Dr Len Tiu Wright

is research professor at the Business School, De Montfort University, Leicester. She is on the editorial boards of a number of leading marketing journals and has written for SME and technology publications. The majority of her research interests and publications are in the international marketing, qualitative marketing research and e-marketing fields.

Dr Rehan ul-Haq

is a lecturer in strategic management at the Birmingham Business School at the University of Birmingham. He has published in a number of journals and reviews for the Academy of Management and the Academy of International Business Conferences. He is co-author of *International Banking Strategic Alliances: Reflections on BNP/Dresdner* and author of the forthcoming research monograph *Alliances and Co-Evolution: Insights from the Banking Sector* (Palgrave Macmillan, 2005). He has also consulted for the United Nations.

Dr Mehmet Oktemgil

is director of the Turkey-EU Business Research Centre. He is a lecturer in strategic management at the Birmingham Business School, University of Birmingham. He has published in various international journals including *Journal of Business Research*, *Journal of Marketing Management*, *Journal of Management Studies*, *Journal of Operational Research* and *European Journal of Marketing*. He is the consultant editor of the book *Doing Business in Turkey*, published by Kogan Page.

Integrated marketing for SMEs in the global marketplace

Len Tiu Wright, Rehan ul-Haq and Mehmet Oktemgil

Received (in revised form): 29 September 2005

Abstract

This paper reports research identifying the exporting activities carried out by SMEs based in the UK and evaluates their effectiveness in managing the integration of their marketing activities to take advantage of changes in global markets. The SMEs in the sample are regarded as internationalising because of their continued involvement in existing export markets and their efforts to develop new markets overseas. Statistical techniques are used to analyse questionnaire data and support generalisations. These are drawn from the findings to assist in making recommendations about the integration of marketing and internet activities to support the development of marketing strategies. The findings suggest that many of the SMEs in the sample have not altered their marketing mindsets considerably. There is a prevalence of old-fashioned ways of thinking about the marketing mix and export market development. Conclusions and recommendations are provided.

Introduction

There is increasing scope for small and medium-sized enterprises (SMEs) to compete in global markets. This calls for the efficient coordination and integration of their marketing efforts in competing for market share. Changes in the global B2B and B2C environments mean that SMEs have more opportunities to have both global reach and local responsiveness in competing with large firms and overseas competitors in global markets. Examples of these changes are the ubiquitous use of the internet, new technological advances in computing hardware and software with fast data analysis and retrieval, database-driven direct marketing and new interactive media, new methods of networking with customers and suppliers and new advances in manufacturing and transportation. By achieving their own economies of scale in symbiotic collaboration and coordination of functions with other small firms, such SMEs can also achieve their objectives of global expansion quicker than by their own independent expansion. SMEs can aim for new markets where the removal of government subsidies to further economic integration or facilitation of trade within enlarged regional clusters, eg the European Union and elsewhere in the world, is taking place.

While the global business environment is changing fast, however, are there corresponding changes within SMEs that would help them to adapt to the speed of change and the pace of global competition? Have the marketing mindsets of SMEs changed to help them adapt? Integration of

Keywords: integrating marketing, SMEs, exporting

activities and expertise in product and service markets requires managers to have greater cross-cultural awareness than ever before. Managing relationships and networking with suppliers and customers in both B2B and B2C sectors also require integrated marketing communications and skills in integrating collaborative arrangements to support networking internally and externally for UK-wide practice.

These considerations and an examination of the literature have led to the following major research objectives for the study with a sample of SMEs in the UK:

- to identify the importance of current marketing activities and internet-based interactive communications currently undertaken by SMEs for their export markets
- to examine the data and draw conclusions for the integration of marketing and interactive efforts in responding to changes in the internationalisation process for SMEs
- to make recommendations of an empirical nature that could be generalised for UK-wide practice.

Preliminary insights are drawn from the literature and field research with SMEs which are involved with exporting and have a commitment to internationalisation. The research has enabled recommendations to be made for integrating marketing activities and use of internet-based interactive marketing. The data analysis of questionnaire findings, using statistical techniques, is presented. Following this, conclusions are drawn with recommendations for the generalisation of the findings for UK-wide practice. These include marketing and internet-based support to enhance internationalisation activities to improve the opportunities for developing success in export markets.

Review of the literature

Defining SMEs

The European Union definition of an SME is one where annual sales should not exceed €20m, employing fewer than 250 people and with independent ownership, ie any external shareholding in an SME should amount to no more than 25 per cent. SMEs are extremely diverse enterprises throughout the world. UK SMEs have capitalisation generally in the range of £1m–£50m, as shown in the examples of SMEs found in the Stock Exchange listings for the Alternative Investment Market.¹

Characteristically, for both investors and researchers alike the role of management within these firms has come under scrutiny. Studies of SMEs have led some writers² to bemoan the fact that the ‘culture of the small business’ is intrinsically bound up with the attitudes and abilities of owner-managers, so that resistance to new changes can develop as they may lack strategic skills, formal business training or managerial expertise to support their entrepreneurial flair. The skills of setting up a business and technical know-how in developing a product or service do not equate with the skills for the running and growing of a business.³ Small businesses are best seen as having flat structures without the formalised

Definition of an SME

Professor Len Tiu Wright
Department of Marketing
Leicester Business School
(Bede Island)
De Montfort University
The Gateway
Leicester LE1 9BH, UK
Tel: +44 (0)116 250 6096
Fax: +44 (0)116 250 6329
E-mail: lwright@dmu.ac.uk

hierarchical or matrix chains of command found in larger firms. So integration of business functions resides in the minds of their entrepreneurial owners. Integration of management and marketing processes is dependent on the personality-driven and opportunistic culture of the SMEs. This may go some way to explaining why the processes of defining strategy in SMEs have been reported in the literature, but have not attracted intense popular attention. Interestingly, this has not been the case for marketing strategy explanations examined in the contexts of large firms that are intended to guide business growth. These have featured in media and press reports and have become a mainstay in academic and business literature on strategy development.^{4,5}

