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OF TECHNOLOGY

TARBIAT
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MASTER'S THESIS

Positioning of Iranian Industries in Cyberspace:
Evaluation of Home Appliances Manufacturer's Websites Using Correspondence Analysis.

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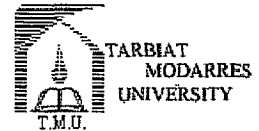
پایان نامه فوق لیسانس

جایگاه نسبی صنایع ایران در اینترنت:

ارزیابی سایتهای اینترنتی تولید کنندگان لوازم خانگی با استفاده از روش Correspondence Analysis.

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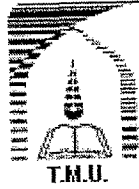
TARBIAT MODARES UNIVERSITY
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CERTIFICATION OF BOARD OF EXAMINERS

The undersigned board of examiners hereby, certify that
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Candidate for the degree of Master of Science in Marketing and
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thesis entitled

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appliances manufactures websites using Correspondence Analysis**

The board considers the thesis acceptable in form and content; and that
candidate through that oral examination, held on Jan. 29, 2006,
demonstrated a satisfactory knowledge of the field covered by the thesis.

The Examining Body

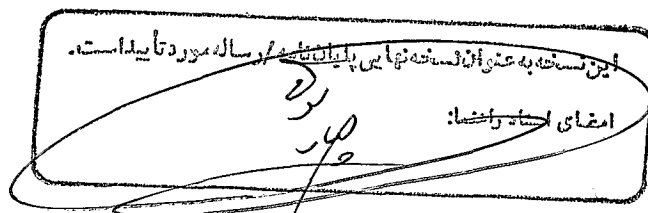|	
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Preface

The work presented in this study was carried out during summer and fall 2005. These months of hard work have provided me with an in-depth knowledge of Internet Marketing and Positioning.

Throughout my work, many people have contributed to the completion of this study, to whom I would like to express my gratitude.

First, I would like to thank my supervisors, Professor L. Pitt at Simon Fraser University and Dr. R. Kazemzadeh at Tarbiat Modarres University who have provided me with guidance, inspiration and perspective throughout the writing of the study.

Additionally, I would like to thank my mother, father and brother for their support and encouragement, without which I could have never made it this far.

Tehran, January, 2006

Abstract

In today's extremely competitive markets it is crucial for companies to strategically position their brands, products and services relative to their competitors. With the emerging trend in internationalization of companies especially SME's and the growing use of the Internet with this regard, great amount of attention has been turned to effective involvement of the Internet channel in the marketing mix of the companies. This has introduced a new term of *marketspace* (the Web) versus the traditional battleground of *marketplace* in which companies compete with each other. The growth of presence in the marketspace has been exponential, both in general and within specific industries. Thus bringing to attention the importance of Web presence and that it is crucial for companies to strategically regard competition in marketsapce.

It is important to understand that positioning on the Net is very different and requires its own set of strategies as part of the new marketing paradigm. This study goes towards addressing the need to understand and measure the nature of positioning of company Web sites on the Internet.

The aim of the study is to introduce a statistical technique to compare the positioning of Web sites, in and across industries. With this regard a group of Web sites from the home appliances manufacturing industry was selected and the technique of correspondence analysis was applied to produce maps which can be studied and interpreted. The results indicated that either based on company strategies or accidentally, these Web sites are positioned differently and may follow or affect different marketing policies of their owners.

At the end, the implications of this technique for management and how it can be used by new home appliance manufacturers or those who want to compare their sites with the ones of their competitors, in order to benchmark and/or revise their policies and strategies have been discussed.

Key words

B

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Chapter 1: Introduction

Introduction

As a developing country, Iran's economy has been constantly growing in the recent years. After the 1978 revolution in this country most of the heavy industries have been either shut down or taken over by the government. It wasn't until after the war with Iraq that wide privatization of industries has been started in different areas. Today the private sector is mostly focused in the mid-range industries where foreign and domestic competition is constantly growing. Government-owned industries are still monopolies in mostly strategic areas.

As the strict commercial boundaries of the country are starting to disappear, Iran's private industries are now facing new threats and opportunities in their fields of activity. Many are now facing the threat of the presence of well established foreign firms, and their well recognized brands in Iran's huge consumer market. After so many years of very limited international presence of these Iranian industries, many have also realized that considerable potentials exist to take the opportunity and expand their markets internationally.

Wide social reforms have also taken place in the recent years, which have turned the attention of Iran's mostly young population towards the use of the Internet.

This young generation, which mostly live in larger, more modern cities create a large portion of many industries' domestic market, and them using the Internet, has brought to the mind of many marketers, the importance of Web presence.

