2000

A study of Australian managers' perceptions of the internet

Roman Vargha

Edith Cowan University

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Marketing on the World Wide Web
Honours Thesis
Roman Vargha 2000
A study of Australian managers’ perceptions of the Internet.

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January 2000
Declaration

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Signed this date__ by Roman Vargha __
I take this opportunity to thank my supervisor Dr. Simone Pettigrew for her invaluable assistance, never-ending patience, availability and encouragement throughout the term of this thesis.

Special recognition is given to my family and friends for their understanding and not so valuable comments, you know who you are. These individuals, Mum, brothers, sister, and close friends, always provided steadfast support and deserve the warmest of thanks for their personal sacrifices.

I extend my gratefulness to everyone who helped me through the tough process of revision after revision, your assistance has been invaluable. For without them this thesis would not have been possible.

This study would not have been possible without the guidance of previous research and this contribution is gladly acknowledged for as Sir Isaac Newton himself said, “If I have seen further than others, it is only by standing upon the shoulders of giants”.

Thank-you.

Roman Vargha
25th January 2000
It's the Information Superhighway – but it's still unpaved.  
Darker & Gronne (1996)

The effect of tomorrow's technology is consumers' choice!  
Thomsen (1996)

If the Internet is the Information Superhighway – where are the directions?  
Roman Vargha (2000)

The World Wide Web – the first truly new medium since television.  
Ducoffe (1996)

The Internet is people, not technology.  
Takacs & Freiden (1998)
Abstract

Despite its young age the Internet has grown to become a significant new medium for businesses and their customers. The existing literature suggests that some businesses are not going on-line whilst others are embracing the new technology, but as yet little research has been conducted as to the reasons for this difference in take-up rate. Even less research has been conducted from an Australian perspective, with most research originating in the United States.

This preliminary study explored the differing perceptions of eight Perth-based managers of businesses that are on-line compared to those that are not on-line. Of particular interest was whether these perceptions differed between managers of small and medium-sized businesses. An exploratory method, relying on in-depth one-on-one interviews, was utilised to identify and interpret themes and underlying patterns among the responses of the managers interviewed.

The perceptions of the managers interviewed varied in only one respect between businesses that are on-line compared to those that are not on-line. This point of difference was the perceptions held as to whether their respective consumer markets were accessible via the Internet or not. Otherwise, the managers interviewed appeared to share similar perceptions with regards to such Internet issues as: whether the Internet represented an opportunity; Internet security concerns; and the role of Internet advertising in the media mix. Furthermore, no apparent differences were found to exist between the perceptions of the sampled managers of small and medium-sized businesses.
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Chapter 1 - Introduction

Background

The Internet has been described as a worldwide network that allows computers to interface with one another (December & Randall, 1995). It was initially developed as a form of communication, primarily to send e-mail messages between scientists (Maignan & Lukas, 1997). Breitenbach & Van Doren (1998) described how more than thirty years ago researchers at Stanford and UCLA began testing the new ARPANET, the forerunner of today’s Internet.


The ease-of-use allowed by the hypertext system combined with the opening of the Internet to commercial access in 1991 (Maignan & Lukas, 1997) has resulted in the Internet growing, according to Pollack (1999), to roughly 150 million users worldwide at the end of 1998. This number comprised business and consumer users and was expected to increase by a further 400 million in the year 2000 (Dutta, Kwan & Segev, 1998; Takacs & Freiden, 1998).
In terms of acceptance, the Internet has been described as the fastest growing medium compared to the take-up rate of radio or television (Pollack, 1999). For example, Pollack (1999) described how the Internet user base grew to 50 million users in four years compared to twelve and 35 years for television and radio respectively. The introduction of business advertising on the Internet in 1994 (Briggs & Hollis, 1997) and the decreasing connection costs to the Internet are described as significant drivers of this take-up rate (Bush, Bush & Harris, 1998; Pollack, 1999).

Many businesses are thought to have gone on-line due to the significant number of Internet users being reported (Flemming, 1998) and due to the ease-of-use of the Internet by potential consumers (Khoo, Tor & Lee, 1998). Dutta et al. (1998) described an on-line business as one that had, or was in the process of having, a business-related Web Site connected to the Internet.

Since its inception, the Internet has grown into a much-discussed topic amongst academics (Rust & Varki, 1996; Burke, 1997; Maddox, Mehta & Daubeck, 1997; Leong, Huang & Stanners, 1998) and business professionals (Wood, 1998; Yu & Koslow, 1999). Research into the Internet is designed to educate both businesses and consumers about the potential uses of the Internet (Ducoffe, 1996; Bell & Tang, 1998). For example, Pellet (1996) suggested that researchers and businesses alike are investigating the Internet to establish how it can be used to increase an organisation’s profits and competitiveness.
However, in the words of McBride (1997, p. 60), businesses appear to be adopting the Internet as a "reaction rather than a pro-action". It is suspected that some businesses are on-line largely without knowing the full cost-benefit of such a decision (McBride, 1997; Watters, Watters & Carr, 1998). This issue is explored further within this study.

Some businesses are using the Internet to complement traditional media by integrating the Internet into their entire media mix to achieve optimal advertising performance (Assael & Poltrack, 1999). Leong, et al. (1998) argued that the Internet is distinctive and lies separate from traditional media such as television, radio and print, and cannot be used on its own.

**Significance of this study**

To date, much of the literature that has been published on the Internet originates primarily from America and parts of Europe. While lacking specific Australian context, many of the proposed ideas and theories may still be applicable to the Australian Internet environment.

Some researchers are calling the Internet a paradigm shift in marketing and information technology that challenges traditional marketing theories (Bush et al., 1998; DeConvy, 1998; Dreze & Zufryden, 1998; Griffith & Krampf, 1998). This shift has resulted in many businesses being unsure as to how to use the Internet to their advantage (McBride, 1997; Bell & Tang, 1998; Breitenbach & Van Doren, 1998). To deal with this uncertainty, some businesses are embracing the new technology purely to achieve parity with their competitors (BrännBack, 1997) while others are not going on-line at all (Dreze & Zufryden, 1997).
As yet little research has been conducted that addresses the issue of why some businesses are on-line while others are not. Most existing research is focused on understanding consumers' experiences and perceptions (Bush et al., 1998) rather than the perceptions of business managers. Bush et al. (1998) identified the perceptions held by businesses regarding the effectiveness of the Internet as an important area for further research. Similarly, an Australian study by Leong et al. (1998) suggested the need for future research that is focused on the perceptions of managers of businesses that are not on-line.

This study attempted to address some of the problems, uncertainties and opportunities arising from the Internet for businesses. It was merited due to the lack of existing research focused on the perceptions of business managers and due to an identified need for such research (Bush et al., 1998; Leong et al., 1998).

**Statement of the problem**

The lack of Australian focus in the literature suggests the need for research into Australian managers' perceptions of the Internet. In particular, there is inadequate understanding of Australian managers' reasons for going or not going on-line.
Research question

How do the perceptions of Perth business managers vary between businesses that are on-line compared to those that are not on-line? Furthermore, do these perceptions differ between managers of small and medium-sized businesses?

Definition of terms

Important terms used within this thesis are defined as follows (adapted from http://www.matisse.net/files/glossary.html):

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Browser</td>
<td>A program that allows images, audio and motion to be viewed from Internet sites, e.g., Netscape.</td>
</tr>
<tr>
<td>Electronic Commerce</td>
<td>Business transactions conducted by electronic means, e.g., e-mail, intranets, and the Internet. This term is usually abbreviated to e-commerce.</td>
</tr>
<tr>
<td>Electronic Mail</td>
<td>E-mail, i.e., messages sent from one person to another via a computer.</td>
</tr>
<tr>
<td>Firewall</td>
<td>A combination of hardware and software that filters incoming traffic by requesting passwords, account numbers, names or addresses etc.</td>
</tr>
<tr>
<td>Host</td>
<td>Any computer system connected to the Internet via full or part-time, direct or dialup connections.</td>
</tr>
<tr>
<td>HTML</td>
<td>Hyper-Text Markup Language, i.e., Internet programming language.</td>
</tr>
<tr>
<td>Internet</td>
<td>A network of computers connected via servers and Internet Service Providers commonly known as the Net or the Web.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<td>------------</td>
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</tr>
<tr>
<td>Intranet</td>
<td>A system that uses the same tools and software as the Internet, but restricts access to members of a particular organisation.</td>
</tr>
<tr>
<td>ISP</td>
<td>Internet Service Provider. An institution that provides access to the Internet.</td>
</tr>
<tr>
<td>Not on-line</td>
<td>An organisation that has not connected a Web Site to the Internet.</td>
</tr>
<tr>
<td>On-line</td>
<td>An organisation that has connected a Web Site to the Internet.</td>
</tr>
<tr>
<td>Products</td>
<td>Generic term encapsulating products, goods and services.</td>
</tr>
<tr>
<td>URL</td>
<td>Uniform Resources Locator. An address that enables a Web browser to locate information on the Internet.</td>
</tr>
<tr>
<td>Web Banner</td>
<td>Advertising that is usually placed on other Web Sites referring to a company and its product or a click on link going back to a company’s Web Site.</td>
</tr>
<tr>
<td>Web Site</td>
<td>A homepage or place consisting of many pages written in HTML. The point of reference for Internet pages.</td>
</tr>
<tr>
<td>WWW</td>
<td>World Wide Web, also referred to as the Web. It is known as a public access search and retrieval system that provides graphical documentation on the Internet.</td>
</tr>
</tbody>
</table>
Chapter 2 - Review of the literature

To gain an understanding of the Internet in the current business environment, it is important to be aware of the history of the Internet and its gradual development into an advertising medium. This development has been influenced by the views of business managers and consumers about such issues as security and e-commerce (Melek, Keong & Nemani, 1998). These issues impact on managers when planning their media and advertising strategies (Leong et al., 1998). As advertising on the Internet is a form of communication (Barker & Gronne, 1996), it is also important to explore how traditional communication models apply to the Internet. This chapter reviews the literature pertaining to the growth of the Internet, the perceptions of both consumers and businesses of the Internet, Internet security issues, media planning strategies, and how the various communication models apply to the Internet.

The growth of the Internet

From beginning as a network system used only by the U.S. military as a communication link between scientists, the Internet has become an interactive multimedia information system (Breitenbach & Van Doren, 1998) and has even been called the ultimate mass media tool (Maignan & Lukas, 1997). Since the introduction of commercial traffic to the Internet in 1991 (Maignan & Lukas, 1997), the Internet has grown into a multi-billion dollar sales market (Takacs & Freiden, 1998).
In 1992 the first graphical user interface for the Internet, the Mosaic browser, was invented (Geissler & Zinkhan, 1998). With a browser allowing for images, video and sound, the Internet became a relatively easily accessible domain for the general public (McDonald, 1997). With the invention of a browser and commercial traffic being allowed on the Internet, use of the Internet has grown at an increasing rate (Sterne, 1995).