When small firms become bigger or go public in looking for external investors, group decision making at board level becomes a norm. Even here the extents to which managers are able to manage change and integration have been questioned. 'Managers reproduce themselves in kind', according to Kanter's research with large companies.⁶ Hill and Wright's researches⁷ with SMEs also established that the 'informal and formal' personal contacts of the key decision makers were undoubtedly largely intuitive. When old-fashioned information systems were as likely to be stored and processed in the marketing decision makers' heads as anywhere else the marketing information systems (MIS) often tended to be cumbersome, poorly managed and scarcely interrogated for a variety of reasons.⁸ It is outside the scope of this paper to report on research with SMEs about their internal leadership and management styles; however, it is important to bear in mind that such findings in the literature do not augur well for the integration of IT and marketing processes in SMEs. It might go some way in explaining why the SMEs in the current sample exhibited a stronger sales than a marketing orientation. Despite the fact that people now live in an age of overwhelming amounts of data, the combination of managerial disinterest and simply a lack of time or employee inability to use MIS is a factor that appears to be present.

Organisational support for SMEs: Problems of coherence and integration

The research reported in this paper has not examined the depth at which national and local support for the SMEs in the sample have aided their export marketing activities. Nevertheless, the extent to which they were aware of the various bodies, eg Chambers of Commerce, is reflected in the findings.

The attraction for governments, keen to develop their own SMEs by providing them with incentives and support, such as those for information gathering and networking, is due to the recognition that SME successes would benefit their national economies. It is the public benefits that provide the basis for the substantial expenditure of government funds in the support of SMEs, which account for the majority of businesses in both developed and developing countries. So it is not surprising that European Commission⁹ and OECD¹⁰ studies of the SME sector are invariably concerned with the potential of small firms to grow into bigger ones, thereby to generate more new jobs, raise production and create further

Organisational support for SMEs

wealth. The creation of new employment opportunities and wealth needs to be supported with new technologies and skills in both service and manufacturing industries. So shortages in these areas need to be part of the longer-term agendas for supranational firms and their advisory agencies. In the UK the SME sector consists of over 90 per cent of firms, which is reflected in the importance attached to it by successive governments.¹¹ Government public policy initiatives are generally aimed at addressing skills shortages and opportunities in new markets, increasing access to innovation and information communication technologies (ICTs) to help SMEs create employment and wealth for the long-term benefit of all.

In the UK the number of SMEs actively engaged in exporting varies, depending on what sources are used. Figures range from the Bank of England's 3 per cent¹² to the UK government's 23 per cent,¹³ with other studies putting it at more than 40 per cent.¹⁴

The list of export provision for UK SMEs is extensive, including government-backed initiatives at national and regional levels with the addition of a variety of private sector support for members of associated bodies at national, regional and micro-industry level. But there is very limited work in the literature examining the degrees of fit or tailoring of support to SME requirements or comparing differences between regions. The diversity in provision¹⁵ makes it hard to judge the extent to which there is adequate depth or breadth in either the integration or coverage of provision for SMEs or in terms of SMEs' take-up of such services. At the national level bodies such as the National Audit Office¹⁶ have carried out evaluation of schemes for different types of support services. A search of the literature has shown that the emphasis has generally been towards the work of specific organisations and agencies. One such study¹⁷ carried out identified export provision for the government agency TPUK.

Sear and Hamilton¹⁸ identified eight useful categories of export service providers:

- government bodies and agencies, including the funding of trade services, eg the DTI's UK Trade and Investment (formerly Trade Partners UK or TPUK)
- regional agencies, including the regional development agencies (RDAs)
- Business Link's network interfacing between local and regional support programmes
- local authorities' economic development units (EDUs) with a focus on trade development and exporting
- chambers of commerce operating at sub-regional or local level
- business federations, associations and institutes in the quasi-public sector
- private sector agencies aiding different types of export activity
- other support bodies, such as consultants, enterprise agencies and universities with their different offerings.

The authors have commented on the indistinct relationships between

different groups and between regions as blurring 'network boundaries'. Examples range from a previous rebranding of British Trade International as TPUK, which created 'ambiguities, especially in terms of the focus of government support',¹⁹ to the Small Business Service franchises that 'altered the configuration of export services at a local level within several of the regions'.²⁰

Although these provisions are now all contained under the single UKTI banner and although various initiatives exist, there is no clear integrated policy in the field of new technologies to support SMEs. It is argued that it is just as critical for SMEs to keep up to date with modern advanced technologies as a way of finding a competitive edge as it is for large companies. The latter have far more resources and justifications for expenditure, such as for electronic data interchange and e-customer relationship management systems. SMEs do not normally have the large size or the resources of global or multinational corporations in the B2B and B2C sectors to justify expensive outlays on new e-business systems or new technologies to develop new products or new markets or in training employees to ensure effective use of computerised technologies. Success for SMEs in fiercely contested export markets depends on many factors, including the ability to use science and technology to build core competences. Industrialisation and technology are mainstays of economic growth for nation-states, an alternative being the dependence on labour.

Since the 1990s the complexity of various changes in government bodies and government-backed initiatives has not considerably improved the coherence for integration within support structures to the extent at which substantial business confidence could be said to exist.

Interactive marketing

The vast potential of internet-based interactive marketing lies in its ability to research, target and reach customers both *en masse* and on a one-to-one footing with direct marketing without the restrictions of geographical borders or distance. Interactivity in marketing implies that there is no single physical location, eg within B2C markets. Interactive customers can simply buy online; via the internet or other digital new media such as interactive television. Company websites provide shopfronts to the world on the internet, and the impetus for the use of the web in the B2C sector is subjected to consumer vagaries in taste and convenience. What propels B2B past B2C, according to Furlong,²¹ is the implementation of new technologies that are driven by intense 'hyper-competition and important bottom-line imperatives'. SMEs' marketing strategies and business practices can be improved through reduced costs, inventory reduction, improved customer service and product-market development activities. 'Small businesses can be big on the web',²² with even the smallest firms competing globally to export products and deliver them worldwide, eg by harnessing the expertise of the largest transportation companies such as FedEx and UPS. As indicated in the research study for this paper, more needs to be done in the public sector so that British SME businesses could share in new technology developments, given that the companies

Potential of interactive marketing

surveyed were primarily sales-driven and limited in the use of interactive marketing.