The interest of the Iranian industries in being present on the Internet is three-fold:

Prestige
Some, but very few, industries use ".com" names just to carry around on their managers' business cards, with an email address which never is used. This is because in some parts of the country, the Internet is still a luxury and Internet literacy has not yet matured to understand the commercial benefits of the Web.

Domestic marketing
In many cases, companies tend to create Web sites in order to be able to target, or at least viewed by the domestic Internet community. These companies mostly use the Internet as a competitive advantage over their competitors.

International marketing
The companies with more Internet maturity, which have realized the international scope and marketing capabilities of the Net, have established online marketing channels to try and expand their market share to other countries.

Even though the Iranian marketers' perception of the Internet as an effective marketing channel, and their application of the medium in their marketing strategies is still in its infancy, many strong and weak attempts have been made to establish Web sites for companies and test the Internet's effectiveness as a marketing channel in Iran. What is mostly needed by these companies today is research in different areas of Internet marketing and models to describe and measure its effectiveness in real business environments.

In this research we will be trying to use methodologies available to evaluate and map Web sites of Iranian industries, so that it can be better understood that how strategies and competitions are forming in this country's cyberspace.

What is the Internet?

The key to understanding the Internet is the concept of connectivity. Any personal computer, when networked to other PCs, becomes a very powerful communications and information search vehicle. Networks can take the form of LANs (Local Area Networks) and WANs (Wide Area Networks) which in the most extensive form, with the greatest business potential, is the Internet.

The Internet is simply a network of inter-connected computers across the world, communicating with a standard protocol, called TCP/IP (Transmission Control Protocol/Internet Protocol).

Any form of data including, text, graphics, video, software etc can be transferred over the Internet, among individuals, companies, governments, universities, research establishments, and many more.

The origins of the Internet date back to the early 1970s, when the United States Department of Defense established a network to link together various military and research institutes. This was called the Advanced Research Projects Agency (ARPAnet). The TCP/IP protocol was born in ARPAnet, with the aim of enabling dissimilar computers to communicate.

Later, during the 1980s the National Science Foundation (NSF) used this technology to expand its own NSFNET. The NSFNET became at the time, a network connecting campuses and research centers to NSF's supercomputers.

Finally full commercial Internet connections became available in 1991, and a huge public interest resulted in an explosion in Internet growth. Since then many business applications of the Internet has been developed. The matrix, which represents one of the first attempts to develop a conceptual model of Internet business uses, was developed by Cronin (Figure 1).
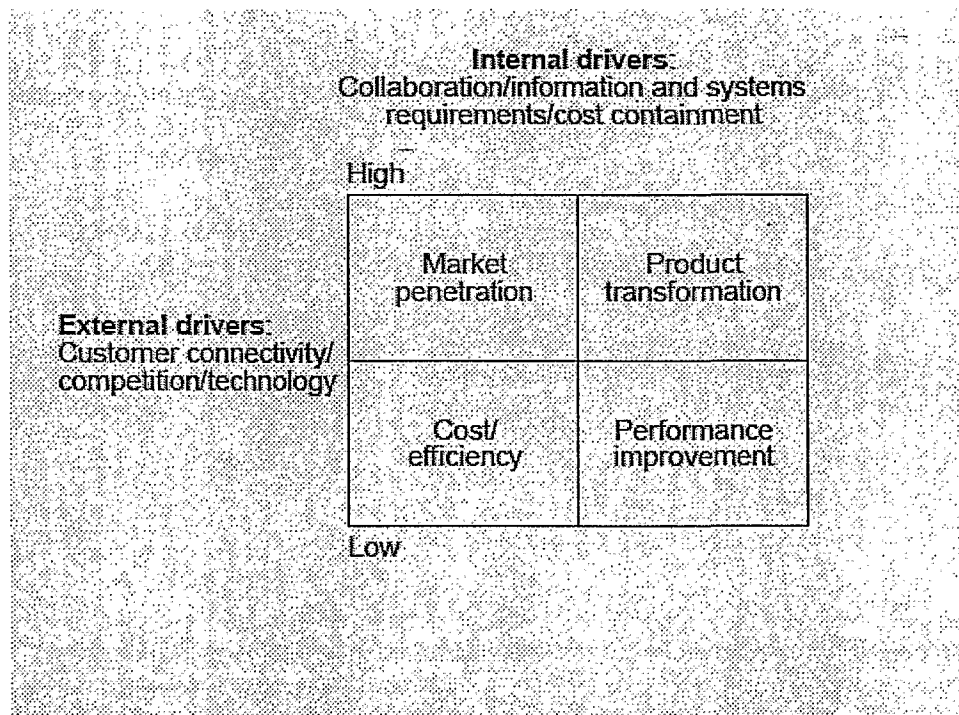