To measure the rate of growth in Internet usage some studies measure host numbers, a host being defined as a computer system connected to the Internet via full or part-time, direct or dialup connections (http://www.matisse.net/files/glossary.html). For example, Geissler & Zinkhan (1998) reported that between 1996 and 1997 the number of hosts in the U.S. increased by 69 per cent from 9.5 million to 16.1 million.

Other studies measured the number of Internet users. Nua, an Internet strategy firm released a study showing that 171 million people across the globe had access to the Internet as of May 1999, with forecasts to reach approximately 300 million users by the year 2000 (Nua, 1999). Alternatively, Dutta et al. (1998) estimated that the number of users of the Internet worldwide would rise to 550 million in the year 2000. The Office of the Auditor General WA (1996) suggested that the figures vary between studies mainly because there is no centralised body of control or coordinator to give accurate numbers.
The stated demographic profiles of Internet users also vary amongst studies. An American study of 1300 consumers by Ernst & Young (1999) found that female heads of households represented 39 per cent of on-line shoppers and Kuchinskas (1998) estimated women Internet users in the U.S. at 43 per cent in 1998.

In Australia the number of households that have Internet access has also shown substantial growth (ABS, 1999). A study by the Australian Bureau of Statistics (ABS, 1999) estimated that as at 19th May 1999, over 22 per cent of all Australian households had home Internet access. This represented an increase of 57 per cent since May 1998 (ABS, 1999). Australian figures showed that about 44 per cent of adult Australian males accessed the Internet in the twelve months prior to May 1999 (ABS, 1999). The comparable figure for females was 37 per cent (ABS, 1999).

The worldwide increase in Internet users has attracted the attention of businesses. Many businesses are exploring methods for selling their products over the Internet (Ernst & Young, 1999). The following section discusses selling on the Internet.

Selling on the Internet

The Internet is a new medium to most businesses (Haynes, Becherer & Helms, 1998). As business managers are fast learning, information once on-line can be accessed without geographical constraints (Haynes et al., 1998). This means, for example, that a business that in the past only operated in Perth can now sell both nationally and internationally (Dodd, 1998).
Growth of on-line sales in America has been doubling since the mid-1990s (Kingsley & Anderson, 1998). Kingsley & Anderson (1998) suggested that this may be largely due to the elimination of physical constraints, such as shopfronts, where a consumer had to be physically present to make a purchase. The existing literature has been inconsistent in providing monetary forecasts for world-wide on-line sales, with projected sales (by the year 2000) to reach $U.S. 5 billion (Gordon & Lima-Turner, 1997).

In Australia, the ABS (1999) reported that on-line sales increased by nearly 60 per cent in the twelve months to May 1999, representing more than three million purchases by about 650,000 adult Internet users. The major items purchased or ordered via the Internet were reported to have been books or magazines; computer software or equipment; music; and clothing or shoes (ABS, 1999).

Advertising on the Internet

With on-line sales and users increasing (Kingsley & Anderson, 1998), businesses are also increasing their expenditure on advertising through the Internet (Ghose & Dou, 1998). Advertising on the Internet (according to Ghose & Dou, 1998) has increased exponentially with total advertising spending on the Internet increasing from $U.S. 301 million in 1996 to $U.S. 940 million in 1997. The trend is for total Internet advertising expenditure to reach $U.S. 4 billion in the year 2000 (Ghose & Dou, 1998). Other studies estimated higher figures for advertising spending by the year 2000, such as $U.S. 5 billion given by Rebello et al. (1996).
Despite such apparently large figures, the percentage of advertising expenditure allocated to the Internet is only a fraction of total advertising expenditure. It was estimated that on average in 1999, only about two per cent of American companies' advertising expenditure was allocated to the Internet (Farrell, 1999).

**Business perceptions of the Internet**

Some businesses are responding to the increase in Internet users by going on-line and utilising the Internet as an advertising medium (O'Connell, 1998). The reviewed literature suggests that this growth should continue. Business perceptions of the Internet are an important factor in the Internet's development so far and are expected to remain crucial (Dutta et al., 1998).

The Internet enables businesses to provide consumers with information and provides on-line sales opportunities (Leckenby & Hong, 1998). According to Dutta et al. (1998) more than 80 per cent of America's Fortune 500 firms had a Web Site by the end of 1996.

Traditional marketing theory stipulates that marketers should be pro-active (McBride, 1997). However, many businesses are reported as behaving in a reactive manner towards the Internet by choosing to learn from the successes and failures of other businesses rather than taking the plunge themselves (McBride, 1997; Dreze & Zufryden, 1998). This reactive approach to going on-line may be due to the number of failures in the on-line world out-numbering the success stories as claimed by Dutta et al. (1998). However, Dutta et al. did not substantiate their claim with specific success or failure ratios.
Ernst & Young (1999) suggested that there are costs to being solely reactive to market changes. They stated that Amazon.com, Dell Computer, CDnow and other innovators have mounted a substantial lead in their categories, beating the traditional sellers such as Barnes and Noble and IBM because these businesses waited for a definitive outcome. For example, Amazon.com had a market lead-time of two years against barnesandnoble.com, resulting in total quarterly on-line sales of barnesandnoble.com being only a tenth of Amazon.com (Garner, 1999).

Breitenbach & Van Doren (1998) said that being on-line would be essential to business success, now and for the future. Griffith & Krampf (1998) research showed that some managers even suggested that being on-line would be the normal manner in which business will be conducted in the future. However, according to Watters et al. (1998), businesses need to evaluate the cost-benefits of going on-line for themselves and not simply go on-line because that is what the competition is doing.

Some companies evaluate the success of their decision to go on-line by the volume of on-line sales generated (Alexander, 1998). However, Ernst & Young (1999) argued that although the Internet can be an influential sales channel it is likely to be more powerful as a medium for driving purchases through more traditional channels. Figure 1.0 (overleaf), adapted from Ernst & Young (1999), shows the top ten products that are researched by consumers on the Internet but are bought through other means such as telephone orders, mail order, or face-to-face shop-based purchases. These numbers suggest that on-line businesses are informing consumers and influencing their purchases even if they are not capturing the orders on-line.
The Internet as a form of relationship marketing

Flemming (1998) suggested that many marketers use the Internet for one-to-one communication, a form of relationship marketing. A business's Web Site can thus be more than just for information reference. Many organisations can track what pages and parts of pages of their Web Site are being viewed, and from what city the browsing consumer originates (Dreze & Zufryden, 1997). By using this information, companies can develop a database for future promotional campaigns and enhance their one-to-one relationships (Ghose & Dou, 1998). Furthermore, by tracking 'hits' (the number of visits to a Web Site), the organisation is able to obtain immediate feedback on the popularity of their Web Site. Although without further research it is not possible to determine the reasons for the measured level of popularity (Flemming, 1998; Kingsley & Anderson, 1998).
Barriers to businesses being on-line

Although more and more businesses had started to sell on-line during 1998, there were still many that did not sell through the Internet and had no plans to do so (Leckenby & Hong, 1998; Ernst & Young, 1999). Ernst & Young (1999) suggested that some businesses had no plans to sell on-line due to insufficient resources, security concerns by both businesses and consumers, and a desire to protect the privacy of consumer and business documents. More importantly, Ernst & Young (1999) reported that almost a quarter of the 41 retailers sampled across the U.S. said that they would not sell on the Internet because they did not believe that their products were suited for on-line purchases.

Another reason why some businesses are reluctant to go on-line is thought to be that they are afraid of becoming a 'victim' of legal action concerning privacy issues or anti-competitive behaviour, especially with no central organisation regulating a code of conduct of the Internet (Campbell, 1999). The Internet is mostly self-regulated (Campbell, 1999). Self-regulation, is thought to be, by many online businesses, superior to any level of Government regulation for dealing with new media such as the Internet, due to the flexibility, efficiency and reduced costs that self-regulation allows (Campbell, 1999). Unfortunately, self-regulation also entails increased security risks and privacy issues (Callaghan, 1999).
Credibility and trust

According to Wilder (1998), it is important for businesses to understand the implications of their Web Site's effectiveness so that strategic business decisions can be made regarding how their Web Site is laid out and what kind of products are best suited for the Internet. Wilder (1998) argued that organisations will need to understand and react to the actions, behaviours and on-line purchase criteria of consumers (such as credibility and brand reputation) to succeed in the now fiercely competitive environment that is e-commerce.

Leckenby & Hong (1998) noted that a strong brand image resulted in consumers displaying greater trust in the Web Site that they were viewing. Similarly, Ernst & Young (1999) found that a brand name and reputation holds more value in cyberspace than in the real world. It is likely that consumers rely more heavily on brand names because of the intangibility of the Internet (Dreze & Zufryden, 1997). Ernst & Young (1999) found that 82 per cent of on-line consumers' rated knowing a product's brand as very important in buying from a manufacturer's or retailer's Web Site. Brand reputation and credibility of the seller are important to gain confidence in consumers (Ernst & Young, 1999). Businesses that take care in presenting themselves on-line, such as having a well-designed Web Site, are considered more likely to be sought after by consumers (Alexander, 1998).

The literature pertaining to consumers' perceptions of the Internet, including their views of business Web Sites and advertising on the Internet is now reviewed.
Consumer perceptions of the Internet

The Internet is seen by consumers as a medium that allows great freedom as they can actively seek out which Sites to view and which to ignore (Loro, 1996). Maignan & Lukas (1997) found that the Internet was perceived by consumers as a diverse medium that combined features of a variety of communication tools, such as mass and interpersonal communications. Consumers perceived the Internet as a versatile tool of communication, due to it being both a fast and effective method for connecting people locally and internationally.

Advertising on the Internet

The reported perceptions of consumers with regards to Internet advertising vary between studies. The perceptions held by the majority of the 111 participants in Gordon & Lima-Turner's (1997) study of U.S. consumers' attitudes towards the Internet suggested that the format of Internet advertisements are viewed by consumers to be the same as for print advertisements. However, their study identified that Internet advertising was perceived to be more distracting and irritating than print advertising. Such perceptions may have been due to some Internet advertising containing sound and motion, which takes extra time to download and produces unwanted effects such as noise (Bezjian-Avery, Calder & Iacobucci, 1998).

Some studies suggested that as consumers were increasingly being exposed to more and more advertising content on the Internet (Metcalf, 1996), they were beginning to avoid Internet advertising (Maignan & Lukas, 1997; McGaughey & Mason, 1998). For example, since advertising on the Internet began in 1994, some
ISPs have begun to offer free connection to the Internet in exchange for advertising exposure through the consumer’s browser (Rust & Varki, 1996). However, as Rust & Varki (1996) suggested, many consumers may be motivated to pay for their connection to the Internet in order to avoid the advertising.