There is a paucity of literature about interactivity in marketing concerning SMEs in export markets, although in the field of dot.com companies that sought to become 'virtual companies' and the evolution of 'clicks-and-mortar' firms there is no lack of mass-media reports about the problems generated. Therefore not only is there a need for SMEs to generate a coherent marketing strategy, there is also a market-driven imperative for them to integrate interactive marketing effectively within their marketing mix programmes. As shown in the introduction, globalisation has changed the marketing landscape for SMEs, but without a corresponding adaptation to change by SMEs themselves new opportunities in international markets and new forms of integrating business activities to compete within the global arena might be missed.

Internationalisation theories and the need for integration in adapting to change

A brief review of the academic and practitioner literature^{23–26} highlights a number of perceived benefits to firms in exporting. These include opportunities for modifications of existing products, finding additional demand and a sharp learning curve from exposure to different ways of doing business. The SMEs in the present sample engaged with international markets and trading via direct exporting. The internationalisation venture of an SME can in itself be initially seen as an entrepreneurial act, especially because of the 'liability of smallness' due to limited resources in competing in international markets.²⁷

There are substantive theories from the extant literature on international trade: market-based,²⁸ resources/product-based,²⁹ network and relationship-based.³⁰ The market-based theory of international trade refers to the *interaction of four conditions* that cover ownership of capital (or property), freedom of enterprise (the entrepreneurial dimension), use of money (giving a preponderance to price as the prime determinant of decision making) and specialisation (calling for standardisation). Since this study is not primarily concerned with ownership of capital and price is only one factor in the marketing mix investigations, one can move from the consideration of the market-based theory to the other theories. The results of this SME study do not fit the resources/product-based theory or the sophisticated network theory. From the resource-based view presented in the literature it is argued that SMEs are subjected to a different set of circumstances than those of large corporations that have more financial muscle and specialist staff at their disposal. The traditional internationalisation models established from studies with large corporations have focused on centralised control and the various management functions to integrate overseas operations with hierarchical distribution of power from the centre. In order to adapt to change and integrate marketing strategies and their implementations, an alternative to this 'unipolar' view of internationalisation is to develop resources via the 'multipolar' network of firms to create greater scope and economies of scale for SMEs. By joining with other independent firms in a multipolar

Theories of international trade

network to cooperate voluntarily with each other and share marketing and technological expertise there is greater opportunity to achieve increased efficiency and profits. Within the network-centred system SMEs can develop their 'capabilities, core competences, knowledge and skills'.³¹ It can be regarded as a paradigm shift from traditional forms of collaboration, but there is a lack of published research in the academic literature concerning such forms of involvement. Neither is there any strong evidence in this study that such a multipolar network of collaboration is indeed taking place.

The actual process of networking in creating bonding, empathy, reciprocity and trust is less well documented. The network concept is not new, dating back to 1930s' research and built upon from researches in anthropology and sociology in the 1950s. At a simpler level relationship marketing builds on entrepreneurial networking extending outward to build relationships founded on trust. At the sophisticated level networks with significant investments in IT infrastructures extend the reach of marketing resources and technological expertise of network members. Implicitly this calls for integration of activities, whether it relates to marketing, sales, management or IT, and the requirements of trust and reciprocity for networks to work successfully. The relational approach underlies the need for proper integration of activities between SMEs and their export agents and distributors, to coordinate and oversee agreements effectively for the joint development of the various aspects of their marketing mixes.

Methodology

The investigation of SMEs was confirmed after discussions with industry leaders from the Birmingham Chamber of Commerce and Industry (BCC) and taking into account viewpoints from opinion leaders of trade associations and a few SME companies. Convenience sampling was used, as the sampling frame provided by the BCC consisting of its members was appropriate for researching SMEs involved with exporting. The questionnaire of nine sections, with between three and 17 questions per section, was pre-tested with 25 companies and commented on by five senior exporters in the West Midlands. The questionnaire was posted from the BCC to each managing director or senior manager of 1,000 manufacturing SMEs in the West Midlands, classified as companies with less than 250 employees. These companies had been pre-identified as leading export-oriented firms by the BCC, which was interested in using the research outcomes to develop support services for their exporters.

Sample members were self-selecting, as there were no inducements to participate beyond the cooperation of the BCC. The return rate of 28.4 per cent was lower than wished for, but it was within the comfort zone as indicated in other studies³²⁻³³ since it represented 284 completed and returned questionnaires. The returns of the questionnaires and their quantitative analyses by the end of 2004 completed the study. Data analysis was carried out by computer. Statistical analysis was vigorously applied and this has generated in-depth findings. The findings can also be

Investigation of SMEs

considered to have a certain broad applicability to the UK SME sector given the discussion in the literature about the characteristics of SMEs.

Findings

UK export activity

Table 1 shows the exporting activities as reported by the sample of exporters. It can be seen that there is a consistent pattern among the rankings. Clearly Western Europe is the major export market for those studied here, with it being by far the highest-ranked market in all areas: export turnover, percentage of sales from exports, frequency of exports and export experience. After Western Europe a pair of markets comprising America and the Asia-Pacific region were the next highest ranked, followed by the group comprising the Middle East and Africa, and Central and Eastern Europe. The differences between these other markets are very small, however, when compared to the large gap with Western Europe. The only measure where this pattern was not observed is export experience, where the Middle East and Africa moved up to be second ranked along with America, pushing the Asia-Pacific region down to fourth place.

Despite the positive aspects of the internet enabling companies to reach customers wherever they may be in the world, the traditional thinking about the desirability of certain regions as export markets is still prevalent. There is little evidence that interactive marketing techniques or new technologies have changed managerial attitudes in choosing export markets. The UK has long had various trade and economic links with Western Europe and its government is committed to the European Union.

