VILNIUS GEDIMINAS TECHNICAL UNIVERSITY
FACULTY OF BUSINESS MANAGEMENT
DEPARTMENT OF INTERNATIONAL ECONOMICS AND BUSINESS MANAGEMENT

Aurimas Mažylis

BUSINESS INTERNATIONALIZATION PROCESS USING INTERACTIVE ADVERTISING TECHNOLOGIES
VERSLO INTERNACIONALIZAVIMAS PANAUDOJANT INTERAKTYVIOS REKLAMOS TECHNOLOGIJAS

Master‘s degree final work

Business management study programme, state code 62403S121
International business specialisation
Management and business administration study field

Vilnius, 2011

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FACULTY OF BUSINESS MANAGEMENT
DEPARTMENT OF INTERNATIONAL ECONOMICS AND BUSINESS MANAGEMENT

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Anotacija

Magistrinis darbas nagrinėja verslo internacionalizavimo panaudojant interaktyvios reklamos technologijas problemas. Apžvelgiamos internacionalizacijos bei interaktyvios reklamos teorijos. Tiriami svarbiausi verslo įvesties modeliai, skirtingi verslo internacionalizacijos požiūriai; apžvelgiami esminiai marketingo ir reklamos strategijų plėtojimo elementai. Analizuojamos interaktyvios reklamos technologijos, tinkamos verslo internacionalizavimui, aptariamos jų stipriosios bei silpnosios pusės; išskiriamos vartotojų charakteristikos, įtakojančios interaktyvių reklamos technologijų suvokimą. Verslo internacionalizavimo panaudojant interaktyvios reklamos technologijas tendencijos bei įžvalgos pateikiamos praktinėje dalyje, atlikus antrinių informacijos šaltinių apžvalgą; tiriami vartotojų požiūriai į skirtingas interaktyvios reklamos technologijas; išskiriamos problemos, kylančios interaktyvios reklamos plėtojimo proceso dalyviams.

Magistrinio darbo užduotis – sukurti aiškią verslo internacionalizavimo panaudojant interaktyvios reklamos technologijas koncepciją, išsprendžiama, sukuriant išsamių schemų bei lentelių rinkinį, paaiškinantį esminius interaktyvios reklamos plėtojimo tarptautinėse kompanijose aspektus, pateikiantį gaires interaktyvių reklamos technologijų naudojimui skirtingose verslo internacionalizacijos fazėse ir siūlantį problemų, kylančių interaktyvios reklamos plėtojimo proceso dalyviams, sprendimus.

Darbą sudaro šios dalys: Įvadas; Problemos aptarimas; Teorijos analizė (Verslo internacionalizacijos teorija. Interaktyvios reklamos teorija, Įstatymų apžvalga); Empiriniai tyrimai; Koncepcija; Išvados; Literatūros šaltiniai.

Darbo apimtis: 105 puslapiai teksto be priedų; 23 iliustracijos; 15 lentelių; 110 literatūros šaltinių; 15 priedų.

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Annotation

The thesis discusses problems of business internationalization process using interactive advertising. Internationalization and interactive advertising theories are analyzed. The most important business entry modes and approaches to business internationalization are analyzed; marketing and advertising strategy development processes are reviewed. Interactive advertising technologies applicable for business internationalization are overviewed, their strengths and weaknesses are evaluated; target market consumer characteristics that might affect the perception of interactive advertising technologies are distinguished. Trends and insights of business internationalization process using interactive advertising technologies are provided after the analysis of secondary sources of information; the research of consumer attitudes towards interactive advertising technologies is performed; issues arising for entities participating in the process of interactive advertising development are diagnosed.

The thesis objective to create a clear and easy-to-understand concept of business internationalization process using interactive advertising technologies is accomplished through a set of comprehensive tables and schemes explaining the development of interactive advertising for international businesses, providing insights to the application of interactive advertising technologies for different stages of business internationalization and offering solutions to issues arising for entities participating in the process of interactive advertising development.

The thesis consists of the following parts: Introduction; Problem discussion; Theory analysis (Internationalization theory, Interactive advertising theory, Legal environment analysis); Empirical research; Concept part; Conclusions; References.

