THE IMPACT OF THE INTERNET ON ORGANIZATIONS' INTERNAL MARKETING ENVIRONMENT

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Abstract: The article refers to the impact of the Internet on organizations' internal marketing environment. The managers of organizations should analyze those changes, trends in the internal environment (the value creating and offering processes, the value chain, the value shop, the value network, the necessary resources and competencies for obtaining a good strategic position) which have great influence on the organization's activity, survival, success and possibility of development, because these aspects are important for 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 internal 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 value chain, value shop, value network based on which they activate, and on resources and competencies they can use for creating competitive advantage. For this reason organizations should analyze and understand what impact does have the Internet on the organization's internal environment.

2. THE IMPACT OF THE INTERNET ON THE VALUE CHAIN OF THE ORGANIZATION

In order to offer differentiated products or products at the lowest cost companies, organizations should operate and combine different activities, which form their value chain. Each of these activities can add value to their inputs, and as a result the organization can obtain sustainable competitive advantage.

The value chain of an organization is composed by primary activities (inbound logistics, operations, outbound logistics, marketing and sales, service) and support activities (procurement, technological development, human resources management, infrastructure) [6, 102].

During its activity an organization interacts with its suppliers, customers, other organizations from complementary/related industries, and all of these have their own value chains. As a result every organization's value chain is part of the value system. [4, 44.]

Marketing has two important roles in the value chain:

· It should stimulate the demand for a product or service;

· It should offer inputs (data) for product specifications, including estimation of the demands.

The Internet has several characteristics through which it influences the primary and support activities of the value chain [1, 90-93.]:

♦ As a mediating technology the Internet permits the organizations to try to know much better their customers, to be in direct relation with their buyers, the information flux to be bidirectional, and as a result organizations through their marketing activities can better evaluate the needs, expectations of the market, can facilitate innovations generated by customers, easily stimulate the demands, due to direct contact with customers.

♦ As a time moderator, distribution channel and through its character of universality the Internet permits organizations to address customers from a larger geographical area, offers a new way of distribution, local companies can serve larger markets (national or even international), increases the ability to extend the area of sales and (after sales) services activities, without the necessity of physical contact with customers, it allows a wider choice of inputs, geographically dispersed manufacturing, remote testing, instantaneously delivery of information, services, sometimes instantaneously delivery of products. It reduces the costs related to logistics and delivery, and a part of these economies of costs can be offered for customers in the form of lower prices. Customers will get value through prompt delivery, lower prices and quality products.

♦ As a reducer of information asymmetries and transaction costs the Internet reduces the necessary inventories, because customers can be served directly by the manufacturer, through direct delivery. A general fear in the new economy is disintermediation, which means that manufacturers can offer directly their products to the end-user consumers, eliminating distributors from the value system. But it seems that distributors are not eliminated totally, and new types of intermediaries appear.

♦ Having the characteristics of scalability and infinite virtual capacity the Internet and developments in information and communication technology allow for many information intensive businesses to operate at larger scale, as a result the effect of economies of scale will appear.

Regarding the impact of the Internet on the different activities from the value chain, we can mention the followings [5, 75.]:

A. Primary activities:

1. Inbound logistics:
   ♦ Real-time and integrated scheduling, delivering, warehousing management, demand management, inside the organization and along its suppliers;
   ♦ Real-time dissemination of inventory data;

2. Operations:
   ♦ Real-time and integrated scheduling, decision making in plants, information exchange with partners (contract assemblers, components suppliers);
   ♦ Real-time dissemination of information to sales forces and partners in distribution channels;

3. Outbound logistics:
   ♦ Real-time transaction of orders;
   ♦ Automatic personalized specifications of customers and agreements;

- Customers' and distributors' access to information about product development and delivery status;
- Integrated collaboration with customer forecasting systems;
- Integrated channel management (information exchange, warranty claims, contract management);

4. Marketing and sales:

- Online distribution channels (web sites of companies, online marketplaces);
- Real-time access of customers to product information, online catalogs, information about prices, terms of delivery, terms of payment etc., online orders;
- Online configuration for products, services;
- Personalized marketing based on individual consumer profile;
- Push advertising;
- Online marketing research, real-time online feedback from consumers;
- Individualized online access;

5. After sales services:

- Online support for customer service representatives;
- Online customer self-services;
- Real-time access to information related to after sales services;

B. Support activities:

1. Procurement:

- Planning using the Internet;
- Purchase system, inventory system, forecasting system linked through Internet with suppliers;
- Automated procurement cycles;

2. Technological development:

- Product design in cooperation between different locations of the organization and participants of value system;
- Accessible knowledge directories;
- Real-time research and development access to client, sales and service information;

3. Human resources management:

- Self-service for human resources;
- Training based on the Internet;
- Information sharing and dissemination based on the Internet;
- Online time and expense reporting;

4. Infrastructure:

- Financial systems based on the Internet;
- Information and communication systems (including marketing information systems) based on the Internet.

It is important for the managers to understand that the physical value chain has different nature from the virtual value chain [2, 5-12.].

The value chain model is applicable to mass-production, and even to mass-customization of different products offered by producers.

We can observe that the Internet has important impact on many of primary and support activities of companies from industries based on information and of distributors. In other industries the Internet has impact first of all on the marketing and sales activities, which can generate changes in the whole value chain of the organization.