Table 1: UK export activity

	Rank	Mean	Key to mean value (approx)
Export turnover (£)			
Western Europe	1	3.18	£50,000–100,000
Central and Eastern Europe	5	2.19	£25,000–50,000
Middle East and Africa	4	2.48	£25,000–50,000
Asia-Pacific	3	2.70	£25,000–50,000
America	2	2.72	£25,000–50,000
% of sales from exports			
Western Europe	1	2.00	10–25%
Central and Eastern Europe	5	1.34	Less than 10%
Middle East and Africa	4	1.51	Less than 10%
Asia-Pacific	3	1.55	Less than 10%
America	2	1.74	Less than 10%
Frequency of exports			
Western Europe	1	4.02	Pretty often
Central and Eastern Europe	5	2.69	Seldom
Middle East and Africa	4	2.90	Seldom
Asia-Pacific	3	3.08	Now and then
America	2	3.39	Now and then
Number of years exporting			
Western Europe	1	3.36	11–15 years
Central and Eastern Europe	5	2.68	6–10 years
Middle East and Africa	2	2.96	6–10 years
Asia-Pacific	4	2.88	6–10 years
America	2	2.96	6–10 years

Western Europe emerges as the most popular market, since it is physically the closest and easiest to reach for UK exporters, as well as having a large and affluent population. Psychologically it is also relatively close due to its proximity and the regular interaction of Western Europeans with UK residents. Furthermore, while America is perhaps further away than some of the other markets, its ranking as second is also unsurprising since it is psychologically and culturally similar to the UK. It has traditionally been relatively easy to enter due to its highly affluent population, strong marketing infrastructure and free-market values. The low ranking of Central and Eastern Europe should also surprise no one, since compared to the other markets these European markets have only become possible to trade with in the recent past. These markets are currently less attractive in general due to their comparatively poor infrastructure and less affluent population, while the unstable political situation can also be expected to be a hindrance to UK exporters. A similar situation exists in the Middle East and African countries, although many of these have been accessible to exporters for longer. Additionally, the major psychological distance between the UK and these countries is likely to influence their popularity as export markets. The Asia-Pacific market falls somewhere in between these two groups, in particular since it represents such a wide range of countries from places like Australia or New Zealand (close psychologically to the UK but far away and with a smaller market) to Japan (psychologically distant, yet with a huge and affluent consumer society). Thus again it seems no surprise to see it fall somewhere in the middle in overall popularity for exporters.

Ranking of success factors

Key success factors

Table 2 shows the order in which the respondents ranked the 17 success factors. Personal relationships and internet-based interactions via e-mails, newsletters and marketing communications at the SME-customer and

Table 2: Key success factors

Marketing factors	Rank	Mean	SD
Consistent quality	1	1.25	0.48
Meeting delivery dates	2	1.45	0.60
Matching customer specifications	3	1.49	0.65
Company reputation	4	1.79	0.89
Relative value of sterling	5	1.86	0.97
Frequent two-way communication with distributors and agents	6	2.17	1.13
Maintaining good relationships with overseas agents	7	2.18	1.20
Personal visits by the company staff	8	2.27	1.06
Skills at negotiation	9	2.31	0.99
After-sales service	10	2.32	1.14
Attractiveness of the export market	11	2.68	1.11
Special competitive features of the offering	12	2.70	1.15
Extended credit	13	3.07	1.09
Continuous support from third parties	14	3.08	1.23
Advertising and promotion	15	3.15	1.08
Business and cultural similarities between UK and overseas markets	16	3.34	1.07
Proximity of the market	17	3.43	1.07

SME-supplier interfaces help to underpin these success factors. The top four are consistent quality, meeting delivery dates, matching customer specifications and company reputation, which were all strongly related. These variables concern the ability of the firm to provide a product and service that meet the needs of their customers and efficient integration between marketing strategy development and implementation programmes. It is heartening to see that they are consistently important.

The second major group of factors is also quite consistent and seems to refer to high-quality personal and/or business relationships with overseas partners. These variables include personal visits, communication with distributors and skills at negotiation. Again it is good to see such strong showings for these variables, suggesting that indeed there may be a strong basis to recommend such factors to business. Yet one must caution that thinking does not equal doing, and management must emphasise that their philosophies must be acted out in the export market with efficient integration between the various sales, marketing and IT functions.

The 'relative value of sterling' is ranked fifth here. There are a number of interesting possibilities which could explain this result. Firstly, it is well known to anyone involved in exporting that the pound has strengthened substantially over the past decade, which has led to a number of problems for exporters, not least declining profits on export sales. So with this becoming a serious problem it is perhaps not surprising to see it high in the rankings. While it provides a key warning indicator to potential exporters about the importance of exchange rate issues, it means that SME companies cannot be complacent even when successful. This means vigilance in building good results for other aspects, as shown in the factors ranked 6–10 in Table 2.

The variables related to the marketing mix (excluding the product) and other more 'technical' areas concerning advertising, credit and special competitive features were ranked relatively poorly. This may mean that firms consider more strategic or philosophical factors to be the primary influences on their successes rather than the manipulation of the more short-term marketing 'micro' variables. The latter are more time consuming and less profitable in terms of effort spent at integration. The lowest ranked variables in this study were those related to psychological and physical distance. This is significant in light of the results from the section on export activity, which found psychologically the USA and physically Western Europe were the *closest* and *most popular*, respectively, for UK firms. This indicates that physical distance, language and cultural ties are important factors in *choosing* a market, but not in fact in being successful. The proximity of close distance could also suggest that markets are chosen on the convenience factor, rather than the prior application of the determinants of potential success, eg based on statistical returns and calculations about markets, making use of the accumulated data about customers and transactions by computer.

Product and advertising standardisation

Table 3 shows that on average the majority of the sample (75.5 per cent) were selling the same product across their export markets as they did in

Strategic or philosophical factors the primary influences?