The thesis volume: 105 pages of text without appendixes; 23 pictures; 15 tables; 110 references; 15 appendixes.

Keywords

Business internationalization, interactive advertising technologies, stages of business internationalization, consumer characteristics

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Introduction

Business internationalization opens new horizons for expanding businesses. New markets provide managers the advantages of attraction of new customers, the ability to develop new products or services, the increased economic benefit and many others.

However the usage of interactive advertising technologies, facilitated by the fastest spreading media in the world history – the internet, for international business expansion might add even more benefits to the business internationalization, making it more flexible, easier to execute and sometimes even lowering its costs.

Consequently, businesses now have an unprecedented opportunity to expand on international scale utilizing technologies of interactive advertising.

Nevertheless, the knowledge of business internationalization using interactive advertising technologies is still scarce and that might prevent managers from successfully expanding their companies.

It is sometimes confusing for managers to decide how to expand their businesses on international level using interactive advertising technologies. Managers are not always aware what technologies of interactive advertising to choose and how to reach target audiences in foreign markets.

Responding to the problems of business internationalization using interactive advertising technologies the following research objective is formed:

- Create a clear and easy-to-understand concept of business internationalization using interactive advertising technologies.

In order to accomplish the defined research objective a thorough literature analysis is performed, an empirical analysis of secondary sources of information is made, a consumer online preferences survey is conducted and issues arising for entities participating in the process of interactive advertising development are diagnosed. Correlation, regression and multi-criteria methods of data analysis are used in the empirical research process. Insights of obtained information are graphically depicted, described and interpreted.

This work consists of four parts: problem discussion; literature analysis; empirical research and conceptual part.

In the part of problem discussion major problems of business internationalization using interactive advertising technologies are highlighted, research objective and tasks are formed.

The literature analysis defines the most important business entry modes and approaches to the business internationalization theory, analyzes the processes of marketing and advertising strategy development in expanding businesses, distinguishes the most important technologies of

interactive advertising applicable for business internationalization, analyzes the consumer online behavior and both Lithuanian and European Union regulations concerning the development of interactive advertising technologies on international level. The empirical research methodology is also formed and described in the part of literature analysis.

The empirical research part includes the analysis of secondary sources of information and provides insights of business internationalization using interactive advertising technologies. The consumer online behavior is empirically analyzed using survey analysis, issues arising for entities participating in the process of interactive advertising development are diagnosed and corporate web pages used for business internationalization are analyzed using multi-criteria analysis in the empirical research part.

Finally, the significance of the work done and the obtained results are reflected in the conceptual part of this work.

The concept of business internationalization using interactive advertising technologies is created: the main steps of interactive advertising development for international businesses are named and described; the application of interactive advertising technologies for different stages of business internationalization is explained, solutions to issues arising for entities participating in the process of interactive advertising development are provided; strengths and weaknesses of most common interactive advertising technologies used for business internationalization are named and different consumer characteristics affecting the perception of interactive advertising technologies are revealed and linked to these technologies.

1. Business internationalization process using interactive advertising technologies as a relevant international business problem

1.1. Usage of interactive advertising technologies for international expansion

Due to the fact that the decision to enter a foreign market is a long-term strategic decision usage of interactive advertising technologies for international expansion is a very important matter and has to be thoroughly analyzed.

Business internationalization is usually expensive decision and great amount of effort has to be devoted by companies wanting to tap into new markets. However this process can be eased and cost of it can be reduced by using interactive advertising technologies.

With respect to the numerous unique features that distinguish internet from other traditional media, interactivity should be considered as one of the main reasons that make this medium a substantial advertising vehicle. In other words, the interactivity of the internet provides advertisers opportunities to identify customers, differentiate them, and customize purchasing and post-purchase service [107; 305]. Internet is a technology that makes some things simpler, cheaper and easier. It is a new way to communicate with consumers, for consumers to communicate with one another, and a new way to sell products and services to consumers, but it also joins other media and distribution channels as vehicles for these tasks [108].

Interactive advertising technologies are mainly associated with advertising. However, such technology as electronic commerce might even be used to facilitate the entire internationalization process or simply become a great tool for exploration of new markets.