Figure 1. A Conceptual Model of Internet Business Uses

Four main competitive advantages are available from Internet connectivity, including: cost/efficiency savings achieved through substituting the Internet for other communications channels with vendors, information providers and business partners; performance improvements from the widespread internal use of the Internet to integrate information resources, support virtual teams and facilitate distributed decision making and organizational flexibility; market penetration which can be achieved from high external connectivity with customers, including public Web sites and online customer support; product transformation, including the development of Internet-based products and services that redefine the company's strategic position (Hamill, 1997).

The World Wide Web

The World Wide Web (WWW) is an Internet service based on hypermedia. Hypermedia enables users to navigate the Internet using a point and click interface similar to those used on Macintosh and Windows-based computer systems. The interface used to organize the incoming hypermedia information is called a *browser.*

Using hypermedia has several advantages over traditional communications media:
- Hypermedia has no physical form
- Hypermedia is interactive
- Hypermedia is dynamic
- Hypermedia simplifies navigation through very large documents
- Hypermedia is multimedia friendly

The Internet as a marketing tool

With a population of well over 900 million users worldwide and with a growth rate of more than 150% every five years (www.internetworldstats.com, 2005), the Internet is growing astonishingly and is being widely accessed across the globe.

Before the introduction of the World Wide Web, the Internet was mostly the domain of scientists and academics with a complex interface based on the UNIX operating system (Figure 2).
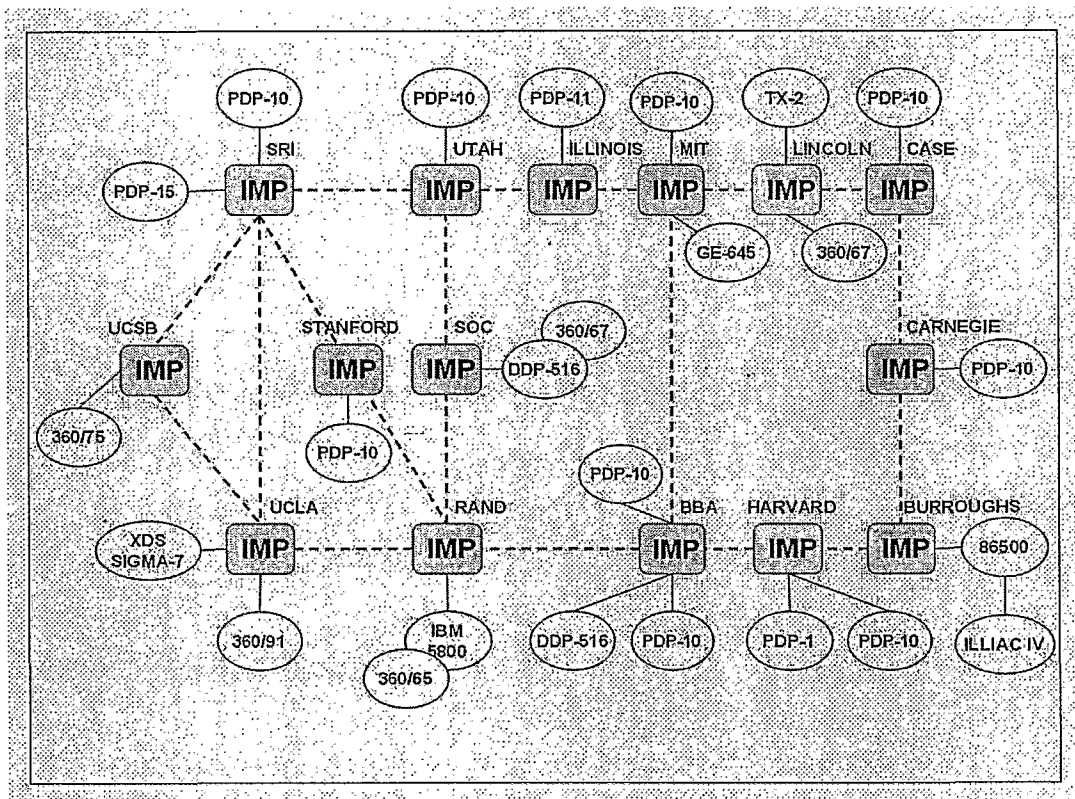