In apparent contradiction to Gordon & Lima-Turner’s (1997) study, Ducoffe’s (1996) research found that U.S. consumers rated Internet advertising as somewhat valuable, informative, a benefit to the companies showing it and not particularly irritating. Ducoffe’s (1996) study used a shopping centre survey of 477 subjects with a second laboratory controlled experiment of 284 participants and focused on consumers’ perceived value of advertising on the Internet. Similarly, Briggs & Hollis’s (1997) study on banner advertising and its impact on consumer attitudes in the U.S. found that banner advertising developed and increased brand awareness, reminded consumers of a business’s existence and resulted in favourable attitudes by consumers towards a brand or product. Thus, there appears to be no consensus among researchers as to the nature of consumers’ perceptions of Internet advertising.

Barriers to consumers buying on-line

Ernst & Young (1999) argued that although the Internet is ‘gathering steam’ there still exist significant issues that need to be resolved for on-line sales to increase further. Figure 1.1 (overleaf), presents the top ten barriers to on-line purchasing, from a consumer’s perspective, that were identified by the Ernst & Young (1999) report.
The Ernst & Young (1999) report found that credit card security was the highest barrier to on-line buying with almost every consumer interviewed (97 per cent) rating sending credit card information across the Internet as their greatest concern. Figure 1.1 also illustrates that more than half of the surveyed consumers preferred to see the product before making a purchase. Other stated reasons included not being able to talk to a sales representative, not being able to get enough information to make a decision, or finding the Web Site too hard to navigate.

Consumers’ concerns about on-line credit card usage have been suggested to be misguided and primarily due to a lack of education (Bell & Tang, 1998; Hammond, McWilliam & Diaz, 1998). Griffith & Krampf (1998) added that consumers needed to be taught that the technology exists to make on-line transactions as safe, if not more so, than traditional transaction methods. It was suggested by Hammond et al. (1998) that it is these credit card concerns that may be the primary obstacle to be overcome by retailers in order to gain consumers’ confidence and ultimately their business.
Internet security issues extend beyond consumers’ concerns regarding the transmission of credit card information across the Internet. Many businesses go online without fully realising that connecting to the Internet can expose sensitive business information to hackers (on-line thieves) (Office of the Auditor General WA, 1996; Melek et al., 1998; O’Connell, 1998).

Some businesses attempt to protect sensitive information by initially installing electronic security measures, but then do not continuously update these measures (O’Connell, 1998). This is thought, by Bird (1997), to be largely due to ignorance. With technology developing at an ever increasing pace, security measures need to be constantly updated to prevent hackers from exploiting any security weaknesses (Bird, 1997). Such weaknesses can allow hackers to use a business’s information for illegal and/or damaging purposes (O’Connell, 1998). For example, a consumer’s credit card information that is provided to a business for their use only may be intercepted by a hacker and then sold to others for unauthorised use, potentially making the business liable for any lack of security (O’Connell, 1998).

E-mail is also extremely un-secure and can be opened at any server it traverses en-route to the recipient (Melek et al., 1998), but this risk is rarely discussed by business articles or the Internet marketing literature. Another security concern for consumers and businesses alike is a phenomenon described as Web Site counterfeiting. This is where a fake Web Site is set up, using a legitimate or well recognised name, in order to divert customers from the authentic Web Site and/or to obtain credit card information for unauthorised use (Bird, 1997).
Security issues, such as those discussed above, primarily exist because the Internet was initially not designed for electronic commerce (Geissler & Zinkhan, 1998). It was designed for communication in a common circle of trust (Geissler & Zinkhan, 1998). To overcome the inherent security limitations of the Internet, Hutchinson (1997) argued that organisations need to take responsibility for managing their Internet connections. Recently, computer programs have been developed to combat these security issues. For example, secure servers can be created with security mechanisms called "firewalls" which are designed to protect sensitive information (Kettinger & Grover, 1997). Without such programs in place it is difficult to have a secure Web Site (Bird, 1997).

In addition to reviewing the literature discussing the implications of the growth of the Internet and what businesses and consumers perceive as being important to the Internet in terms of conducting business, it is also important to understand how businesses are incorporating the Internet into their media strategies. The following section discusses media planning and how businesses might incorporate the Internet within existing media channels.

**Media planning**

Media planning is the process of allocating marketing expenditures for different media channels (Ephron, 1998). Ephron (1998) described these channels as encompassing, but not limited to, television, radio and print, as well as the Internet.
Determining how the Internet fits into the media planning process is not an easy task (McArthur & Griffin, 1997). Many businesses are still debating whether going on-line should be part of their present media plans or whether it is a decision best left for future media plans (Sannella, 1999). However, some businesses, such as those in the U.S. hotel industry, are fast adopting the Internet as a viable media channel (Weiss, 1999). According to Weiss (1999), 42 per cent of Internet users that booked hotel accommodation in 1998 did so after comparing hotel information posted on the Internet. Weiss (1998) hypothesised that the fast adoption of the Internet by the U.S. hotel industry may be due to the industry being highly competitive when compared to non-service industries such as manufacturing.

An American study by Lynn, Maltz, Jurkat & Hammer (1999) indicated that many smaller businesses are using the Internet to decrease the competitive advantage larger firms possess in traditional marketing. Larger firms with their relatively greater resources appeared not to have a substantial, if any, competitive advantage in marketing over their smaller counterparts when it involves the Internet (Lynn et al., 1999).

Fierce competition among the various media channels for advertising dollars has further increased the complexity of media planning (Jugenheimer, Marna & Turk, 1992). Some advertisers are bypassing traditional media such as magazines, television and radio, in favour of the Internet due to the Internet’s perceived cost-effectiveness and ease of access (Farrell, 1999). However, Nowak, Cameron & Krugman (1993) suggested that businesses based their media planning decisions not on empirical evidence about a medium’s cost-effectiveness, but rather on anecdotal
examples. This means that most businesses appear to base their media decisions on the actions of other businesses rather than researching what is most effective for them (McBride, 1997).

Based on appropriate evidence, media planning decisions are the process of selecting a group of media channels that are perceived to be the most effective in reaching the targeted group for the advertised product (Mitchell, 1996; Assael & Poltrack, 1999). According to Assael & Poltrack (1999), if only a single media channel is chosen and run on its own, the entire campaign will usually be ineffective. Thus, when deciding on using Internet advertising, such as via a business's own Web Site, it needs to be done concurrently with other media campaigns such as print, television or radio (Mitchell, 1996).

Murray & Jenkins (1992) proposed that for effective media planning, businesses should evaluate each proposed media channel against the following three criteria:

1. *Maximise vehicle exposure:* Use of specific media space and/or time units, within a given budget.

2. *Achieve vehicle exposure & reach-frequency balance:* Achieve the 'best' balance, i.e., number of exposures before wearout to obtain a balance of reach-frequency.

3. *Optimise advertising exposure:* Obtain advantageous positioning within the media being used.
McDonald (1997) argued that some businesses may perceive the Internet to be lacking at least one of these three criteria and are therefore reluctant to go on-line. The study also argued that businesses were unlikely to investigate whether one of these criteria is actually lacking or just perceived to be lacking (McDonald, 1997).

Effectiveness of Internet Advertising

Due to the nature of the Internet, it is inherently difficult to measure and compare advertising effectiveness with that of more traditional media such as television or radio (Dreze & Zufryden, 1998). This is due in part to current measuring techniques for Internet advertising effectiveness not being standardised, which results in measuring errors (Lodish & Riskey, 1997; Dreze & Zufryden, 1998). Findings can often be misleading and businesses may continue to find it difficult to measure Internet advertising effectiveness and to determine whether it benefits their business (Callaghan, 1999).

The global reach of the Internet creates uncertainty for many businesses as to how to present themselves on their Web Sites so as to effectively deliver their Internet advertising messages to a variety of cultures. Whilst not specifically referring to the Internet, Keegan (1989) and Speetzen (1990) found that by having an understanding of cultural differences, businesses were more likely to be successful in selling their ideas and products to other countries. Consumers have been found to be more likely to respond to advertisements that they are accustomed to or can easily relate to (Zhang & Gelb, 1996). Companies that customise their Web Sites for different regions were suggested by Zhang & Gelb (1996) to be better able to generate sales in those regions. For example, the car manufacturer Mazda has specifically tailored its Web Site,
located at www.mazda.com, to the requirements of each country where Mazda conducts business. Each country's Site is customised for that country's types cars sold, prices, language spoken, etc.

In an attempt to measure the effectiveness of Internet advertising, Sundar, Narayan, Obregon & Uppal (1998) conducted a study that aimed to measure consumer memory and recall patterns of print media compared to recall patterns for on-line media. The study was specifically designed to determine whether the Internet was more effective in transmitting an advertiser's message than traditional media. Sundar et al. (1998) found that users of the Internet were less likely to notice peripheral cues, such as advertising. In other words, Internet users appeared to exhibit lower levels of processing of advertisement cues on the Internet, thus remembering less advertisement content from on-line advertising than from print advertising. The study also found that Internet advertising needed to be more creative than print advertising to achieve at least a similar level of effectiveness. The authors found that the use of animated ads and/or sound was needed to enhance consumer attention to Internet-based advertising.

Although Mandese (1999) suggested that many businesses do not know how effective Internet advertising is, Leong et al. (1998) argued that an Integrated Marketing Communications approach would improve the effectiveness of advertising. The following section discusses Integrated Marketing Communications and how the Internet can fit into the media mix.
Integrated Marketing Communications

Krugman, Reid, Dunn & Barban (1994) defined Integrated Marketing Communications (IMC) as the entire coordination of communication tools for a product or brand. IMC is also referred to as the media mix and it includes all types of advertising, public relations, promotion, pricing, etc. that communicate a product or brand (Belch & Belch, 1998). It should be noted that some authors believe that each media stands alone (Rust & Oliver, 1994; Rust & Varki, 1996; Sundar et al., 1998). However, others believe that all advertising media form a part of IMC and should be used concurrently with other media (Zinkhan & Watson, 1996; McArthur & Griffin, 1997, Leong et al., 1998; Assael & Poltrack, 1999; Yu & Koslow, 1999).