Business internationalization is a gradual process and the usage of interactive advertising technologies should also be gradual and it might differ depending on the stage of business internationalization expanding company is currently in.

In the very first stage of business internationalization companies are usually not involved in any active international operations – all operations are based on domestic trade. In the final stage of business internationalization companies are usually already committed to foreign markets and have foreign subsidiaries. At both levels all interactive advertising technologies are applicable, because at both levels companies already have established products, supply channels, loyal customers and etc. – companies are familiar with their operating environment and are able to adapt different interactive advertising technologies to support their current operations.

However, a bit different situation with the usage of interactive advertising technologies is when companies are only trying to become international entities and trying experimental exports or already becoming actively involved in international trade.

When companies are starting to expand to foreign countries experimental exports or irregular exports usually take place – companies are willing to "try out" foreign markets and see whether they would be successful in those markets or not. At this point expanding companies will want to initiate contact with potential consumers in foreign markets. According to research agencies Envirosell and Rich Relevance - eighty percent of all product searches begin online, whether product is to be purchased online or in-store. [1] Thus the search engine marketing is crucial for a new company that wants to enter foreign market. Search engine optimization enables particular company web page to appear within the first search results the search engine provides thus it makes particular company visible in foreign markets.

Another way of customer attraction is through the affiliate marketing or display advertising – it is simply a payment for web content owners to promote other web content or products. Using this tool of interactive advertising company, entering foreign markets, has the ability to advertise in web pages that have high flow of foreign market users (target users) and expanding company is able to navigate potential customers to the promotional content (usually corporate web page).

Using described methods of contact initiation new market entrant is able to introduce itself to a new market and to offer its products or services.

When the contact is already initiated companies acknowledge with foreign markets and reveal the general perceptions of consumers in these markets – active and regular involvement in international activities usually begins. Thus new interactive advertising technologies might be added to accompany already activated ones.

When company becomes familiar with its customers in foreign markets it can enhance the emotional connection with them. This can be done with the help of blogs or social networks. Due to these tools firms can interact with their consumers live and collect needed information about consumer preferences in a very fast and easy manner. And when the data base of foreign market customers is created companies are able to distribute their advertising material more actively and more efficiently with the opt-in e-mails or viral marketing campaigns.

Slightly different technology of interactive advertising is e-commerce; it can be used at both stages – when company is only trying to explore new markets and when it actually becomes actively involved in international trade.

Basic e-commerce site can become a very useful and cheap step in the stage of exploration of new markets. Companies are able to launch their e-commerce sites in foreign markets and introduce their products to potential customers without any physical subsidiaries in foreign countries (suitable for small volume exports) – this is a great way of exploring the perceptions of consumers in foreign markets.

At the point when involvement in international operations becomes active and regular, basic e-commerce solutions has to be upgraded to more sophisticated ones and in some cases foreign facilities are already needed. If this step is done properly e-commerce solution might be even suitable for large volume exports.

1.2. Problems of business internationalization using interactive advertising technologies

Internet is becoming very important media for a modern society and the usage of this media is steadily increasing year after year. According to Eurostat internet usage has risen from 49% in 2006 to 70% in 2010 [110].

On contrary, usage of other medias (television, radio, newspapers and magazines) has declined from year 2006 to 2010 according to Mediascope Europe [109].

It is obvious that these figures highlight the economic and marketing significance of interactive advertising technologies for international business expansion.

Despite the fact that internet has become a very influent force in the business internationalization processes **there is almost no literature that would clearly explain the international business expansion possibilities using interactive advertising technologies**.

Business internationalization sometimes might also become very expensive and great amount of effort has to be devoted by companies wanting to tap into new markets. However, the process of business internationalization can be eased and cost of it can be reduced by using interactive advertising technologies, but **it is sometimes confusing for managers to decide how to develop an interactive advertising campaign, what technologies of interactive advertising to choose and how to reach target audiences in foreign markets**.

There is no clear and easy to understand concept of business internationalization using interactive advertising technologies. Managers are not aware of the main steps involved in the process of interactive advertising development for expanding businesses and they are also not aware of the interactive advertising technologies and their relevance for particular target markets and consumers in these markets.