Table 3: Product and advertising standardisation

	Industrialised economies	Developing economies	Less developed economies	Average
<i>Product strategy (versus UK)</i>	N = 176	N = 143	N = 119	
Same product per cent	86.4	75.5	64.7	75.5
More sophisticated product %	11.9	5.6	1.7	6.4
More basic product %	1.7	18.9	33.6	18.1
<i>Advertising strategy (versus UK)</i>	N = 161	N = 140	N = 132	
Same advertising %	61.5	29.3	21.2	37.3
Slightly different %	22.4	39.3	20.5	27.4
Significantly different %	6.8	16.4	25.0	16.1
No advertising %	9.3	15.0	33.3	19.2

the UK, though shifting production offshore was not of prime consideration, a competitive advantage stated by theories of globalisation. Companies on the path to internationalisation can produce the same products internationally by shifting manufacturing to countries with low labour costs to take advantage of economies of scale and experience curve benefits. The sophisticated network structure discussed in the previous section about *internationalisation theories* called for the implementation and integration of IT systems for business, with interactivity between network members to share in the benefits of network externalisation and cost reductions. There is little evidence from this sample of SMEs that this level of network externalisation has been reached.

The most popular strategy of the SMEs was to use standardised (37.3 per cent) or slightly different (27.4 per cent) advertising across export markets, but there are also some other key points to note from Table 3.

This study shows that 33.3 per cent spend very little on advertising for less developed economies. These are overseas markets where the business and communications infrastructures are poor, but they reflect a prevalence of e-mail and other forms of direct communications via the internet to support and integrate direct-to-customer exporting approaches. They indicate advertising is not a necessary success factor for *all* products, which suggests that other promotional methods were used. For example, internet-based interactive marketing, personal selling and networking on a personal level at exhibitions are used. Frequent two-way communications are fundamental via interactive marketing using the computer.

The trend in this study was that advertising in the UK for industrialised markets (61.5 per cent) was only slightly adapted for developing economies (39 per cent) and significantly different or none at all for less developed economies (25 per cent and 33 per cent respectively). This may show that standardisation as an advertising strategy is not being followed in general by the SME exporters, in contrast to standardisation as a product strategy, given the large variety of cultures and languages. It will be interesting to see whether the advent of the European Union proper will increase the use of standard 'Euro-wide' advertising, as appears to be happening recently with larger firms elsewhere.

International markets: Present and future

The route to internationalisation, discussed in the previous literature, raised the issue of opportunities for modifications of existing products, exploiting additional demand with a steep, sharp learning curve from exposure to 'internationalisation'. Internationalisation requires SMEs to be *proactive* in seeking out potential in export markets and *innovative* in winning market share. There is an element of *risk-taking behaviour* when venturing into unknown markets. Within the SMEs in this sample engaged with international markets and trading via direct exporting the internationalisation elements of risk-taking behaviour and innovativeness were not very apparent. This suggests that the mode of direct exporting is still a much preferred option.

Table 4 shows that Western Europe is far and away ranked as the most important, both now (75.7 per cent very important) and in the future (75.6 per cent very important), when taken in conjunction with the results reported earlier about the popularity of the former market. The group of 'others' is strongly ranked second to Western Europe in this study (50 per cent present and 69.6 per cent in the future). This grouping can be seen to include an extremely large amount of possible markets, so perhaps it is to be expected that it should rank highly in the study.

The low level of importance of Middle East and African markets is evident in this study: they are ranked the lowest (18.3 per cent very important now and 27.5 per cent in the future). This could suggest that the Middle East and African markets are declining in importance for UK exporters. This could be related to the fact that UK firms have tended to pull out of such markets as the UK's political influence has waned in these areas since the 1950s and 1960s. There appear to have been many political problems in these areas which may affect exporters, in particular economic sanctions and military unrest.

Export barriers

Table 5 shows that the major problems facing the respondents in this study are unfavourable exchange rates (60.5 per cent very significant) and keen competition (52.6 per cent). These findings will more than likely have particular resonance with those either in exporting or in a supporting

**Western Europe
ranked as most
important market**

Table 4: International markets: present and future

Markets	Present rank					Future rank				
		Very important %	Some importance %	No importance %			Very important %	Some importance %	No importance %	
Western Europe	1	75.7	22.7	1.6	N = 160	1	75.6	22.5	1.9	
Central and Eastern Europe	4	23.5	52.9	23.5	N = 150	4	44.0	50.0	6.0	
Middle East and Africa	5	18.3	53.1	28.6	N = 153	5	27.5	52.9	19.6	
America	3	41.3	39.5	19.2	N = 155	3	46.5	41.3	12.3	
Others	2	50.0	36.1	13.9	N = 69	2	69.6	18.8	11.6	

Note: Ranked according to percentage of 'very important' scores.

Table 5: Export barriers

Infrastructure problems	Rank	Very significant %	Some significance %	Not significant %
Unfavourable exchange rates	1	60.5	34.2	5.3
Keen competition in foreign markets	2	52.6	37.4	10.0
Difficulty in obtaining and locating adequate representation	3	30.3	45.7	23.9
Political instability	4	23.3	42.3	34.4
Restrictions imposed by foreign governments	5	22.1	47.9	30.0
Low per-capita income	6	16.6	34.8	48.7
Limited information to locate and analyse market	7	16.4	54.5	29.1
Difficult legal problems	8	10.6	62.4	27.5
Different competitive practices	9	10.1	62.4	27.5
Inadequate technology and transport	10	8.0	41.2	50.8
Cultural problems	11	6.9	48.7	44.4

Note: Ranked according to ‘very significant’ scores.

Problems in entering an export market

role. The study finds many problems rated as highly significant. It seems likely that the past decade has seen a rise in the potential for many problems affecting exporting. Of especial relevance is the significance of exchange rate problems. The large amount of ‘highly significant’ rankings may be due to the substantial increase in international competition over the decade. Markets are simply becoming more competitive as infrastructures improve, MNCs increase their global coverage and home economies become more and more developed.