The Internet and the IMC

Rust & Oliver (1994) believed that with the advent of the Internet, traditional methods of advertising such as print and radio will eventually no longer exist. Rust & Varki (1996) argued that the Internet will displace traditional mass media due to the level of interactivity now demanded by consumers and the increased amount of communication that will be needed to service their needs. Rust & Varki’s (1996) study stated that the Internet provides for better-targeted and higher information content advertising, which is not possible in traditional media contexts. Rust & Varki (1996) also claimed that the effectiveness of traditional advertising declines with a reduction in audiences, and that this decrease is because many consumers are turning to the Internet to obtain information. However, the article did not provide any empirical research to substantiate this claim.
By comparison, Leong et al.'s (1998) study suggested findings opposite to those reported by Rust & Varki (1996). Leong et al. (1998) compared the effectiveness of a business's Web Site against traditional media and argued that since the Internet is distinctive and lies separate from more traditional media such as television, radio and print, it cannot be used on its own. Rather, it complements these other types of media resulting in the need for integration of the entire media mix to achieve optimal advertising performance. Leong et al. did, however, mention that the main potential threat that the Internet possess is to direct marketing as the speed in which a message can be sent is almost instantaneous, whilst the cost is also lower through the Internet than it is through traditional mail.

The integration of the interactivity of the Internet with normal television is forecast to result in a more powerful medium by combining the advantages of both (Bezjian-Avery, et al., 1998). However, Rust & Varki (1996) pointed out that some products that have limited information content, such as image-dependant Pepsi and Coke, will still require non-interactive media such as radio, magazines and billboards to get individuals to notice their products. This appears to be in conflict with the previous argument by Rust & Oliver (1994) that traditional advertising will become unused as consumers favour the Internet.

Rust & Varki (1996) noted that it would be 'unreasonable' to expect consumers to initiate Internet searches for new products that they do not know about. This suggests that new products, as with image-dependant brands, are an area where traditional advertising will need to be utilised, at least at the first instance, to educate consumers who can then be referred to the Internet for further information.
Overall, Rust & Oliver, (1994); Rust & Varki, (1996) and Leong et al. (1998) explained that the best approach to using the Internet is to incorporate the Internet and more traditional advertising media into an organisation's overall media mix to obtain the best marketing results. Barker & Gronne (1996) combined media planning with various communication models. These models are discussed in the following section.

**Communication models**

The Internet has been argued as being neither a mass communication tool nor an interpersonal communication tool (Barker & Gronne, 1996). In many cases, however, it is a combination of the two (Barker & Gronne, 1996). Interpersonal communication involves two or more people in face-to-face communication (Morgan & Hunt, 1994; Barker & Gronne, 1996). It takes place in real time so each of the communicators can adjust their signals on a continuous basis (Morgan & Hunt, 1994; Stamm & Dube, 1994). By comparison, mass communication is where one standardised message is communicated to more than one person (Reardon & Rogers, 1988).

**Interpersonal communication**

Interpersonal communication occurs in an unmediated form, where the interaction between two parties takes place via actual face-to-face contact (Hoffman & Novak, 1996). This occurs, for example, between a buyer and seller in retail outlets. In face-to-face situations, the communication involves an unlimited amount of information being processed simultaneously by both parties via the use of the five
senses, including any sensory impressions and body language (Hoffman & Novak, 1996). These impressions can play a significant role in conveying messages (Hoffman & Novak, 1996). While interpersonal communication can be highly effective in transmitting a business’s message it has the weakness of not being able to be expressed to a large audience which limits its ability to convey advertising material (Reardon & Rogers, 1988).

Interpersonal and mass communication have two main differences, namely their feedback and interaction levels (Morgan & Hunt, 1994; Nelson & Hitchon, 1999). Feedback occurs when two persons, say a business and a consumer, interact. For example, a business sends a message to the consumer and that same consumer responds with a message, a form of feedback. If the consumer sends another message to the business, and the business is influenced by this second message, the two are said to interact (Barker & Gronne, 1996). On the Internet, this can happen in Internet Relay Chat rooms within a business’s Web Site (e.g., PMFM cyberclub). In Internet Relay Chat rooms interpersonal communication can occur in real time. On the other hand, communication via e-mails does not occur in real time and involves delays between the sending of each message (Fiske, 1990).

Mass communication

Mass communication is categorised as a one-to-many media tool (Barker & Gronne, 1996). Reardon & Rogers (1988) noted that the effect or the way the standard message is decoded by each receiver will differ depending on situational and personal factors. This can result in the messages being misunderstood or taken negatively (Reardon & Rogers, 1988). Unlike interpersonal communication, mass
communication does not include a feedback loop. This means that direct feedback cannot be given to influence content of any future messages (Fojt, 1996). In other words, there is no interaction between the sender and receiver in mass communication (see figure 1.2).

![Mass Communication Model](image)

**Process in which messages travel to the receivers**

*Figure 1.2 - Mass communication model*


Furthermore, the degree of flexibility in the message is minimal because the user cannot control when the message is delivered (Fojt, 1996). This is especially the case in broadcast media where the user has little control over how long they are exposed to the advertisement, whereas with print a user can decide how long to view the ad and when to flip the page.

Despite its limitations, mass communication through the Internet can be a highly cost-effective tool, specifically when used to advertise a standard message to a large audience, resulting in a relatively low cost per person compared to interpersonal communications (Hoffman & Novak, 1995; Kettinger & Grover, 1997). A further advantage of mass communication is that it can be used throughout all types of media ranging from text and graphics in print media to video and audio in broadcast media.
These characteristics allow businesses to couple both interpersonal and mass communication processes on the Internet (Hoffman & Novak, 1995).

Interactive communication

While mass communication has been described as a one-to-many process and interpersonal communication as a one-to-one process, the Internet can be described as a many-to-many process (Shand, 1999). On the Internet many senders and receivers interact with each other. Nevertheless, one-to-one communication is still possible on the Internet, through exchanges of e-mails or involvement in Chat Rooms, which makes it possible for businesses to deal directly with the consumer and vice versa (Kettinger & Grover, 1997).

The Internet combines the ability of mass media to disperse a message to a wide audience, with the capability of feedback and interaction characteristic of interpersonal communication processes (Flemming, 1998; Kingsley & Anderson, 1998). The Internet is thus a hybrid medium as it shares interpersonal and mass communication characteristics.

Conclusion

The formal introduction of the Internet in 1990 (Geissler & Zinkhan, 1998; Poon & Jevons, 1997) and the opening of the Internet to commercial access in 1991 (Maignan & Lukas, 1997) have seen the Internet grow into a multi-billion dollar sales
market (Selnes, 1998). Although numbers for Internet users, on-line sales and advertising expenditure on the Internet differ amongst studies (Reda, 1995; Wilensky, 1995; Rebello et al., 1996), the literature almost uniformly forecasts the Internet as becoming a significant marketing medium (McBride, 1997).

Businesses around the world are going on-line in greater numbers (O'Connell, 1998) to provide consumers with information and/or allow for on-line sales opportunities (Leckenby & Hong, 1998). However, the literature suggested that some businesses are going on-line as a reaction to their competitors having done so (Brännback, 1997; McBride, 1997) rather than evaluating the cost-benefits of going on-line for themselves (Watters et al., 1998).

Whilst many businesses are embracing the Internet, others are not going on-line as they believe that the Internet is not suited for their products (Ernst & Young, 1999). Similarly, some businesses had no plans to sell on-line due to insufficient resources, security concerns by both businesses and consumers (primarily focused on the misuse of credit card information), and a desire to protect the privacy of consumer and business documents (Dreze & Zufryden, 1997; Leckenby & Hong, 1998; Ernst & Young, 1999).

The Internet is seen by consumers as a medium with great freedom as it is mostly controlled by the consumer in that they can actively seek out which sites to view (Loro, 1996). Whilst many studies have tried to measure the consumers' perceived value of advertising on the Internet (Ducoffe, 1996; Briggs & Hollis, 1997; Gordon & Lima-Turner, 1997), there appears to be no consensus among researchers as to consumers' perceptions of Internet advertising.
There are two main views expressed in the literature with regards to how the Internet fits into the media mix. The majority view appears to be that the Internet should form a part of the IMC model (Krugman et al., 1994; Leong et al., 1998; Assael & Poltrack, 1999). Other researchers expressed the view that each media, including the Internet, could stand alone and does not need to be combined with other media (Rust & Oliver, 1994; Rust & Varki, 1996).

The various communication models that have been provided by several researchers (Morgan & Hunt, 1994; Nelson & Hitchon, 1999) also display the complexity of the Internet. Since the Internet combines the use of one-on-one and mass communication, it is difficult to apply many traditional marketing principles to this new medium (Barker & Gronne, 1996).

Overall, the literature reviewed provided few insights into the underlying perceptions of managers in relation to their understanding of how to effectively market through the Internet. The following chapters discuss the methodology employed in this study, with the results and discussion provided thereafter. The conclusions chapter identifies several further areas for future research.
Chapter 3 - Methodology

Research design

The purpose of this study was to conduct exploratory research into the perceptions of Perth business managers so as to investigate why some businesses are on-line whilst others have chosen not to be on-line. This chapter discusses the adopted research design.

Qualitative vs. Quantitative

Much of the literature regarding the Internet is based on quantitative research methods (Bezjian-Avery et al., 1998; Haynes et al., 1998; Leong et al., 1998). As this study is of an exploratory nature and investigates perceptions, it was deemed more appropriate to use qualitative research methods which are better suited to such a research task (Zikmund, 1996).

Qualitative research has been described as using interpretive and/or naturalistic approaches to solicit open-ended responses, such as through observations and one-on-one interviews (Denzin & Lincoln, 1994; Harris, 1997). The use of qualitative methods allows the researcher to gain a more detailed description and greater understanding of underlying factors (i.e., managers' perceptions) than may be possible by conducting a quantitative analysis (Maignan & Lukas, 1997; Barbour, 1998). For example, Hall & Rist (1999) argued that interviews enable a wider spectrum of responses whilst avoiding the strict set of procedures that are inherent in quantitative methods.
Data collection methods

Hall & Rist (1999) argued for the use of triangulation, which is the use of multiple qualitative data collection methods so as to increase the validity and reliability of results. The primary qualitative research method used for this exploratory study was in-depth semi-structured one-on-one interviews. Such interviews have also been used by academics in prior Internet related studies, such as Maignan & Lukas (1997) who made extensive use of this research tool.

In addition to the one-on-one interviews, follow-up calls were used to ensure correct interpretation of some of the more ambiguous and incomplete responses. Visual observation of body language, tone of voice, reaction to distractions and personal appearance were also taken into account when coding and interpreting the interview transcripts. Further triangulation methods were not utilised as other methods were not seen to be increasing the validity of results. For example, focus groups would not have provided the business managers with their required level of confidentiality, resulting in more reserved answers. Similarly, surveys lack the immediate feedback-loop that an exploratory study requires so as to avoid misunderstandings and, therefore, improve the reliability and validity of the data collected (Denzin & Lincoln, 1994).
Samples

Selection criteria

The sample managers were defined by the following criteria. All managers had to be Perth based and responsible for making the decision as to whether or not the business should be on-line. As stated earlier, Dutta et al. (1998) described an on-line business as one that had, or was in the process of having, a business-related Web Site connected to the Internet. For the purposes of this study, a business-related Web Site was defined as a Web Site that referred to the business and its products.