As a result **knowledge of business internationalization using interactive advertising technologies is still scarce and that might prevent managers from successfully expanding their companies**.

1.3. The research objectives and tasks

Responding to the problems of business internationalization using interactive advertising technologies analyzed in previous paragraph following **research objective was formed**:

- Create a clear and easy-to-understand concept of business internationalization using interactive advertising technologies.

In order to accomplish the defined research objective the following **list of necessary research tasks was composed**:

- Analyze main steps of interactive advertising development for international businesses.
- Analyze the application of interactive advertising technologies for different stages of business internationalization.
- Analyze available solutions for issues arising for entities participating in the process of interactive advertising development.
- Distinguish strengths and weaknesses of interactive advertising technologies applicable for business internationalization.
- Analyze relevance of different interactive advertising technologies for consumers in particular target markets.

To complete the research tasks **following theoretical and empirical works regarding business internationalization using interactive advertising technologies are needed:**

- Analyze the most important business entry modes and approaches to the business internationalization theory.
- Analyze the processes of marketing and advertising strategy development in expanding businesses.
- Distinguish the most important technologies of interactive advertising applicable for business internationalization.
- Theoretically and empirically analyze the consumer online behavior and distinguish consumer characteristics that might affect the perception of particular technologies of interactive advertising used by expanding businesses.
- Analyze legal environment of interactive advertising development.
- Analyze secondary sources of information and provide the insights of business internationalization using interactive advertising technologies.
- Diagnose issues arising for entities participating in the process of interactive advertising development.

2. International business and interactive advertising theory and methods of the business internationalization process using interactive advertising technologies

2.1. Internationalization theory

Analyzing internationalization theory it is important to clarify the definition of business internationalization itself. Different authors provide rather similar business internationalization abbreviations: Buckley and Ghauri indicate that business internationalization is simply – the process of increasing involvement in international operations [2; 84]. Whereas Alon provides more detailed definition and states that business internationalization is process, methods, and motivations that firms have for choosing to operate internationally, determining upon how and where to do business internationally and how their operations should change and develop in future [3; 3]. Definition given by Forsgren, Holm, and Johanson is almost the same as the one provided by Buckley and Ghauri; they state that internationalization is a matter of developing business relationships with partner firms in other countries [4; 28]. Nevertheless Forsgren, Holm, and Johanson provide another interesting idea that a firm also becomes internationalized as a consequence of its partner's internationalization [4; 27]. Indeed, nowadays it would be difficult to find a firm that would be able to rely its operations entirely on domestic resources. Companies might produce goods or services within the country of their origin and the elements used for the production of goods or services might also be purchased within the country of their origin, but these elements might also be bought from the companies that that are engaged in international partnerships, thus involving initial producers in the international business operations. There is a very thin line between international and non international firms and internationalization is basically a direct or indirect process by which firms enter into international operations.

After the clarification of business internationalization definition main benefits of business internationalization should be named.

As it was already noted there is a very thin line between international and non international firms, moreover – amount of international trade is constantly increasing, but what are the main reasons for that? Probably the most comprehensive list of reasons for sourcing abroad is provided by Baily, Farmer, Jessop and Jones [5; 288] – these authors indicate following reasons for sourcing abroad:

- Firms may be compelled to go abroad to get what is required for their operations, as they simply might not be able to acquire certain required goods domestically.
- Firms may prefer to buy from foreign source which offers features not available on domestically produced goods of similar type.

- Although goods of the type required are produced domestically, domestic capacity may not be enough to meet demand, so the gap has to be filled with the goods purchased abroad.
- Firms may also address foreign partners for strategic reasons, for instance to improve supply security by having a second source in another country. This step is often taken especially by larger companies.
- It may be also possible to acquire equivalent goods more cheaply abroad.
- Countertrade may compel firms buying abroad. Sometimes it is not possible to win an export order without agreeing to a reciprocal import order.