What might be considered by the casual observer to be two of the key problems facing exporters (inadequate technology and transport, and cultural problems) are in fact ranked as the *bottom* two in this study. This could indicate that problems such as these are only considered after other more fundamental problems are dealt with. It can be seen that the main problems in this study are to do with actually being able to *enter* an export market. These are exchange rates, and locating representation. Once these problems are dealt with then SMEs could deal with more micro issues concerning *how* to compete, or how to relate to a foreign culture. This suggests that for most firms it is very difficult to enter foreign markets in the first place, although once this first hurdle is overcome then things get slightly easier to manage. The lower rankings of problems dealing with infrastructure and information could be a function of the fact that many more exporters are entering more developed economies rather than undeveloped ones (such as the Middle East and Africa).

The order of export decisions

The findings from the previous section suggest that for most firms it is very difficult to enter foreign markets in the first place, although once this first hurdle is overcome then things get slightly easier to manage. The lower rankings of problems dealing with infrastructure and information could be a function of the fact that many more exporters are entering more developed economies rather than undeveloped ones (such as the

Middle East and Africa). So export decisions to do with information gathering to method of distribution are likely to be influenced by the ease or difficulty that firms have with entering export markets. Table 6 shows the order in which the respondents tend to make their export decisions and how these have fluctuated relative to each year.

Sources of information and their use

Table 7 shows that the most useful sources of information in securing an export order are discussions with overseas agents and personal contacts. This shows a clear emphasis on personal relational sources, as echoed in the literature discussion and the following results. This tends to suggest that personal sources are consistently the most useful, as opposed to more formal research and information gathered from publications and on the internet. Interactive marketing communications and marketing research on the internet are supportive of these functions of networking and relationship building rather than being considered as the preferred methods for marketing. This raises important questions for the SMEs when key sales and marketing personnel leave, with or without a list of the client base. Disruption rather than integration becomes a sudden feature. At least formal methods of marketing based on the computer allow ease of access and immediacy for existing managers and new staff alike.

Chambers of Commerce provide routes for SMEs in gaining external support in marketing and networking as well as relaying information about government and industry grants and initiatives, as seen in the

Table 6: The order of export decisions

Decisions	Order						No response
	1	2	3	4	5	6	
Information gathering about market	32.0	23.7	14.4	9.3	3.6	5.2	11.9
Choice of export market	22.7	30.4	15.5	9.8	4.6	3.6	13.4
Choice of export product	14.9	9.3	17.0	12.9	9.3	14.9	21.6
Product pricing	12.4	15.5	18.6	16.0	14.9	8.2	14.4
Choice of overseas distributor/agent	6.7	10.3	9.8	18.6	15.5	20.6	18.6
Method of distribution (N = 194)	3.1	5.2	11.3	13.4	27.8	23.2	16.0

Note: Numbers are percentages relative to previous year.

Table 7: Sources of information and their use

Information sources	Rank	Mean	SD
Discussion with overseas agents and distributors	1	1.53	0.68
Personal contacts via trade fairs and missions	2	1.54	0.63
General information from trade magazines and media	3	2.28	0.55
Market-specific information from third-party consultants	4	2.40	0.60
Overseas trade associations	5	2.44	0.60
Market information from UK consulates and embassies	5	2.44	0.59
Secondary market data from Business Links and Chambers of Commerce	7	2.49	0.55
Consumer market research	8	2.49	0.64
Secondary market data from DTI	9	2.52	0.54

Note: Ranked on mean value.

Chambers of Commerce and DTI need to do more to show benefits to exporting SMEs

literature. But Chambers of Commerce are ranked poorly by respondents according to their use in *securing* export orders, along with DTI information. This is not the key role of the Chambers of Commerce. They and the DTI need to do more to show exporting SMEs how they could help in the integration and facilitation of networking alliances and the building of personal relationships with other exporters, potential overseas agents and customers through overseas exhibitions, trade fairs and missions.

Table 8 details the impact of various information sources about finding agents or distributors for the study's respondents. Chambers of Commerce may need to focus on this role by increasing their information about overseas distribution agencies, if this is felt to be an important role for the Chamber of Commerce network in addition to its existing support services for potential new exporters. Relational variables of personal knowledge of the territory and recommendation by third parties are the most useful, which provides further evidence as to the importance of these aspects on the route to internationalisation.

Finally, Table 9 presents the use frequency of various information sources by the present study's respondents. It can be seen here that there is some encouraging news for Chambers of Commerce. While it can be seen above that the information provided by these organisations is not so useful to *secure* export orders, it is still used very frequently. Other evidence suggests that frequency of use of these services may lead to increased profitability of the using firm. DTI sources (also ranked very poorly above) are also used very frequently. Again relational variables (this time it is overseas agents) ranked top, further emphasising their importance to exporting organisations, while consultants are ranked as least frequently used, perhaps as a result of their expense and complexity.

It can be seen that the key sources of information for exporters are likely to be personal and concerned with contacts and agents in the export market. In terms of frequency of use the external offerings by

Table 8: Information sources for agents and partners

Information sources	Rank	Mean	SD
Personal knowledge of territory	1	1.49	0.69
Recommendation by the third parties	2	1.58	0.60
Trade fairs and missions	3	1.83	0.72
Business Links and Chambers of Commerce	4	2.38	0.60
British consulates or embassies	5	2.40	0.64

Table 9: Frequency of use of information sources

Information sources	Rank	Mean	SD
Overseas agents	1	1.83	0.78
DTI sources	2	2.19	0.55
Business Links and Chambers of Commerce	3	2.29	0.56
Other	4	2.33	0.82
UK consulates and embassies	5	2.44	0.57
Overseas trade associations	6	2.48	0.62
Consultants	7	2.52	0.61

government-sponsored export support services, Business Links and Chambers of Commerce are very important in both information provision and introducing potential partners for SMEs. There is an imperative for the relevant external bodies in having an integrated policy to avoid the hit and miss of piecemeal offerings.

Overseas agents and distributors

Table 10 shows that by far the largest proportion of export sales was made by the respondents to this study by using direct sales to export consumers, with 26.3 per cent reporting that this method accounted for 75–100 per cent of their entire exports. None of the other methods is particularly popular at all, as can be seen from the table. The obvious conclusion to be drawn from these figures is that the organised distribution chains comprising agents and wholesalers are not in use for the majority of exporters. This could indicate a prevalence of very small firms exporting, rather than large and resource-rich companies which could employ such distribution chains. The rise in popularity of the internet is also likely to influence this. Specifically, its convenience and popularity as a direct distribution channel is likely to have changed many firms from an internal UK focus to limited exporting activity along the direct selling route.