An additional criterion was the size of the business. The literature is unclear as to whether the size of a business impacts on the perceptions of its managers towards the Internet. Lynn et al. (1999) found that both small and large firms believed the Internet to be equally effective as an advertising tool. Whereas, research conducted by Haynes et al. (1998) suggested that smaller firms were more likely than medium or large-sized firms to have a Web Site.

The ABS (1996) definition of small and medium-sized businesses was adopted. According to the ABS, a small-sized business is one that has 20 or less employees and a medium-sized business is one that has between 21 and 200 employees. Large businesses, those with more than 200 employees, were excluded from this study because of the collegiate approach towards decision making exhibited by such businesses (Larson & Starr, 1993; Quelch & Klein, 1996) which would have created a need to interview several people in the same organisation to establish a consensus perception.
Sampling Method

Initially, 47 businesses were selected, out of the 1999/2000 Perth White Pages, via the judgement method (Sekaran, 1992). This kind of sampling is a form of non-probability sampling that involves subjects who are chosen because they are the most suitable for the information required, i.e., subjects are chosen for their expertise in the area being investigated (Sekaran, 1992).

Phone calls were made to each of the 47 businesses to establish whether they were on-line or not and whether they were small or medium-sized businesses. Of these 47 businesses, fifteen had expressed concerns regarding confidentiality and had requested not to be involved. This left a sample of 32 businesses that were then cross-checked for meeting the required selection criteria by reviewing business-related publications, such as Business Review Weekly, the Computers & Communication lift-out in The West Australian newspaper and Australian Internet news-sites.

The 32 businesses were selected so as to give four groups of equal size, forming a matrix of small or medium-sized businesses that were either on-line or not on-line (see table 1.0). Two businesses were randomly selected from each of the four cells of the sample matrix, forming a final sample of eight.

Table 1.0 – Original sample matrix of businesses

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
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<tbody>
<tr>
<td>On-line</td>
<td>8 businesses</td>
<td>8 businesses</td>
</tr>
<tr>
<td>Not On-line</td>
<td>8 businesses</td>
<td>8 businesses</td>
</tr>
</tbody>
</table>
**Procedure**

Ethics clearance was provided at the end of October 1999. The eight participating business managers were made aware of this approval. Interviews and follow-up calls were used to collect in-depth information about the perceptions of the managers in this sample with specific regard to the research question.

The interviews were conducted between the 5th and 15th of November 1999. Seven of the managers readily agreed to participate. One of the managers, however, was at first reluctant to participate due to confidentiality concerns. After several phone calls and an e-mail, the manager's concerns had been addressed and the manager agreed to be interviewed.

These interviews, although anticipated to last 30 to 45 minutes, lasted on average 60 minutes. This time frame is considered lengthy enough to gain both conscious and subconscious thoughts pertaining to the manager's perceptions (Sampson, 1996). All interviews were held on the business's premises in a quiet office.

Prior to the interviews being conducted, all managers signed consent forms outlining the terms of agreement between themselves and the researcher. The agreement included a strict confidentiality clause. The clause not only meets ethics standards, but managers assured of confidentiality may have been more inclined to provide highly sensitive information than if no confidentiality assurances had been given (Donaldson & Werhane, 1993).
In addition to the interviews, follow-up calls were made to all eight of the participating managers. This was done to minimise errors of interpretation. The follow-up calls were conducted between two and five days after the initial interview. A good level of rapport and trust was established in the interviews and during the follow-up calls. The effective collection of sensitive information necessitated a good level of rapport to be promptly established so as to gain the required level of trust (Belk et al., 1989).

The interview questions were characterised by a semi-structured format (Fontana & Frey, 1994) and followed a funnel-effect whereby open-ended broad questions were initially asked to probe on issues, followed by more precise questions focused on specific issues to this research (Hall & Rist, 1999). During interviews body language styles were noted, including posture, tone of voice, long pauses and physical appearance. Goffman (1971) argued that these factors are “all significant in setting the situation” (p. 371).

Based on an extensive literature review, the ensuing interview questions were identified. The questions that were asked of both businesses on-line and not on-line were as follows:

- How many full-time employees work for your business?
- What is the strategic outlook for your business, both long and short-term?
- What are the marketing objectives of your business?
- How does the Internet fit into your media plans?
• What are your perceptions of the Internet, i.e., opportunity and/or threat?
• What do you believe are the limitations of the Internet at present?
• Do you believe the Internet is safe to receive and send sensitive data?
• What media channels other than the Internet do you use to advertise? And why?
• How do you think e-commerce will affect your traditional media/distribution channels or relationships with intermediaries?
• Do you believe that the Internet is for everyone, i.e., all kinds of businesses and to what degree?
• What do you think about your competitors who are going on-line?
• How do you plan to achieve and/or maintain a competitive advantage?
• In what direction do you see your business going in five years’ time?
• What, in your opinion, is the limit of the Internet?

In addition to these common questions, businesses that are not on-line were queried on the following:

• What prompted your decision not to go on-line?
• Will you consider going on-line the next time you reassess your media plan?

Below are the interview questions that were asked only of those businesses that are on-line:

• What prompted your decision to go on-line?
• How long did it take/is it taking to design a Web Site?
• What are the costs involved in developing and maintaining the Web Site?
What are the current objectives of your Web Site?

What are your future goals for the Web Site?

What is the perceived performance of your business’s Web Site?

Instruments used

A dictaphone was the main apparatus used to record the interview, with pen and paper on hand in case the dictaphone failed to work. All managers consented to the use of a dictaphone. The follow-up calls were recorded via pen and paper.

Data analysis

Verbatim transcripts of all the interviews were made on the same day as the interview was conducted. Almost 50 pages of transcripts were produced. An initial review of the transcripts and notes taken during the interviews was conducted after all the interviews were completed. This enabled areas of ambiguity to become more evident before the follow-up telephone calls were made.

The analysis of the interview transcripts and follow-up calls was done utilising systematic coding via content analysis (Morgan, 1988). Coding of the content was used to help identify and develop relevant key themes. Huberman & Miles (1994) suggested that collecting and identifying themes and patterns allow a researcher to understand and group issues together. Manning & Cullum-Swan (1994) suggested that transcripts may be easily understood and analysed if coded by sentence or paragraph.
The content coding was done separately for each interview transcript, and themes pertaining to the research question were identified for each manager. These themes were then compared across all the managers to highlight common points and develop relevant key themes.

**Methodology limitations**

As with any research, there were methodological limitations to this study. In particular, limitations concerning the use of qualitative research, availability of interviewees, the sample, both in size and selection, and finally, how the use of a dictaphone may have affected the interviewees.

**Qualitative Methods**

Quantitative research is based on a sample that is representative of a population and is largely based on statistical methods of analysis, whereas qualitative methods do not have clearly defined methods of obtaining data, nor can the results be generalised to a greater population (Fontana & Frey, 1994; Langer, 1999). As explained earlier, due to the exploratory nature of this study, the results are not intended to be representative of the population, rather the findings allow for further areas of research to be identified.
Unlike quantitative research which has a strict set of procedures for each technique used, the nature of qualitative research allows for a greater flexibility of the interpretation of results (Denzin & Lincoln, 1994; Cooper, 1999). Sampson (1996) suggested that this flexibility often means that there is a lack of comparability between interviews because of the lack of standardisation. Additionally, the lack of standardisation is further influenced by the researcher’s unique attributes and perspectives (Anderson, 1982). However, the primary purpose of this study was not to produce a standardised set of results. It was designed to create a greater understanding of a concept or problem within a developing field.

Anderson (1982) argued that the choice of research method should not be seen as a limitation if the selected method was found to be the best method suited for evaluating the nature of the problem being studied. If the selected method identifies the problem, then the study can be justified and the results be seen as a contribution to the knowledge in the research field (Anderson, 1982). In this study, qualitative methods were deemed most appropriate to identify the key issues surrounding the research question.

Availability of Interviewees

The need to interview key decision-makers (i.e., highly placed managers) only allowed for a limited interview duration (average of 60 minutes). This may be seen as a further limitation as answers may be too general, given that the average time available per question was around three minutes. Answers that are too general may not clearly identify the differences in managers’ perceptions. To overcome these
effects, the interview questions were designed to probe issues in depth. Also, the follow-up calls were implemented to enable additional information to be collected.

Selection Criteria

The chosen selection criteria focused the sample on only Perth-based managers. This may impact on the comparability of the findings with studies focusing on managers based in other Australian cities or those based overseas. Due to the time and financial constraints imposed on this study, this limitation was unavoidable.

Judgement sample

Although a judgement sample always induces researcher bias because sample units are specifically chosen (Sekaran, 1992), it appeared to be the most suitable method to obtain the required information. Selecting a group of 32 possible businesses, and then randomly selecting eight businesses within this pre-selected judgement sample, however, reduced this bias. Furthermore, it was attempted to minimise judgment errors by carefully selecting 32 businesses that suited the pre-set criteria. This was done by checking directly with the businesses whether they met the criteria and/or checking other information sources where the businesses appeared e.g., newspapers and business publications.
Sample size

This study used a sample size of eight informants. Sampson (1996) suggested that the optimum number of informants for a qualitative study should be between 24 and 30. Unfortunately, due to the time and budget constraints of an Honour's thesis, a sample size of at least 24 managers was not feasible. It is argued here that since the research primarily aimed to only explore managers' perceptions, the perceptions of eight key managers provided enough information to discover fundamental themes and to provide some exploratory findings.

Instruments used

Belk et al. (1989) suggested that a dictaphone may affect the behaviours and attitudes of participants so that their responses to questions are not completely honest. However, Belk et al. also argued that participants do become acclimatised to a recording device. Unfortunately, their study did not indicate how long this acclimatisation may take and this may have resulted in some earlier responses within each interview being more reserved than later responses. Belk et al. maintained that in most cases this change in behaviour is minimised if the device has been openly accepted at the beginning of the interview with no objections, and the researcher does not continually make reference to the instrument during the interview. The sampled managers accepted the use of the dictaphone with no objections, and the researcher only referred to the device once at the beginning of the interview. The interviewees appeared to become habituated to the presence of the dictaphone almost immediately.
Chapter 4 - Results

The presented analysis was based on systematic content coding (Morgan, 1988) and largely utilised a participant approach, which relies on interviewee quotations to illustrate themes and support key findings (Geissler & Zinkhan, 1998). The ensuing headings are the key themes that were identified, and where appropriate, supporting quotations are provided. The following code is used to differentiate between the different types of businesses (see table 1.1).