These reasons might be summed up as reasons that are associated with possible increase of economic benefit due to the possibility to buy cheaper products abroad and reasons that are associated with the acquisition of products that are not available or that are not available in required quantities domestically. Nevertheless these are only the reasons or benefits of sourcing abroad. To complete the benefit list of business internationalization Alkhafaji suggests other benefits [6; 147] that might be named as benefits of selling abroad:

- Internationalization allows business firms to expand into larger and more profitable markets. This is particularly useful if domestic market is small or if the production costs are lower in home country than in export target countries.
- Internationalization allows business firms to exploit the economies of scale. Due to international markets firms are able to increase their production volume, thus lowering their production costs.
- Other benefits that are the result of utilization of foreign countries strengths.

To conclude it can be stated that business internationalization nowadays in some cases is simply inevitable and in general business internationalization brings a wide range of benefits and challenges to the business firms.

In order to acknowledge with the business internationalization processes more closely there is a need to analyze entry modes and main approaches to the internationalization theory. These and other important internationalization theory questions are addressed in the following chapters.

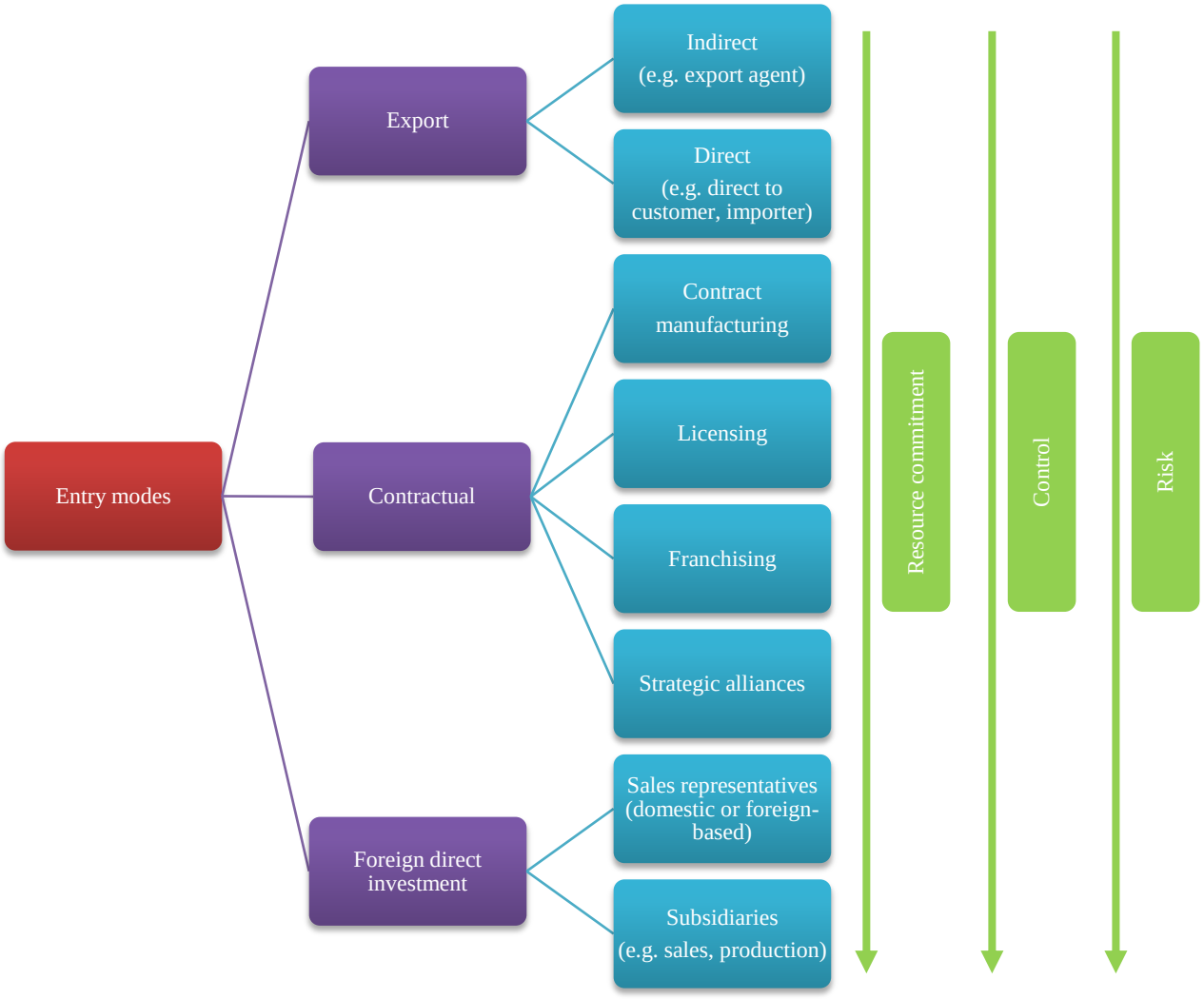
2.1.1. Entry modes

Already in the late 80s Root defined an entry mode as an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country [7; 5]. It can be noted that while new entry modes might evolve during the time – in general this definition remains clear and relevant for these days. According to Wagner – in majority of the cases the decision to enter a market is a long-term strategic and there

for a very important and crucial step for companies. The success of a company's international operations depends heavily on the choice of entry mode into a foreign market [8; 3]. It can be also added that firm is expected to choose the entry mode that offers the highest risk-adjusted return on investment [9; 139].

To sum up these ideas it can be stated that entry mode is a very important strategic decision taken by firm that is expanding on international basis and the successful implementation of this decision results in positive returns on expansion investments.

So what are the possible entry modes? Majority of authors distinguish two general groups of entry modes. Jansson emphasize that market entries either take place through intermediaries such as agents and distributors or through an own representative in the exporting / importing country, mainly a subsidiary [10; 152]. These two groups of entry modes can be defined as contractual or export based entry modes. To replenish this list – Wagner provides chart with third group of entry modes [8; 3] and explains all these groups in *Picture 1*.