Table 11 shows that the most important agent motivation method reported by the respondents was to offer attractive financial incentives. This may tend to support the neo-classical decision sequence, in that

**Organised
distribution chains
not used by majority
of exporters**

Table 10: Export channels and use

Channel	% of export sales made through channel					
	Rank	75–100	50–75	25–50	Less than 25	0
Independent wholesalers	4	6.2	3.6	7.2	14.9	68.0
Independent agents	3	5.2	4.1	9.3	28.9	52.6
Your own wholesalers	5	0.0	1.5	5.2	6.2	87.1
Your own agents	2	3.6	7.7	16.0	16.5	56.2
Direct sales to end customers	1	26.3	8.8	22.2	20.1	22.7
Other	6	1.0	1.5	3.1	3.1	91.2

Note: Ranked according to mean.

Table 11: Motivating agents

Motivation method	Rank	Very important %	Somewhat important %	Not important %
Attractive financial incentives	1	52.2	38.5	9.3
Regular visits by company staff to agent/distributor	2	43.8	41.4	14.8
Attractive credit terms	4	20.4	52.9	26.8
Training for the agent/distributor's employees	3	36.7	35.4	27.8
Local advertising and promotional support	5	7.6	45.9	46.5
Threats to discontinue the relationship	7	5.2	21.9	72.9
Other incentives	6	9.9	23.8	66.3

Note: Ranked according to mean.

Maintenance of existing position in existing market is most popular strategy

financial motives are assumed by exporters to drive their agents, rather than more relational goals. But the popularity of two relational variables in the second and third rankings (regular visits by company staff, and training for the agent/distributor) suggests that a large number of firms may be changing their opinions and focusing more on relationships. As a final point of interest, it is heartening to see that the negative, coercive factor of threatening agents with discontinuation of the relationship is ranked the least popular.

Export strategy and performance

Table 12 shows the various export strategies employed by the respondents in this study. It can be seen that by far the most popular strategy is to maintain the existing position in the existing market. This suggests that the majority of respondents are experienced exporters and relatively happy with where they are, with little ambition to expand. This feeling could result from the prevalence of problems noted earlier, such as exchange rates and high competition. But a substantial minority reported that they are entering new markets either with existing or new products, which could suggest that a large number of firms are just beginning to export (see the previous section) or are expanding their operations. A very small proportion of exporters reported that they are leaving their export activities, which suggests that, while times may be hard, the benefits of exporting outweigh the disadvantages in the eyes of most respondents.

Table 13 shows the performance ratings of respondents. This table paints a somewhat ambiguous picture in general. While 41.3 per cent of respondents report that sales volume has increased, fewer report that their profit, ROI or cash flow have increased and a large proportion report a decrease in all the aforementioned figures. This tends to reinforce the idea that exchange rates are becoming a major problem for UK exporters, and that even if they increase sales, their profits are being reduced by such negative financial factors. In general neither an optimistic nor a

Table 12: Export strategy

Strategy	Respondents
Exit or withdraw	7
Enter new markets with existing product	60
Maintain position in existing market	100
Enter new markets with new product	20

Table 13: Performance of firms

	Better %	Same %	Worse %	Don't know %
Profit	31.9	28.8	39.3	0.0
Sales volume	41.3	28.0	30.7	0.0
Market share	31.4	35.1	22.3	11.2
Return on investment	22.6	33.3	34.9	9.1
Cash flow	24.6	40.6	30.5	4.3

pessimistic set of conclusions can be drawn, since many firms are improving or remaining the same in terms of performance. A large number of firms are experiencing decreases in performance factors over the last year; one can only hope that this is a short-term situation and exporting activities will begin to become more favourable to firms.

Conclusions

With regard to the first research objective, to identify the importance of both current marketing activities and internet-based interactive communications currently undertaken by SMEs for their export markets, there are some clear patterns and conclusions to be drawn from the results presented, which describe the way UK exporters behave and feel.

Clear patterns and conclusions can be drawn

Despite much theory and political rhetoric about the use of IT and new technologies to facilitate the 'global village' and the world getting 'smaller', it is clear that the majority of exporters prefer to export into Western Europe rather than other countries. Furthermore, it is also quite clear that exporting is not the major activity of most firms, with even exports into Western Europe accounting for only 10–25 per cent of a firm's sales on average according to these results. This state of affairs seems likely to continue into the future, with Western Europe clearly ranked the most important market for the future as well.

A mismatch is noted between export experience (Middle East and Africa) and the primary market (Western Europe). The traditionally popular overseas markets for UK exporters, such as Africa and the Middle East, were found to be declining in importance, particularly in terms of future potential. But it is also likely that the more 'exotic' markets outside Europe will become increasingly important for UK exporters, with the grouping of 'other' markets in Table 4 assuming a very prominent position in rankings of future importance.

The key success factors included consistent quality, meeting delivery dates, matching customer specifications and company reputation. These are underpinned by high-quality personal and business relationships with overseas partners. The major export barriers were the unfavourable exchange rate, different competitive practices and inadequate technology and transport. With regard to effective exporting the following were found to be issues of preoccupation with the SMEs: attractiveness of export markets; extended trade credit and attractive credit terms; regularity of visits to the actual or potential overseas agent or distributor to build personal relationships; and accuracy of information from consultants, overseas trade associations and market research agencies. Business Links and Chambers of Commerce were considered valuable sources in locating agents and distributors.

When it came to product and advertising strategies it appeared that UK exporters were attempting to standardise globally. It is clear that the majority of exporters are selling the same products across all their export markets, even in less developed economies. Within advertising strategies companies appear more willing to change these across countries, even though standardisation is also a surprisingly popular strategy. Currently, though, standardised products tend to be marketed across overseas

markets with standardised advertising. It is noted that 19 per cent of SMEs used no advertising. Companies normally change their advertising for other countries if language difficulties and cultural changes impact upon how the product is presented. This is particularly relevant to smaller companies and those that make complex products, which need larger amounts of information within their advertisements.