Figure 2. Logical map of ARPAnet 1971

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Today, the wide use of World Wide Web as the interface of the Internet and great achievements of hypermedia in creating a point-and-click environment has enabled easy adaptation and triggered a wide spread of Internet culture around the globe (Figure 3).
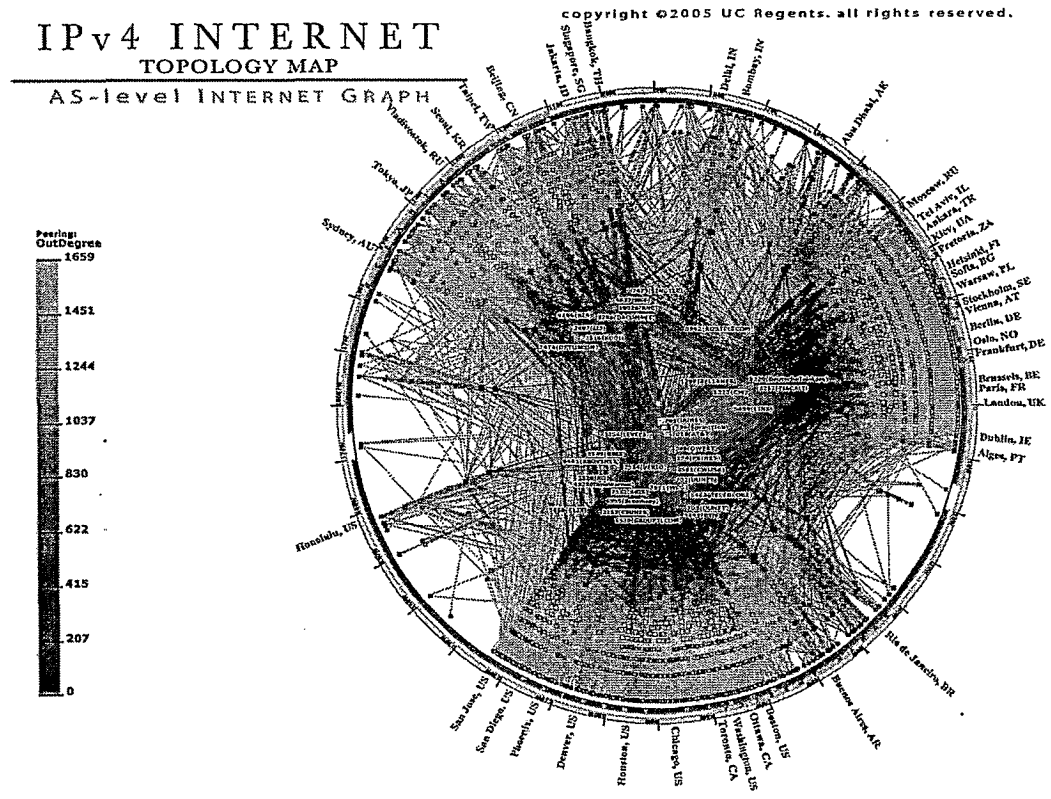
Figure 3. Conceptual graph of Internet traffic 2005

The emergence of Internet has helped the world move from the age of "automation technologies" to "information technology" (IT).

One of the hottest concepts for online marketing is the WWW. It offers companies an easy, inexpensive, fast, and technologically sophisticated tool for advertising goods and services, taking and placing orders, promoting their philosophy and policy, and communicating with their customers all over the world.

In the Web environment, a company can deliver a full presentation with sound, pictures and video to millions of potential consumers.

A Website is much more enticing and informative than email messages, but it can be much more difficult to plan and implement (Mack, 1995).

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The essential point, as Michael Putzel, columnist for the *Boston Globe*, writes, is that

> "there is a wide spread recognition that any company wishing to compete in the closing days of the 20th century must stake its claim in Cyberspace".

There are two ways in which a company can benefit from use of the World Wide Web. It can be used for information access only, or it can be actively used to set up a marketing presence (Ainscough & Luckett, 1996).

According to Ainscough and Luckett, there are four marketing applications of the World Wide Web (Figure 4).
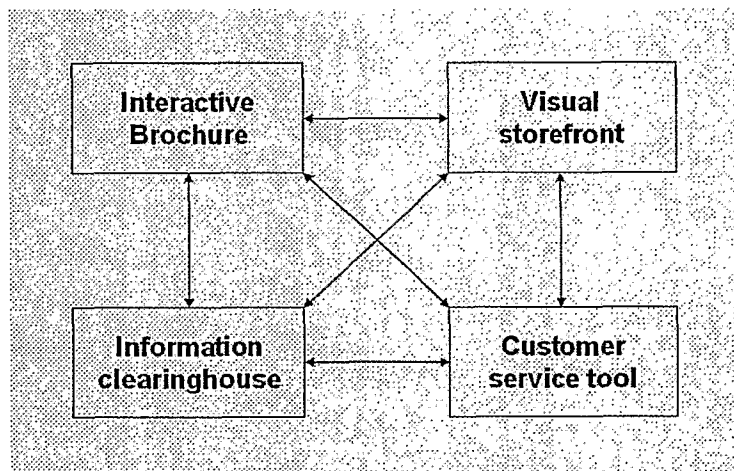