Picture 1 – Range of business entry modes (by Wagner)

As it can be seen from the *Picture 1* – Wagner distinguish three main groups of business internationalization entry modes:

- The first group is Export – it can be divided into direct and indirect export.
- Contractual entry mode is contained of the four choices: contract manufacturing; licensing; franchising; strategic alliances.
- Foreign direct investment is usually executed through the sales representatives or foreign subsidiaries.

Wagner also explains that each of the modes has different implications for the degree of resources a corporation must commit, the control it can exercise over the foreign operation and the risk it faces when expanding into new foreign markets. As a consequence the modes differ in their mix of drawbacks and opportunities [8; 3].

2.1.1.1. Export

According to Sheffield even when a firm limits its international activities to export marketing, it still faces several options with variable levels of commitment, investments, control and risk [11; 244].

In general there are two forms of export – direct and indirect export. Stahl explains that direct exporting would typically involve firm in distributing and selling their products to the foreign market. Whereas indirect exporting happens when a firm does not undertake any special international activity but rather operates through intermediaries [12; 12].

Sheffield also adds that direct export entry modes are usually chosen whenever a relatively high volume of exports is projected and therefore a higher level of investment is needed. On contrary – various indirect forms of export offer more flexibility, requiring less commitment, thereby being suitable for relatively limited export volumes [11; 244].

Usage of interactive advertising technologies might be very important in the case of using export as a basis for international expansion. Interactive advertising technologies can be used in both cases: when direct and indirect export modes take place. In the case of indirect exports interactive advertising technologies are mainly used for the purposes of introduction of new product / company to the foreign market, this can also be defined as advertising purposes. Whereas in the case of direct export interactive advertising technologies can be used to directly facilitate the export activities. The main tool for this is the electronic commerce web page.

With the launch of an electronic commerce web page expanding company is able to achieve foreign markets at relatively short periods of time. Moreover, in order to do that any foreign

subsidiaries or warehousing is needed – domestic facilities can be used, this reduces expansion investments and lowers the risk of financial loss.

However, usage of electronic commerce as a tool of interactive advertising for international expansion is suitable only for relatively limited export volumes. In order to achieve higher export volumes foreign warehousing and distribution centers are needed.

As a result electronic commerce can be seen as the cheapest first step of the direct export.

