

**THE EVOLVING ROLE OF THE
INTERNET IN MARKETING STRATEGY:
AN EXPLORATORY STUDY**

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ABSTRACT

This research investigates the evolution of Internet marketing strategies in a longitudinal, exploratory study. The key research questions are "How does Internet strategy evolve over time, and what factors seem to drive this evolution?" To investigate these questions, we conducted in-depth interviews of senior managers at three manufacturing companies (Reebok International, Saturn, AB Dick) competing in different industries. By comparing past and current practices, we find that applications of Internet marketing strategy involve more than just e-commerce. Our research indicates that firms are using the Internet for creating value chain efficiencies, reducing costs, and enhancing customer and channel relationships.

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INTRODUCTION

The Internet represents a significant change in the competitive landscape. Scholarly research has devoted considerable attention to this new marketing medium. Extant research has focused on such issues as the Internet as a communication medium (e.g., Hoffman & Novak, 1996), electronic business markets enabled by the Internet (e.g., Grewal, Comer, & Mehta, 2001), and the proposed effects of firms' use of the Internet on trust development (e.g., Sawhney & Zabin, 2002; Sultan et al., 2002; Urban, Sultan, & Qualls, 2000). Other research has examined industry structure, product characteristics, and the relative advantages of online buying contexts and efficiencies (e.g., Balasubramanian, Krishnan, & Sawhney, 2000; Lynch & Ariely, 2000). In addition, conceptual work has addressed competitive strategy issues related to the Internet (e.g., Varadarajan & Yadav, 2002).

In practice, decisions regarding channel structure and strategy, particularly with respect to new technologies such as the Internet, can be critical to firms' success or failure. Surprisingly, given the significant body of research in this area, there is little empirical work that provides insights as to how firms' Internet strategies may evolve over time. Moreover, there is a lack of research that examines the drivers of this evolution. Insight into these areas will help guide theory building and managerial understanding of marketing strategy across multiple channels.

The purpose of this exploratory study is to understand how organizations have sought to incorporate the Internet in their marketing strategy over time. In this study, we compare the findings from an initial study conducted during the height of the dot-com boom in 2000 (Rohm & Milne, 2003), based on interviews with key managers and executives regarding Internet strategy, with a study conducted in 2002. Our key research question is "How does Internet strategy evolve over time, and what factors drive this evolution?" By examining issues of Internet strategy over time, we can begin to understand how specific Internet initiatives can help achieve firms' overall strategic objectives. In ad-

dition, we aim to identify future Internet initiatives and hurdles to the implementation of successful Internet strategies.

This longitudinal, exploratory investigation is based on three case studies involving in-depth interviews of managers. This extends recent research by providing a longitudinal examination of firms' Internet strategies and how those strategies have shifted over time. The contributions of this study are threefold: (a) We provide a longitudinal examination of firm-level Internet strategy across industries, (b) we propose a conceptual framework that identifies shifts in Internet strategy over time, and (c) we identify the factors that drive this evolution and the hurdles firms face in implementing Internet initiatives.

We begin by summarizing the main results from the initial study conducted in 2000 and related themes from the literature, followed by a review of our research methodology, which employs in-depth interviews with managers. We then describe the findings and propose a conceptual framework. Next, we discuss the implications of this study. Finally, we present conclusions, limitations, and directions for future research.

PERSPECTIVES ON FIRMS' INTERNET USE: AN INITIAL STUDY

We briefly present the findings from the initial 2000 study in Table 1. A variety of firms such as AB Dick (a printing-equipment manufacturer), Saturn (an automotive manufacturer), Reebok (an athletic-footwear marketer), Crane & Co. (a producer of personal- and business-stationery products), and Zurich Scudder (a financial-services company) were investigated in the initial study. Four primary perspectives regarding firms' use of the Internet emerged from this study: (a) business Internet use and adoption, (b) value chain efficiency, (c) trust and customer relationships, and (d) communication and branding initiatives. We use these themes as a basis for our investigation of the evolution of firms' Internet use as a marketing medium over a 2-year period from 2000 to 2002.

Although the initial 2000 study shed light on

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