industries, the close relations with suppliers, complementary innovators increase the chances of an organization to collect useful ideas for innovation. Universities and research centers can contribute to innovation through education of professional staff, and through basic researches in different fields, which can motivate organizations to finance applied research projects;
4. government policies – different governments play an important (direct or indirect) role in creating an environment which can facilitate innovation: the direct role is related to financing researches (the Internet was developed as a result of a program financed by the USA Government), and especially researches in information and communication sciences; the indirect role refers to regulations and taxes, which can facilitate increased research costs for companies, and regulations and taxes referring to e-commerce, electronic signature, protection of intellectual property etc. which can facilitate innovation in information and communication technology.

3. THE IMPACT OF THE INTERNET ON CRITICAL SUCCESS FACTORS

In developing an Internet based business model it is important to identify and to take into consideration those critical success factors, which have the most impact on the costs of an organization and on the distinctive value offered by them.

The idiosyncrasies, which form the bases for critical success factors can be the distinction factors between different business models.

The Internet has many properties through which it has an important impact on the business environment, business models and the profitability of an industry[1, 27-31.]:

1. Mediating Technology – the Internet connects different entities which are or would like to be interdependent, and these interconnections can be of different types, such as B2B, B2C, C2C, C2B, the Intranet offers the possibility of interconnection inside an organization. In both of mentioned cases the Internet

facilitates the exchange of information between different entities distributed in space and time, and because the Internet is interactive, any entity can broadcast information.

2. Universality – the Internet can enlarge or compress the world, it can enlarge it because everybody or every organization everywhere from the world can offer its products or services to anybody or any other organization in the world (so geographical segmentation becomes not so important), but it can compress it because it makes possible for an employer to work without being obliged to travel in a determined workplace (e-working).
3. Network externalities (network effect) – a technology or a product/service has network externalities, if its value increases proportionally with the number of the clients, who will benefit of the advantages offered by this. The Internet has this characteristic, because if it is used by more people, it becomes more valuable for them. As the law of Metcalfe says: the value of a network increases proportionally with the square of the number of people in it (N^2). The value of a network is a function of N^N . Considering the snowballing effect: a network is more attractive as it has more members, and the rate of attracting more members is higher than in case of smaller networks. Network externalities is true also in the case of products/services which values' increase through complementary products/services (for example computers and software).
4. Distribution channel – the Internet is an alternative distribution channel for products/services, and also a delivery channel for products/services based on information, which can be easily digitalized. The whole process of distribution, including delivery, can be realized through the Internet for these kinds of products/services (like: software, music, video, information, airplane tickets, tickets for different spectacles and shows etc.). When the product/service can't be delivered through the Internet, information about it can be (information about characteristics, features, prices, terms of delivery etc.). The Internet in some cases replaces traditional distribution channels (effect of replacement), in other cases it extends the traditional ways of distribution (effect of extension).
5. Time moderator – the Internet has the capacity to reduce or to extend time. It reduces the needed time for a client to obtain information about a product/service, an organization etc., or the time to buy this product/service. It enlarges time, because for example it extends the time for customers to buy products/services, or research activity can be done continuously by different researcher groups, situated in different geographical locations etc.
6. Information asymmetry shrinker – there exists asymmetry of information, when one partner in a transaction has more or important information and the other does not. The Internet reduces these differences at some extent.
7. Infinite virtual capacity – The Internet offers the possibility for sellers to collect much information about their clients, and to offer virtually unlimited information to their customers about their products, services and other related aspects.
8. Low cost standard – both the Internet and the World Wide Web are opened standards for anybody, easy to use, and cheap communication and distribution channels.

9. Creative destroyer – which means that a new technology destroys the old ones, eliminating them. Referring to the Internet we can affirm that it creates new industries, it transforms the structure and profitability of existing industries, or it increases the base for competitive advantages in other industries.
10. Transaction-cost reducer – in many industries the Internet reduces the costs related to transactions, especially those related to information gathering about customers, suppliers etc., to negotiating, to developing, monitoring and finalizing contracts, to delivery etc.

4. THE IMPACT OF THE INTERNET ON THE INDUSTRY ENVIRONMENT

If we analyze the impact of the Internet on industry environment we can mention the following aspects [1, 125-127. and 3, 66-68.]:

1. Negotiating power of suppliers – The Web at some extent can equalize the negotiating power of an organization and of its suppliers, because it reduces the asymmetry of information. On the Internet there are available information referring to products, services, prices, terms of delivery etc. of suppliers, and as a result the organizations negotiating power over their suppliers increases in comparison with the situation in the traditional world. Through the Internet more suppliers can offer their products and services to their clients, organizations do not depend any more on their local suppliers, they can negotiate theoretically with any supplier all over the world, but suppliers can sell their products and services to more companies.
2. Negotiating power of clients – the Internet offers a greater power for clients over the organizations, companies which serve them with products and services, because clients can get more information about competitors' offers, they can easily compare the competitors' offers. Due to the Internet a greater number of companies fight for the clients' attention. Distribution and delivery costs are lower than in traditional forms of commerce, many companies can directly offer their products and services for clients. On the Internet organizations can contact different segments of clients: who just visit their web site, who buy online the products and services, who place their advertisements on the organization's web site (other organizations). Those organizations which have more extended marketing networks have greater bargaining power over their clients, because there is a lower possibility for the client to switch to other competitor's product or service.
3. Rivalry among existing competitors – if rivalry is high, there exists the possibility of price wars, advertising wars, promotional wars, and their profits will fall. The Internet intensifies rivalry among competitors in many cases of products or services, in many industries, because clients are not any more dependent on local offers, they can buy from any company from all over the world. Competitors can come from anywhere the world, but the market for the company's products or services becomes the whole world, too.
4. Threat of new entrants – traditional organizations' profits fall, new entrants must know the costs and prices of existing competitors in an industry in which they want to get in. This information can be easily obtained through the Internet. As a result it increases the threat of appearance of new entrants in the industry, the profits of existing competitors fall, because they have to try to stop the new

entrants. The threat of new entrants is also high in those cases where the Internet is a distribution and delivery channel for products and services, especially for digital products. New entrants can come from anywhere from the whole world.

5. Threat of substitutes – the Internet increases the threat of substitutes, because offers much information about substitutes, their prices, ways and extent of substitution, etc. Through the Internet it becomes easier for the clients to find and buy substitutes, especially those which can be delivered directly through the Internet (downloaded). Another threat is that substitutes can come from all over the world.
6. Complementors – are those companies which offer products or services which are complementary to the products or services of a company from the analyzed industry. Complementary products or services increase the demand for the products or services from the analyzed industry. The Internet offers much information about complementary products and services, increasing the rivalry among them and the demand for them, as a result increases the demand for the products or services from the analyzed industry.

Analyzes of the attractiveness of the industry can offer information for a company how through appropriate strategic actions it can improve the attractiveness of the industry or can get profit activating in that industry using its competencies.

Regarding the dynamism and evolution of a particular industry, we can affirm that a technological change, like the appearance of the Internet, has impact on the dynamism of competition, competitors continuously try to develop sustainable competitive advantages in order to assure their success on the market. The industry structure will modify with the evolution of the industry, which depends on the evolution of technology. In the launching period of a new technology a lot of organizations make investments in it, new entrants will enter the industry, but also many of them will fail. In the growing stage of the technology companies will fight for achieving standards, establish relations with their clients, try to get brand loyalty, fight for market share. The number of companies who survive will decrease as the technology arrives at its maturity.

5. THE IMPACT OF THE INTERNET ON THE COMPETITIVE ENVIRONMENT

Organizations implement their business models in a competitive environment. They have to face their competitors, have to protect themselves from the threats of new entrants and substitutes, to create long-term relationships with their suppliers and clients, to find complementors, in order to be successful on the market. In order to be profitable the company must offer value for its clients, value which must exceed the costs of creating and offering it.

The Internet can have influence on the value creating and offering process of the organizations, but also can influence the expectations of the clients, and the clients' perceived value.

Analyzing the competitive environment using the clients' demands/value model, the Internet can modify for some market segments both the expectations, demands of clients, and what they value when they buy a product or service. Analyzing these changes in expectations, values, an organization can identify market segments which can be served in a differentiated way, and if it has the appropriate competencies, the organization can obtain competitive advantages against its competitors.

The profit of the organization is a result of its revenues and costs of creating and offering value to its customers. In the case of the Internet, not necessarily the customers will support the costs of obtaining value from the organizations. This aspect has implications on the forces generating rivalry in an industry. On the Internet organizations can have two main types of customers: audience (who visit the web site of the company, or buy on the web site) and advertisers (who place advertisements on the web site of the company).

Analyzing the competitive environment of the organization using the strategic map for identifying the strategic groups to which is attached the organization, we can analyze the impact of the Internet on the main factors which influences the competition in an industry.

The Internet can eliminate some factors which influenced before the competition, or can create new factors which will influence competition in an industry, or can modify the priorities between the factors which influence competition in an industry.

The Internet can also modify the characteristics of an organization from the point of view of a factor which influences competitiveness in an industry, and which defines strategic groups.

Because of these changes, in the strategic map could appear changes in the position of strategic groups or in the position of a specific organization in a strategic group.

The Internet amplifies the concept of co-opetitors, which refers to the organization's competitors, suppliers, clients, complementors, potential competitors with whom the organization must cooperate and compete at the same time, because their role in creating and offering value is intensifying.

6. CONCLUSIONS

Each organization, company should analyze the impact of the Internet on its general environment, its industry environment, its competitive environment, because all these components of its external marketing environment could suffer changes which can influence the success of the organization on the market.

Not only those companies' activities and competitive position are influenced by the Internet which activate exclusively online, but those companies', too, which activate only in traditional way in the physical world, or those companies', which have both online (in cyberspace) and offline (in the real, physical world) activities.

As a final conclusion we can affirm that the Internet affects the external environment of any type of organization, in a specific way and at a specific extent.

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