It seems that the exporters in this study favour a more 'product-oriented' approach to exporting rather than more relational approaches. This is clear from the results of the decision-making sequences analysis and also from the success factors which the exporters rated as highly important. It seems that UK exporters are primarily interested in providing high-quality products which are relevant to their consumers, by providing a quality service to them and involving overseas agents and distributors as necessary in a classic agency-based approach. Furthermore, existing exporters seem to prefer distributors and incentive methods which are strongly based on this approach. This is in contrast to other approaches which involve overseas partners from the outset to help design products and make marketing decisions. The authors have no information on whether the approach observed is more successful than a relational one, but it is worth bearing in mind that Styles and Ambler³⁴ in their study of successful exporters found a more relational approach evident.

Role of the exchange rate

One of the key points to emerge from this analysis was the role of the exchange rate. It is clear that UK exporters consider exchange rate issues with their impact on foreign competitiveness as critical to their success. The message sent by this is clear. Exporters are desperate to be given a chance at success in the UK economy, but at present they do not feel they have that chance. This is a finding that should be heeded by government policy makers charged with SME provision.

For the second research objective the data were examined to look at the integration of marketing and interactive efforts in responding to changes in the internationalisation process for SMEs. In terms of information sources it should be clear to those involved in the relevant sector that public agencies such as Business Links, Chambers of Commerce, the DTI and UK embassies (all under the same UKTI branded service) are seen as some of the less important sources of information to existing exporters. Information from consultants also appears to be of less importance to existing exporters than might be expected. Considering the aforementioned predication for agency-based approaches, exporters appear to favour personal, relationship-based sources of information for their needs. This finding could be seen as a strong call to the relevant agencies perhaps to modify their information, providing emphasis towards a more personal and relational approach through assisting businesses to establish direct contacts with potential partners.

The state of UK exporting at the beginning of the new century appears mixed. Exporters seem to be in a 'holding pattern' within their markets, with most reporting that they are maintaining their market position. It is worrying that very few report that their export profits, ROI and cash flow are increasing. Exporters report that there are significant barriers to their

success currently, of which the key is the exchange rate. There also seems a prevalence of 'old-style' exporting methods rather than newer, relational approaches. While most exporters appear to be holding their own and looking forward to success in new markets, there seems to be room for improvement from exporters and from the public agencies which aim to support them.

As seen in the literature, the entrepreneurial personality tends to focus on sales, and this has implications for building good personal communication skills rather than the investment of time for the effective development of interactive marketing and market research in a much more substantial way. This gap raises important issues about performance and staff departures, as discussed in the analyses of the tables. One finding from this study is the unanimous commitment given by SMEs to the use and value of personal contacts. Investment in personal contact networks is found to be far more important than the formal, sophisticated IT infrastructures required to sustain core competencies of member companies to integrate operations and achieve global reach and servicing of customer needs. Exporting SMEs have problems in seeing how investment in the latter to increase their internationalisation potential would generate future benefits, given the financial and psychological commitments and sacrifices that these would entail in the short term. A conclusion is that these systems are impeded until such time as the obstacles to their introduction are removed or the demands of the marketplace create the urgency for SMEs to adopt them.

The third research objective is to make recommendations of an empirical nature that could be generalised for UK-wide practice. The following recommendations are about how SMEs could do more for themselves in terms of self-help and with regard to the title of this journal. The recommendations are concerned with establishing on a more formal IT level the marketing intelligence and research functions, with fast retrieval and analyses of data accompanied by speedy response rates to customers. These should also entail proper integration of sales and promotion activities.

Recommendations

The *managerial implications* are that an integrated market approach that combines face-to-face dialogue with electronic dialogue through e-mail, firm-to-firm specific web-based bulletin boards and discussion rooms and through X-TML document exchanges would allow stronger relationships to be built up. In large firms these various roles and activities are dealt with by specialists — export marketers, product experts, overseas agents and their local branches dealing with production and distribution, separate marketing, sales and advertising functions. In SMEs these roles and activities are often co-located in a small number of personnel. The findings suggest that a key success factor is the building of relationships between firms and personnel in different countries, yet SMEs are constrained by resources and lack of personnel in building these relationships face to face. Managers need to examine what constitutes the best mix for a quick and cost-effective integrated marketing approach.

Integrated market approach facilitates stronger relationships

This requires a ready exchange of firm-to-firm specific information regarding products, orders, production timescales, delivery process, marketing and post-delivery service and implementation in such a way that the relationship between the exporting SME and importing SME or larger firm becomes a stronger, long-term one and will contribute to exporting success.

There are ways of self-help in interactive marketing for exporting SMEs. They could conduct periodic reviews, such as internal marketing audits of their sources of internal data, software and systems. They could evaluate their personnel's accessibility to these and their creativity in using them, as well as any barriers, whether physical or technological. By utilising such marketing audit results SMEs could improve upon three types of databases: the customer database (with detailed information about each customer); the transactions database (for recording transactions with all concerned including suppliers and agents); and the marketing database (extending beyond the existing customer portfolio to new prospects). Large firms have formalised systems in place for such databases.

Database marketing used to be the preserve of large establishments that had mainframe computers, but the evolving new technological capabilities developed for small, powerful computers towards the latter part of the 1990s mean that small firms can now manage large marketing databases. E-mails and internet-based resources have generated and are continually generating large amounts of information for secondary and primary marketing research information. Marketing intelligence gathered can be systematically integrated rather than using the internet in an unplanned and *ad hoc* way. To improve their internationalisation processes the exporting SMEs in the study, within the contexts of the computer-mediated technological environment of 2005, can make their e-marketing functions work with their customers by looking for room for improvements and getting more proficient in using their databases for interactive marketing.

The key assumption is that it is fundamentally through interaction that contexts are built, invoked, managed and integrated to make marketing strategy work.

Acknowledgment

The authors wish to acknowledge the assistance given by the Birmingham Chamber of Commerce and Industry in enabling this research.

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