<table>
<thead>
<tr>
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<th>Small</th>
<th>Medium</th>
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<tbody>
<tr>
<td>On-line</td>
<td>O/S</td>
<td>O/M</td>
</tr>
<tr>
<td>Not On-line</td>
<td>NO/S</td>
<td>NO/M</td>
</tr>
</tbody>
</table>

Theme 1: Is the Internet ready for your business?

The theme explored here was not whether every product was suitable for being sold through the Internet. Rather it was to see whether the interviewees perceived that the Internet was sufficiently developed so that their product can be advertised and/or sold using the Internet.

Three managers with businesses on-line indicated that the major factor in their business being on-line was their evaluation of the needs of their consumer market. They also believed that the Internet, now almost eleven years old, still does not offer their businesses all that is needed for selling and/or advertising their product on-line. This they felt was mainly due to technological constraints.
We're on the net because it's what our market wants but then our competitors aren't. Why? Well at the moment they and we are in a growing market. Why change and spend more money on another marketing channel when your current [marketing] channels are working effectively? I mean, we're not fully active, it's really just a presence thing. The Internet just doesn't offer what we're looking for right now though. Give us ten years and we might have our entire product [range] on-line. [O/S]

We've been on-line since the end of 1995, initially just to give a presence effect. We were one [of] the first in our industry to be on-line. We [went on-line] because it was the latest thing and, although the Internet was young and not quite fully active, our [market] wanted it. In hindsight the Internet couldn't offer us everything we wanted back then, but now it's a little better, not much though. But it was and still is one of [the] best marketing ventures we've [ever] done. [O/S]

The Internet has been an integral part of our media plans for the last 18 months or so, but [this] was never our decision. We're part of an umbrella group, and our parent company had [done] research, of consumers, showing a demand for [the parent] company's services to be on-line. So that's how we came to be [on-line]. It's a good thing. We've gained a percentage of the [consumer] market that we didn't have before, unfortunately the Internet still doesn't allow us do everything we initially
wanted it to. Hopefully bandwidth and stuff like that will be increased in the future so that we can expand on-line further.  [O/M]

The fourth business that was on-line had not completed their evaluation of the consumers market and had gone on-line solely because that is what its competition was doing.

We didn’t really want to go on-line because we weren’t sure what it would do for us, but we felt we needed to [go on-line] because our closest competitor, a chain of small businesses, launched their company Web Sites. We presumed they’d done [their] research, so if their research said be on-line, we [decided to] do the same. Unfortunately, we realised that we should have done our own homework first. Now [that] we’ve dedicated too much money into the Internet we can’t pull out until we see some return.  [O/M]

The managers of all of the four businesses sampled that were not on-line perceived the Internet to be like any other medium, and thus the media decision with regards to the Internet should be based on the same criteria as that used for other media. They argued that if the Internet does not reach their desired market level, or it does not benefit their business in one way or another, then there was no need for their businesses to go on-line.

Our research says that our market comprises of 35-year-olds and over, with the majority [of our customers being] over 50 [years old]. You’ll
never convince a 60-year-old to use the Internet, when you can't [even] convince them to use an Automatic Teller Machine, and [Automatic Teller Machines have] been out for years. Give us five years and we'll be on-line with the rest of our industry, but not earlier. [NO/S]

We don't have any long-term goals as such. Our research has said that if we go on the Internet now, we won't get any return for at least two years because of the Internet usage patterns. That's too long for us. We'll wait until that [timeframe] decreases to one year, or our consumer market increases their usage of the Web. [NO/S]

Companies need to weigh [up] the cost [and] benefits for their product and how the Internet will help [to] sell [the product]. Alternatively, even if you don't want to use the Internet for selling, [the Internet] should be used to advertise [and create] recognition of your brand, building awareness and then pulling customers to your physical building and retail outlets. At the moment, we don't believe that the Internet is ready for us. We'll review this decision again next year, but I doubt if we'll be on-line until at least 2005. We need consumers to be better educated about varying aspects of the Internet before we march on in there. [NO/M]

We haven't fully tried other, [more] traditional, [media] channels yet, and we seem to be doing rather well as it is. So we won't go on-line unless a) our competition goes on-line first, b) we're convinced it would give us a return on costs, or c) our [consumer] market demands it. All we need is one of the above to be valid and we'll be on-line within three months. [NO/M]
The comments from the last interviewee quoted above show that although his business is currently not on-line, they may develop a Web Site without first properly evaluating such a move. While he appeared to acknowledge the need for determining whether going on-line would achieve a return on costs, he also indicated that his business may go on-line purely because the competition is going on-line or because consumers are demanding it.

Theme summary

All of the eight managers interviewed acknowledged that the Internet should be assessed by evaluating whether their business’s consumer market is accessible via the Internet or not. All eight managers, apart from one, had done this evaluation. Three of the managers had decided that it was necessary for their business to be on-line to create an awareness of their products. One manager of a business that was on-line indicated that his business had by-passed the evaluation process and had gone on-line solely to achieve parity with their competition. The four managers of businesses that were not on-line perceived the Internet to be unsuitable for their business and they decided not to go on-line.

Theme 2: Internet – opportunity or threat?

This theme identified different levels of opportunities and threats that managers perceive to exist in the use of the Internet. Managers’ perceptions of the Internet in general were sought rather than how the Internet applied specifically to their businesses.
All interviewees, including the managers of businesses that were not on-line, perceived the Internet to be an opportunity:

*The Internet ... most definitely it's an opportunity. I mean, we're using it. Personally, I think that if a company doesn't use the Internet then it'll become a threat.* [O/M]

*It's a potential opportunity for everyone, but it's always a gamble. You don't know if it works until you've done it. If [the Web Site layout] doesn't work because it's not user friendly or doesn't provide useful information, then it's a threat to your image, brand and ultimately sales.* [NO/S]

*Yeah, I suppose [the] Internet is an opportunity for every business. Just because we're not on-line doesn't mean we won't be. Just right now it's [an] opportunity that is not at its best for us.* [NO/M]

*It means different things to different businesses. Take us for instance. It was an opportunity for us only recently because of technology enhancements that we could afford. Unfortunately, last year when we didn't have any money, it was a threat because any of our competitors could've beaten us to the punch. I think it's the same for any small business though, not just ours.* [O/S]
The extent of the opportunity that the Internet represented to each interviewee was described as varying depending on the business's products. A common perception was that there are certain characteristics that make a product suitable to being sold or advertised over the Internet.

I am sure about one thing. The Internet will be an opportunity only for those companies where the industry supports on-line thinking. So as an example, fuel stations won't go on-line. They're there to push fuel. It's not the type of product that consumers would research on the Internet.

On the other hand, cars can be sold through the Internet, on [their] specifications, colour-coding, etc, ready to be bought at the closest physical dealer or, like Toyota trialed it earlier this year, actually conduct the transaction on-line. [NO/S]

Opportunity for some – nothing for others. Restaurants won't go on-line. They're in [the] business because of word-of-mouth. Restaurants won't care about the Internet unless they do on-line orders and take-aways, but then they're competing against different types of restaurants. [NO/S]

Shopping is a hobby for many people. It's a way of being social and meeting up with friends. You can't do that through the Internet. The Internet will be an opportunity for some businesses but not for those that rely on window shopping or the mall-type atmosphere that the Galleria or Carousel provide. [O/S]
Three of the four on-line managers expressed the view that the Internet creates an opportunity to bring consumers back to a business’s physical premises.

The Internet in my opinion is a really good medium to provide follow-up purchase through conventional channels like a retail shop. I think for now, it [the Internet] is really only an information search tool and not a medium in which to purchase through, at least not in a mainstream way. [O/S]

We found that, although many of our consumers said that they researched our product on the [Internet], they still felt better accustomed to coming into our retail outlet and buying from us direct. They preferred the face-to-face transaction. [O/M]

Our aim is to have the consumer look at our [Web] Site on-line and then go to our [stores to look at the] product for a more detailed look. In effect, to taper customers from the Internet into our stores and buying the product, and once we do on-line shopping, they can have the convenience of doing it all from home. [O/M]

All managers of on-line businesses expressed the view that the Internet represented a relatively greater opportunity to smaller businesses than larger businesses. They perceived that the Internet allowed smaller businesses to better compete against their larger competitors that have traditionally had a competitive advantage over smaller businesses.
It's a better opportunity for small businesses. They can now compete against their larger counterparts, domestically and internationally, more effectively. Even more so than ever before. [O/S]

You can spend a $100,000 dollars on the Internet developing a site and still not be as successful as a small business that joined the Internet by spending ten per cent of that. It's innovation and creativity on the Web that will make you a strong competitor, not big bucks as it's been traditionally. [O/S]

I think that the Internet will be better suited to smaller businesses than larger ones. I mean, the Internet can be a really cheap medium to advertise through. You have to make sure your money is spent efficiently, and you don't need a whole lot of money to do that on the Internet. [O/M]

We're not big by any means, but I reckon that smaller companies like us can beat the larger firms [on the Internet] in sales and image etc. Through research we've found that it's technical know-how, innovation and creativity, and not large amounts of money that will make [your business] a success on the Internet. [O/M]
Theme summary

Overall, the sampled managers felt that the Internet is an opportunity for all businesses. However, the extent of the opportunity was perceived to vary according to the type of product that a business was selling. Also, the general view amongst managers of businesses that were on-line was that the Internet represented a greater opportunity to smaller businesses compared to larger businesses.

Theme 3: Internet Security – what were the perceived issues?

This theme explores the security perceptions of the sampled managers. The managers appeared to show less concern about Internet security than the level of concern that they perceived consumers to have about security on the Internet. As the following extracts illustrate, most managers felt the Internet to be as safe as, for example, using a credit card in a restaurant. The managers also perceived that consumers did not share their view of Internet security.

*From a company’s point-of-view, there’s little risk involved with getting credit card information. I think it costs us 45 cents to run a credit check. But consumers, they don’t think like us. There’s been too much negative hype on the part of [the] news media that portrays the Internet as a haven for hackers to wreak havoc with credit card numbers. I don’t think that [consumers have] got much to worry about. [NO/S]*

*I don’t think that the Internet is safe for sensitive information like credit card [numbers], in the same regard as using a credit card over the phone*
or in a shop. I don't think, however, that it's any less safe using a credit card over the Internet either. If someone wants to commit the crime, they'll find a way. So I don't think that the Internet is more or less safe than using [a credit card], say, in a restaurant.  [O/M]

One manager, whose business was the victim of crime on the Internet, expressed the view that security should always be a high priority amongst businesses and consumers.

We weren't worried about the Web until last month when a hacker from the U.S. broke into our database and copied about one third of our customers' credit card numbers. We've installed a new firewall and all [credit card] numbers are now held at the bank. That was a pretty big scare. If our customers ever knew, we'd never be able to convince them that our site was now safe. So yeah, security is now an integral part of the company logic, and it should be the same for every other business who is on the Internet.  [O/S]

Two interviewees believed Internet security concerns to also encompass the inconvenience that a breach of security may cause to an individual consumer.