2.1.1.2. Contractual entry

Contractual entry modes are also one of the most popular foreign market entry modes. Companies may enter foreign markets under a wide variety of contractual arrangements: licensing, franchising, technical agreements, service contracts, construction / turnkey contracts, contract manufacturing, coproduction agreements and others [13; 12]. According to Windsperger and Hendrikse the contractual entry mode is when the owner of the service concept (principal) enters into a contract with an unrelated party (agent) to use a specifically formatted business service concept to sell services or goods under the principal's trademark [14; 266]. However this definition is more accurate for the description of more specific contractual entry modes such as licensing and franchising.

Wagner emphasizes that contractual entry modes of business internationalization might be useful as they offer shared control and shared risk – this is mainly due to the split ownership. Author also names the disadvantages of contractual market entry mode – the main disadvantage is the risk to share know-how. Firm that uses such expansion modes as licensing, franchising, contract manufacturing and etc. is forced to reveal its technological secrets and share their knowledge with foreign partners [15; 4].

Contractual business entry mode cannot be facilitated entirely by interactive advertising technologies; however this foreign market entry mode can be accompanied by different interactive advertising tools in this way increasing the effectiveness of international business expansion.

2.1.1.3. Foreign direct investment

Foreign direct investments might be seen as the final stage of internationalization. According to Steers and Nardon foreign direct investment occurs when a firm wants to secure an ownership stake in a foreign enterprise. Ownership control is important when firms need to closely coordinate overseas operations with headquarters activities or when firms seek to fully exploit the

economic potential of proprietary technology, manufacturing expertise, or some other intellectual property right [16; 211].

As a result company that is expanding to foreign markets using foreign direct investment market entry mode has to choose between two alternatives: acquire already established foreign company or set up a new business. Thus the main difference between foreign direct investments and contractual entry modes is that risk to share know-how is almost completely eliminated. Foreign direct investments require higher resource commitment, but it also provides a higher level of control.

Interactive advertising tools are also inevitable for the companies that have chosen foreign direct investment modes. There is a need for a new market entrant to introduce itself to a market it is expanding to and interactive advertising tools are among the most efficient ways of doing that.

Sometimes new market entrants that are using foreign direct investment modes might be even seen as a threat by local communities – in this case interactive advertising technologies are very useful in the execution of public relations programmes.

2.1.2. Main approaches to the internationalization theory

According to Ammon there is a wide range of economic and management theories that attempt to give the explanation of the internationalization of firms, but in general there are two main approaches to the internationalization theory, or in other words – there are two main streams of theories concerning internationalization process. On the one hand the *economic approach* and on the other hand the *behavioral approach*. Ammon ads that both approaches are dissimilar from each other and observe the internationalization process from articulately different perspectives. Author also provides the *Table 1* outlining the internal and external variables that affect the internationalization process and showing on what different approaches focuses [17; 20]

	Economic approach	Behavioral approach
Internal variables	– Ownership advantages – Tacit knowledge – Product characteristics – Communication ability	– Experiential knowledge – Learning
External variables	– Location advantages – Comparative advantages – Industry characteristics – Uncertainty – Government intervention – Opportunism	– Psychic distance – Geographic distance – Cultural differences – Inter-organizational networks

Table 1 – Main variables the internationalization process is influenced by (by Ammon)

Economic approach is defined by Ammon as a rational approach and it can also be divided into two main aspects which are on the one hand the ownership of assets employed in production activities in more than one country and on the other hand the location of these certain assets. The economic approach sets its focus on the efficiency of endeavors and this signifies that the choice of location for a foreign investment is made by deliberate decisions based on the locations profitability. One of the most popular models in the economic approach which also has a great influence on the process of internationalization is the so called international product life cycle (IPLC) internationalization model [17; 21].

According to Ammon – in the behavioral theory internationalization of company is seen as a continuous process in which firm gradually increases its involvement. This involvement is expressed on the one hand as psychic distance which is the sum of factors preventing the flow of information from and to the market. On the other hand the establishment chain which are the steps a company has to make in relation with the process of learning. One of the most influential and important model in the wide range of internationalization theories is the Uppsala internationalization model [17; 24].

However internationalization itself relates to the international development of firms and according to Buckley and Ghauri firms internationalize because other firms in their national network internationalize. The industrial system is composed of firms engaged in production, distribution and use of goods and services and the relationships between the firms can be described as a networks. The firms within the network are dependent on each other, and their activities therefore need to be coordinated [2; xii]. This approach can be defined as a network approach. Nowadays any company or any institution belongs to some sort of network and the net of networks is constantly evolving – this highlights the importance of the network theory.