Figure 4. Four marketing applications of the World Wide Web

Based on their study, ninety six percent of the studied companies use the WWW as an *interactive brochure*, providing information about their companies, the products and/or services they offer, and contact information. Twelve percent had used the concept of *virtual storefront* for their websites, enabling their users to browse through merchandise and purchase items online. About eight percent of companies wish to provide a place to exchange information with customers and other researchers, and use their Web sites as an *information clearing house*. Finally sixteen percent of the studied companies use the net as a *customer service tool*.

There are many potential advantages of effective Internet marketing: improved corporate image, improved customer and investor relations, finding new prospects (customers), increased visibility, cost reduction, market expansion, and improved internal communications (Sterne, 1995).

Apart from successful branding, which can also be recognized in the cyber-market, it is difficult to determine the size of a company by its World Wide Web page. The Internet's relatively low entry barriers, including the irrelevance of company size enhance its attractiveness as a distribution channel. However, familiarity with reputation and brand names are seen to be increasingly important online (Melewar & Smith, 2003). As a result brand awareness plays a major role in creating the critical factor of trust, when it comes to online purchasing.

Internationalization of SME's

The Internet has received a great deal of attention in the media and many companies have set up an Internet presence. Companies are quickly moving to use the Internet as a way of segmenting markets and doing something that ordinary promotional media cannot: reaching the consumers across the globe, interactively and on demand – all at a reasonable cost.

Attempts have been made to develop conceptual frameworks for evaluating Internet-enabled international marketing, especially the extent to which the Net provides a "gateway" to global markets for SMEs.

The WWW will reduce the competitive advantages of scale economies in many industries making it easier for small companies to compete on a world-wide basis. Small companies offering specialized niche products will be able to find the critical mass of customers necessary to succeed through the global reach of the Internet.

As a Webpage is seen in several countries, the new challenge facing companies is the management of a global brand and corporate name or logo.
Companies already marketing in foreign markets will face a more aggressive and diverse competition abroad, since the Internet reduces the cost of entry, diminishes the competitive advantage of economies of scales, and makes it easier for small companies to compete world wide (Quelch & Klein, 1996).

On the other hand, through the Internet promoting a more global view, a person can explore a Website in India looking for a supplier, exchange email with a customer in Japan, and promote a business in Chile. This international presence creates several new challenges or obstacles because the Internet has expanded the firms' business reach to several new potential markets world wide, where cultural, legal, and social systems differ from those to which one is accustomed.

The main problems in this new environment are as follows:
- Cultural aspects
  - Language
  - Images
  - Colors
- Privacy
- Censorship
- Security
- International law
- Intellectual property
- Telecommunication infrastructures
- PC's availability
- The Credit cards' used world-wide

For example, some countries, such as Germany, prohibit comparative advertising and could challenge the advertisement and initiate an action to ban the material.

The Internet offers big opportunities for all companies, especially for small and medium-sized organizations, looking to market their products and services internationally.

In short, the Internet's tools allow companies, regardless of size, to reach international markets at reasonable cost. It means that these tools have eliminated the prohibitive cost of entry, enabling small companies to play in the same playing field as large multinational companies.

Chapter 2: Literature Review and Conceptual Framework

The Internet's impact on global marketing strategies

The global nature of the Internet, combined with the nature of the communication that it can convey, makes it a perfect vehicle for international marketing (Nicovich & Cornwell, 1998). But the Internet provides a fundamentally different environment for international marketing and requires a different approach(Eid & Trueman, 2002). It is very unrealistic and in many cases impossible to apply the same marketing techniques used in other marketing channels, in the medium of Internet.

The literature available in this field is usually categorized in two groups.
Firstly, those focused on Internet marketing, and secondly, those focused on the implications of International Internet Marketing, also regarded as IIM.

There are many examples of the successful (and in some cases, unsuccessful) use of Internet in businesses. Dell has been able to manage its supply chain competitively, using the Internet technology, IBM is using it to collaborate with its partners for development, software support and distribution, and Boeing designs the 777 model in cyberspace.