The only reason I won't use my [credit] card and some of our research shows many consumers [feel] the same, [is that] if my [credit card] numbers do become used maliciously, it'll be inconvenient getting a new [credit] card issued.  [NO/S]
Our market research firm gave us a report that said lots of Internet consumers were worried about doing on-line transactions because of the inconvenience that a replacement card causes. [The research firm] found that consumers perceived the Internet to be less safe than over-the-counter transactions. [NO/M]

Despite perceiving the consumers' use of the Internet to be affected by security concerns, two of the four on-line managers have decided not to provide education with regards to security issues, such as that the Internet is safe for conducting credit card transactions. They proposed that the Internet is a learning curve and that consumers' security concerns would be addressed over time as consumers understood more about the Internet. The other two on-line managers believed that such concerns should be specifically addressed.

It's funny that. We're on-line and offer secure [Web] servers for [credit card] transactions. In fact, we don't even get to see the [credit card] numbers, it [the number] goes straight to the bank who reimburse us with the funds. We don't really tell our consumers this but we might do so if consumers request information about our security procedures. For instance, my boss, the one who gave the go ahead for [our] Web Site, still, to this day, won't use his credit card over the Internet. He does say, all the time though, that he would start using his [credit] card if more education was presented to him. Maybe that's all consumers need – more education. So yeah, we might dedicate a page to security issues later on. [O/M]
I don’t fear security over the Internet. But there’ll be those consumers you’ll never convince, like 60-year-olds. Education will be done through a process of its own, mostly as consumers use the Internet more. [This will mean that] we won’t need to do any educating. [O/S]

Although I believe that educating people about security is a process in itself, we know that our market is worried about it, so we’ve up-loaded an entire page to push that education. We’re not worried about security, but we know some consumers will always be, so we’ll also still have mail order, telephone and face-to-face orders. [O/M]

We know that consumers fear the Internet over credit cards, so our site has a complete page dedicated to explaining what the risks involved are, when conducting business with our company. We’ll remove this page within the next five years or so, when security is no longer a major issue. [O/S]

Theme summary

All managers sampled, including those from businesses that were not on-line, expressed security concerns with the Internet, both from their point-of-view and that of their consumers. Most concerns were perceived to stem from credit card information being at risk of misuse. However, the managers appeared to show less concern about Internet security than the level of concern that they perceived consumers to have. Managers of businesses that are on-line appeared to be divided as to how to overcome consumer security concerns.
**Theme 4: Advertising on the Internet**

This theme explores how the Internet competes in terms of advertising effectiveness against traditional media. The views of the eight managers were all very similar – it doesn’t. The managers explained how the Internet is too new and not yet fully used by consumers, resulting in advertising expenditure allocated to the Internet still being quite insignificant as compared to other media.

*I don’t think that it competes with other advertising. It’s way too new. No one knows how to approach it. It’s more of an information tool than advertising.* [NO/S]

*We see radio and television as competitors [for our advertising expenditure], same as newspapers. The Internet, at least for now, isn’t a threat in competing for the advertising dollar. Maybe in five years [it will be]. Besides, consumers just don’t seem that interested in the Internet right now.* [O/M]

*Maybe when the hype began in the mid-1990s, the Internet was a threat to [the] advertising dollar, but when you look at it now, many companies have been calmer, if not more apprehensive, about designing a Web Site because of the unknown returns, costs and risks.* [NO/M]

*In terms of dollars allocated to the Internet, there isn’t enough money going into this medium to take away money from any other. If you look at our expenditure, I’d say that we spend no more than two per cent of [our]*
advertising dollars through the Internet. The reason I think is because the
Internet doesn't provide the revenue response that companies are looking
for from media channels, we also don't really know what the Internet will
do for us. [O/M]

Some of the interviewees also perceived the Internet to be too much of a pull-
medium for their businesses to use it as their only advertising channel. To be as, or
more, effective as traditional media, some of the interviewees felt that the Internet
needs to become a push-medium.

The Internet is largely a pull [medium controlled] by consumers. They've
got too much control over what they want to see and when they want to
see it. I think that if we get the Internet through the TV and the [TV]
stations control the content then definitely it will be a large competitor
against other media. [However] until we, the advertiser, regain the
controlling function, it won't be a threat to our ad spending, another
reason is that I don't even think consumers know what they want from the
Internet. [NO/S]

The Internet can't advertise for you without people knowing you're on-
line and the only way you can tell these people effectively is by advertising
through more accessible media such as TV and magazines. [O/M]

There's no way that the Internet will be a threat to other advertising
channels, the Internet just doesn't advertise by itself like other media can.
The Internet will never be a threat to marketing money spent, not until
every single household is connected and that'll be never, there's just not enough consumer interest in what the Internet has to offer. [NO/S]

Although the above comments suggest that advertising on the Internet by these businesses is scarce, some of the managers had made use of the Internet for advertising purposes. Overall, the consensus among managers of businesses that were on-line appeared to be that Internet advertising was largely used to inform and provide awareness about the business and its products, rather than to actually sell a product on-line.

Yeah, we use [the Internet] to advertise. Mostly though it's just to promote our company and we only do this through our Web Site and web portals (Yahoo, Altavista etc). We don't use banner ads or anything like that. We don't rely on [the Internet] very heavily though. It's not too effective on its own, not unless you're well established as a virtual business. [O/S]

We use banner ads on affiliate sites, as well as on-line competitions [to promote our product]. We [also] advertise our Web address through all our other [media] channels. We want to use the Internet more and other channels less. We're in effect trying to pull consumers to the Internet. It's simply because per customer it's cheaper to advertise through the Internet than any other medium. [O/M]
[For our company,] the Internet is really just a presence thing, but in the future we'll hope to sell all of our products on-line, have movies showing TV ads and have games etc. We want to make [our Web Site] as interactive as possible. [O/S]

Theme summary

When exploring how advertising on the Internet might affect their traditional advertising methods, there were mixed responses from the interviewees. Some managers explained that at present there is not enough consumer interest in the Internet for it to effectively compete for advertising expenditures against more traditional approaches. Other managers said that it was not so much a lack of interest by consumers, but rather that, at present, the Internet held uncalculated risks for a business because of its pull-medium nature and due to the limited knowledge that exists about the Internet's advertising effectiveness.

Theme 5: Integrated Marketing Communications

All interviewees expressed the view that advertising on the Internet, when used, will always need to be integrated into the entire media mix. Even those managers whose businesses were not on-line felt that if they were ever to use the Internet for advertising, they would still support Internet advertising with the more traditional media channels. However, the interviewees also perceived that the exact impact of Internet advertising on more traditional media channel is yet to be fully realised.
It will definitely affect the traditional channels of advertising, because of its capabilities of providing high amounts of information in a fast and cost-effective way. Saying that, even in ten years, the Internet won't be the only media channel that we're using, we'll need to integrate it into the media mix. [NO/S]

The Internet [only works] when you use it in your entire media plan.

[O/M]

We look for personal touches, the individuality marketing, an aspect that yes, the Internet can cater to. But the Internet won't be able to do this for everyone that we market to. We'll still be using print [media] and radio to reach [that part of] our market that doesn't use the Internet. [O/M]

The problem with the Web is that some people will have it and others won't and it's only going to get worse. What we need is full convergence so that the Internet is as common as a TV or VCR. Until this happens, no one will use the Internet as their sole means of advertising. [NO/M]

When discussing the issue of Integrated Marketing Communications (IMC) several managers indicated how only through using more traditional media, such as television and radio, businesses would be able to get consumers to notice their Web Sites.
Until the Internet gets used through the TV, where the control of the Internet usage comes back to the advertiser, the Internet can never be used on its own to sell a product or brand. It simply won't get enough coverage on its own. Consumers pull the Internet and usually the product, not the company. Therefore, companies need to push consumers to their sites. They can only do this through traditional channels like radio and print. [NO/S]

I'd say that it depends on where people can access it, what the bandwidth will increase to, and how will we push people to use the Internet. Until all of these issues are answered, you're going to have to use other media channels. [O/S]

Look at Amazon.com, even though they're a virtual store, they still use other media [channels] in which to advertise. It all comes down to the traditional pull-push marketing strategies. The Internet simply can't push consumers as much as other media can, well not at the moment anyway. [NO/M]

Two managers of businesses that were on-line provided an insight as to why mixing the Internet into the IMC was perceived to be important. One manager argued that the Internet would never be the only media used by consumers, whilst the other reasoned that the Internet does not provide human interactions and that consumers will seek such interaction elsewhere.

At the moment, the percentage of Internet users in Australia I think is about 17 to 20 per cent [of households]. Companies will need at least 60
to 70 per cent of their market using the Web if they are going to use the Internet [media channel] on its own, and you'll never get 100 per cent through using one media [channel] only. That's why even now, companies use various media channels concurrently. [O/M]

The Internet will never be used exclusively. People will still demand the face-to-face sales, or sales with a human being and not a computer or voice recording. Even though we've been using the Internet for four years now, we still find over 80 per cent of consumers coming in [to the store] and paying bills in person, paying over the phone or mail order. We know that this is because consumers still enjoy the one-to-one relationship that humans can provide. That's why the Internet will be best used if we complement it with our traditional sales channels. [O/S]

Two interviewees also perceived the use of more traditional media channels as enhancing the level of trust and credibility placed on their on-line businesses by consumers. The two managers perceived trust and credibility to be a major factor in selling a product through the Internet.

**When we initially started our business we were only on-line. We didn't even have a physical store or mailing address, just a PO Box. We found that all our business came from overseas and none domestically. Once we put a phone number and an office address onto our site, whilst concurrently placing advertising in local newspapers, we started getting**
face-to-face and over the phone orders locally. When we did our research we found that [local] consumers were worried about our company not being real, but once they saw our advertising through other media, our trustworthiness and integrity as a company increased tenfold. [O/M]

Building trust on the Internet is a hard thing to do. We've spent 40 years doing it through traditional media, and consumers have told us through research that [having a trusted name] was one [of] the major reasons why they bought from us over the Internet. I can't even begin to imagine how difficult it would be to earn confidence in a brand/product when there is no physical evidence of your existence. Research has told us that the Internet is a lot of cloak-and-dagger stuff. Anyone can be a business [on the Internet], but it's more difficult to be a fake when you're advertising through traditional means. [O/M]

Theme summary

The main perception that was identified with regards to the issue of IMC was that all managers interviewed believed that for the Internet to be as effective as possible it will need to be integrated into a business's overall media strategy. Several managers gave extended explanations of why the Internet will never be used on its own to advertise a product. The main reasons given were: that the Internet is primarily a pull-medium; consumers still demand human interactions; and trust and credibility can be increased through the use of other media.
This study identified five major themes. The following chapter analyses the identified themes with reference to the research question. It also discusses the findings of this study in the context of the existing literature.
Chapter 5 - Discussion

This study was undertaken to establish whether managers’ perceptions of the Internet differed between those managers of small and medium-sized businesses. No such size effect was found in this limited sample of eight managers. Instead, it was found that the perceptions of managers of both small and medium-sized businesses were similar. This finding appears to be consistent with a previous American quantitative studies (Lynn et al., 1999). Lynn et al. (1999) studied the effectiveness of the Internet as an advertising tool and found both small and large businesses perceived the Internet to be equally effective. On the other hand, Haynes et al. (1998) did find a difference in internet usage between different sized businesses.