3. THE IMPACT OF THE INTERNET ON THE VALUE SHOP

Beside the concept of the value chain, there exists the concept of the value shop.

Some specialists consider that in the case of service creation and offering the value creation process must be treated differently. Service providers should individualize, customize their services conform to the needs and expectations of their customers, they work in real-time, and try to offer new solutions for their customers, and not fixing a solution which is reproduced in time.

The service provider organization must determine precisely what the customer wants (the producer of a product knows mainly what the customer wants). A service provider has many possible solutions to offer for its customers, so it must assess exactly what are the customers' needs and expectations, and to propose a solution to satisfy those needs and expectations. It must check if the customer accepts that solution, and should determine a price for the accepted solution. The service provider should constantly be preoccupied in real-time to find a solution for the customer, a service which can offer value for the customer, and to develop rapidly that service.

The value shop makes possible for the service provider to concentrate on real-time iterative problem solving.

The primary activities of the value shop differ from the primary activities of the value chain [1, 94.]:

- Problem finding and acquisition;
- Problem solving;
- Choice;
- Execution;
- Control and evaluation.

The Internet influences through its characteristics the primary activities of the value shop in the following way [1, 95-97.]:

- The Internet as a time moderator, distribution channel, and with its character of universality widens the geographical area which can be served by the service provider, but also increases the rivalry, because competitors can be service providers from all over the world. Some services can be distributed and delivered through the Internet (especially services based on information, which can be digitalized).

- As a reducer of information asymmetries and transaction costs the Internet increases rivalry among service providers, especially of those which have businesses based on information and on value shops, because increases the general base of knowledge available on the web, and because of information asymmetries based on explicit rather than on tacit knowledge.

- Having the characteristics of scalability and infinite virtual capacity the Internet makes possible for service providers to serve more customers

simultaneously, especially in case of services based on information. It becomes more efficient to offer customer services.

We can affirm that the Internet has influence on the primary and support activities of the value shop. Value shops which offer information intensive services will have to face not only positive changes, but negative ones, too.

4. THE IMPACT OF THE INTERNET ON THE VALUE NETWORK

Another concept related to value creation processes is the value network, which is a value configuration of an intermediary organization (for example a broker, a market maker, which brings together buyers and sellers). In this case customers must perceive as value to be member of the network owned or operated by the intermediary.

An intermediary based on value network has specific primary activities [1, 99-100.]:

1. Network promotion and contract management – includes promotion and building of the network, gathering customers, managing contracts for service provision.

2. Service provisioning – realizing linkages between customers attached to the network, collecting payments from them for realizing connections between them.

3. Infrastructure operations – physical and information infrastructure, activities which permit the infrastructure to operate efficiently and to remain in a readiness status to offer the service for the next client.

The impact of the Internet on the primary activities of the value network can be summarized as follows [1, 100-101.]:

 ⬩ Taking in view the mediating technology character of the Internet and the network externalities, the dimension of the network is critical from the point of view of users when they assess a business based on value network model. A larger network will attract more users and complementors. The „crowd mentality" effect makes organizations to be preoccupied mainly by the development of the size of their network.

 ⬩ The Internet as a time moderator, distribution channel, and with its character of universality widens the geographical area of the network. This is important for organizations which have the value network model, because the size of their network determines the utility of it for the users. A larger geographical base of users permits the network to grow rapidly. For some services provided by organizations based on value network model the Internet represents a distribution and a delivery channel, too.

 ⬩ Having the characteristics of scalability and infinite virtual capacity the Internet makes possible for the value networks to have infrastructure operations at a larger scale, which represents the main way to offer value. In addition the increase in computing power makes possible for value networks to serve more customers. The possibility of extension of the network raises its value for its users.

We can affirm that the Internet has influence on the primary and support activities of the value network. Value networks must develop their ability to build quickly their network to take advantage of network externalities.

5. THE IMPACT OF THE INTERNET ON THE RESOURCES AND COMPETENCIES

Organizations must adopt one of above mentioned value configurations: value chain, value shop or value network, in order to operate on a specific market. To be able to offer value for their customers organizations need resources and competencies.

In the new economy the tendency for organizations is not to own all the needed resources, but to assure the availability of them when they are necessary. In some cases the Internet can facilitate the assurance of the needed resources, for example through linkages, connections between different organizations.

Organizations should use their resources in a way they offer value for their customers, which mean they should develop competencies, taking in view that only core competencies will be the source for sustainable competitive advantage for the organizations.

Brick and mortar, click and mortar and virtual (dotcom) organizations also should develop Internet competencies, and traditional competencies, too, in order to maintain their competitive advantage or to create new competitive advantage.

Internet competencies can be used complementary to traditional competencies, as an extension of these. The appearance of the Internet in businesses does not mean necessarily that traditional competencies of organizations (which in a proved way assured for a period of time the success of the organization), must not be thrown away, and must not be eliminated.

Integrating traditional (offline) competencies and Internet (online) competencies any kind of organization can improve its operational effectiveness, or strategic positioning, and as a result its chances for success.

6. CONCLUSIONS

Each organization, company should analyze the impact of the Internet on its internal environment, on its value chain, value shop or value network, on its resources and competencies, because these components of its internal 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 internal environment of any type of organization, in a specific way and at a specific extent.

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