The following discussion evaluates the themes that were identified by managers of both small and medium-sized businesses. The theme headings are used to focus the discussion.

Is the Internet ready for your business?

The main reason for the sampled businesses being either on-line or not appeared to be linked to managers’ perceptions as to whether being on-line would enhance their business’s access to their consumer markets. This appears to be consistent with Nowak et al. (1993) who found that media decisions were driven by the medium’s perceived ability to reach the business’s target audience. Similarly, Bezjian-Avery et al. (1998) argued that Internet marketing activities needed to be specific to the business’s target consumer market.
In this study, the broad consensus amongst the four managers sampled from businesses that were not on-line was that their consumer market was not easily accessible via the Internet. This is consistent with Ernst & Young’s (1999) findings that almost a quarter of the 41 retailers sampled across the U.S. said that they would not sell on the Internet because they did not believe that their products were suited for on-line purchases. By comparison, the managers of businesses that were on-line perceived the Internet to be able to either promote or sell their products (or services) (as found by Takacs & Freiden, 1998; Ernst & Young, 1999).

According to Watters et al. (1998), businesses need to evaluate the cost-benefits of going on-line for themselves and not simply go on-line because that is what the competition is doing. Most of the sampled managers had done their own evaluations of the attractiveness of the Internet. This appears to be contrary to McBride (1997) who suspected that some businesses are on-line largely without knowing the full cost-benefit of such a decision. However, one manager of a business that was on-line indicated that his decision to go on-line was more based on achieving parity with their competitors (BrännBack, 1997) rather than an in-depth evaluation of the needs of their consumer market. This finding appears to be consistent with McBride (1997), who argued that many businesses were playing ‘follow the leader’.
Internet – opportunity or threat?

All interviewees perceived the Internet to be an opportunity. This perception is consistent with the literature, for example, Leckenby & Hong (1998) argued that the Internet enables businesses to provide consumers with information and also provides businesses with on-line sales opportunities. Takacs & Freiden (1998) argued that the Internet provided opportunities for marketers and other industries. Dreze & Zufryden (1997) expressed the view that the Internet offered market research opportunities for businesses.

It was also perceived by the interviewees that the Internet might become a threat to a business that chooses not to go on-line if its competitors were doing so. This perception might be one reason for why McBride (1997, p. 60) found that businesses appeared to be adopting the Internet as a “reaction rather than a pro-action”.

According to the managers sampled, the Internet is a medium that smaller businesses can use to more effectively compete against their larger competitors (as per Lynn et al., 1999). The Internet is the cheapest advertising medium per consumer (Kingsley & Anderson, 1998). Pollack (1999) suggested that this is often the reason why smaller businesses are able to use the Internet as a mechanism for competing against their better-financed competitors.
Internet Security Concerns

Internet security is a much-discussed topic amongst academics (Geissler & Zinkhan, 1998; Melek et al., 1998), and all the interviewees expressed security concerns with the Internet. Most of the managers' perceived concerns were related to customers' hesitance to use credit cards on the Internet. This focus on credit card concerns is supported by Hammond et al. (1998), who identified similar concerns as being the primary obstacle to be overcome by retailers in order to gain consumers' confidence and ultimately their business. Ernst & Young (1999) also found credit card concerns to be the main barrier to on-line purchasing from a consumer's perspective.

Despite these shared perceptions regarding Internet security, the interviewees appeared to be divided as to how to overcome security concerns held by consumers. Some of the sampled managers purported that the education of security is a process in itself and that Internet users will have to learn as they use the Internet. Other managers argued that a more proactive approach is needed, and that the consumers need to be specifically educated regarding Internet security. The perception that consumers should be educated is supported by Griffith & Krampf (1998) who argued that consumers needed to be taught that the technology exists to make on-line transactions as safe, if not more so, than traditional transaction methods. Also, Bell & Tang (1998) suggested that consumer security concerns were primarily due to a lack of education.
Advertising on the Internet

This study found some uncertainty on the part of the managers interviewed as to the benefits that advertising on the Internet might bring. This is consistent with the findings of Bush et al. (1998). Several interviewees noted that the Internet is dictated by what consumers wanted to see, i.e., a pull-media format. This perception is supported by Bezjian-Avery et al. (1998) who stated that as the Internet is largely a pull-medium based on the interests of consumers, businesses should either re-evaluate the way they advertise using the Internet or use other media to complement the Internet. This study found that most businesses sampled who are already on-line were actually using both of these strategies.

The sampled managers indicated that the advertising expenditure allocated to the Internet was relatively small compared to other media, with one manager (whose business was on-line) mentioning a figure for his business of at most two per cent of total advertising expenditure. This is in line with Farrell’s (1999) study that found that only about two per cent of American companies’ advertising expenditure was allocated to the Internet in 1999.

Integrated Marketing Communications

All eight managers agreed that the Internet will need to be complemented by more traditional media if it is to be used effectively by on-line businesses. The primary reason for this perception appeared to be that the reach of the Internet at present is not enough for it to be used on its own. Overall, this perception is
consistent with previous findings by several researchers (Zinkhan & Watson, 1996; Leong et al., 1998; Assael & Poltrack, 1999) who explained that to effectively sell a product, all marketing channels (including the Internet) need to be integrated into a complete media mix.

Two sampled managers expressed the view that the nature of the Internet can result in consumers having little trust in a business and its advertising. They also argued that the trustworthiness of a brand and/or product would increase if Internet advertising was supported by advertising through more traditional media which is usually more expensive than Internet advertising. This view is in line with Kotler (1991) and Wilder (1998) who said that such an increase in trust and credibility was largely based on the perception by consumers that if more money was spent delivering a message then the advertisement was taken more seriously and given more credibility.

Some managers interviewed reasoned that the need to mix media is due to consumers seeking the human interaction that is not provided by the Internet. This view is supported by Maignan & Lukas (1997) who found that although the Internet appears to be able to facilitate this kind of relationship between businesses and consumers, this role is not yet perceived to be significant by consumers. Similarly, the results of this study suggest that businesses are also not aware of the Internet's capability to facilitate such interactions.

Reviewing the findings of this study in the context of the existing literature suggests that the perceptions of the interviewed managers are closely aligned with the literature, indicating that the research to date has supported the experiences of these managers.
Chapter 6 - Conclusions and future research

The findings of this study suggest that the perceptions of Perth business managers towards the Internet appeared to vary in only one respect between businesses that are on-line compared to those that are not on-line. This point of difference was the perceptions held as to whether their respective consumer markets were currently accessible via the Internet or not (Ernst & Young, 1999). Otherwise, the managers interviewed appeared to share similar perceptions.

All interviewees perceived the Internet to be an opportunity (as per Leckenby & Hong, 1998) that enables businesses to advertise and/or sell their products. The managers sampled also indicated that the Internet was a greater opportunity for smaller businesses compared to larger businesses (as per Lynn et al., 1999).

Most managers perceived credit card concerns to be the primary Internet security issue (Hammond et al., 1998), but disagreed on whether to educate consumers directly or let them learn for themselves. The literature encourages the proactive education of consumers on security issues (Griffith & Krampf, 1998).

The study found some uncertainty on the part of the sampled managers as to the benefits of advertising on the Internet (as found by Bush et al., 1998) and this appears to have resulted in relatively small amounts of monies being spent on Internet advertising, a trend also evident in the literature (Farrell, 1999). The effectiveness of the Internet as an advertising tool is yet undetermined (Bush et al., 1998) and is an area where future Internet research might be directed.
All eight managers agreed that the Internet will need to be complemented by more traditional media if it is to be used effectively by on-line businesses (Leong et al., 1998; Assael & Poltrack, 1999). Furthermore, some managers perceived that concurrent advertising via more traditional media would increase consumers' trust in on-line businesses (Wilder, 1998).

Finally, no apparent differences were found to exist between the perceptions of managers of small and medium-sized businesses. This appears to be inconsistent with a previous American quantitative studies, Haynes et al. (1998), but consistent with Lynn et al. (1999). This area warrants further research into the apparent lack of differences in perceptions between managers of small and medium-sized businesses. This may be approached by using a larger qualitative sample, using other definitions of small, medium and large businesses, or attempting a quantitative analysis.

The findings of this study also suggest a number of other areas for future research. Replicating this study with combined qualitative and quantitative techniques will provide for a more representative sample, allowing the findings to be generalised to a broader population. An initial qualitative study would establish what issues are of concern to businesses and these can then be further explored in a quantitative survey that could be administered to a larger more representative sample of the population.

This study identified some managers that perceived the Internet not to be effective in targeting their consumer market. These perceptions may partly be due to the limited amount of information that exists as to how a business can effectively segment and target to their specific market via the Internet. The concept of targeting consumers via the Internet may be another area for further investigation.
All of the sampled managers, except for one, appeared to evaluate their decision to either go on-line or not. This finding was based on the managers self-assessing the adequacy of their evaluation. This area warrants further research by objectively assessing the managers' evaluation process.

This study aimed to add to the body of knowledge already existing in marketing and stimulate further studies in this area. It is hoped that this study will assist to form a preliminary understanding of the perceptions that business managers hold regarding the Internet.

Research limitations

The robustness of the findings of this study may be limited by several factors. One important factor may be that the perceptions collected from the interviewed managers may not be their genuine perceptions. Furthermore, since the Internet is ever changing, it is acknowledged that the findings from this study may possibly only have a short life-span as managers' perceptions may change equally as fast.

It is accepted that being a lone and inexperienced researcher, the results of this study may be limited by the researcher's interviewing skills. However, being an Honours' student, the researcher had undertaken several units that taught how to minimise research errors in qualitative research. Additionally, within these units, the researcher completed numerous assignments that tested and improved these skills.
Since the sample of managers was chosen on the criteria of the business that each manager worked for, gender was thought not to be an issue that would affect this study’s results. Nonetheless, a possible limiting factor is that all interviewees to this study were male.
References


Ernst & Young LLP. (1999). The second annual Ernst & Young Internet shopping study: the digital channel continues to gather steam. New York.