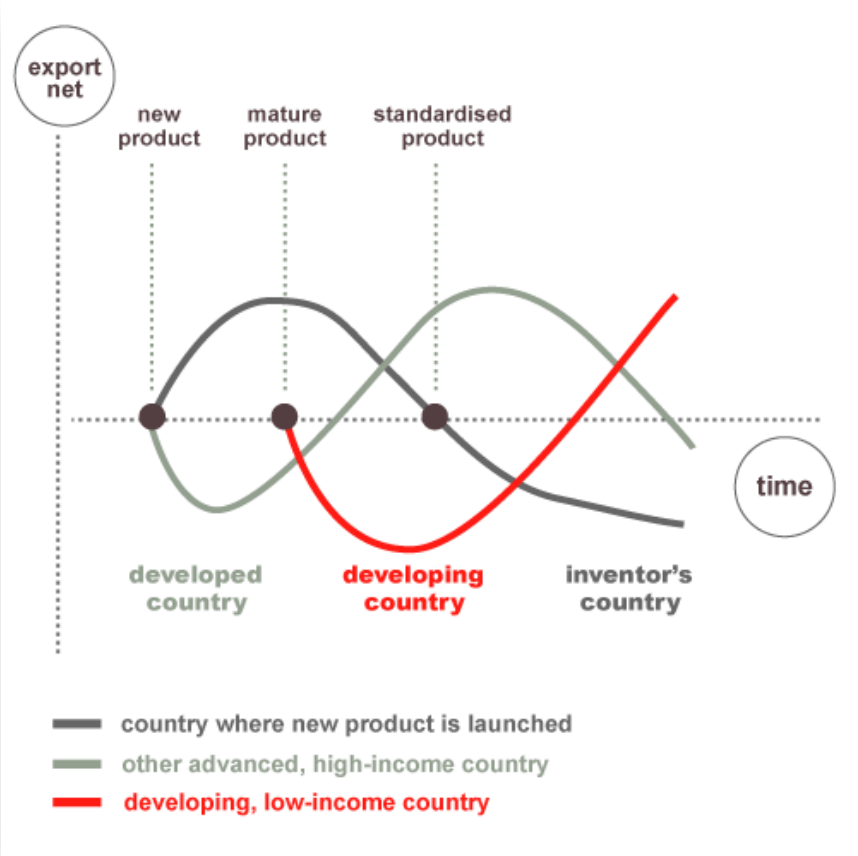
As a result there are three main approaches to the internationalization theory: Network theory, Uppsala and International product life cycle models. Thus the following chapters analyze these approached in more detailed manner.

2.1.2.1. International product life cycle model

International product life cycle is one of the most popular models in the economic approach to the matter of internationalization. This model, describing internationalization patterns of organizations, was published in 1966 by Raymond Vernon. Vernon looked at how U.S. companies developed into multinational corporations at a time when these firms dominated global trade, and per capita income in the U.S. was, by far, the highest of all the developed countries [18].

Jones explains that the international product life cycle has been used to explain the dynamic pattern of international manufacturing practices of multinational firms. It posits that, over the products life cycle, as product characteristics change towards maturity, the location of production will shift internationally depending on the stage of product life cycle [19; 1159].

International product life cycle has three stages: new product, mature product and standardized product. *Picture 2* illustrates all these stages, showing exports of production in different groups of countries: developed, developing and inventor's countries.



Picture 2 – Stages of international product life cycle (by Proven Models)

Vernon explains that in the new product stage product development takes place in the inventor's country, small domestic market is being exploited and exports begin to develop to other economically developed and similar markets. In the new product stage developed countries are also starting to import new product from innovating market, while exports to the developing countries remain limited [20; 107].

Growth in home market and maximum export levels are reached in the inventor's country at the stage of product maturity. At this stage developed countries are starting to produce and export

the same product, thus initiating the decline of exports in products inventor's country. Imports are increasing in the developing countries at the same stage [20; 107].

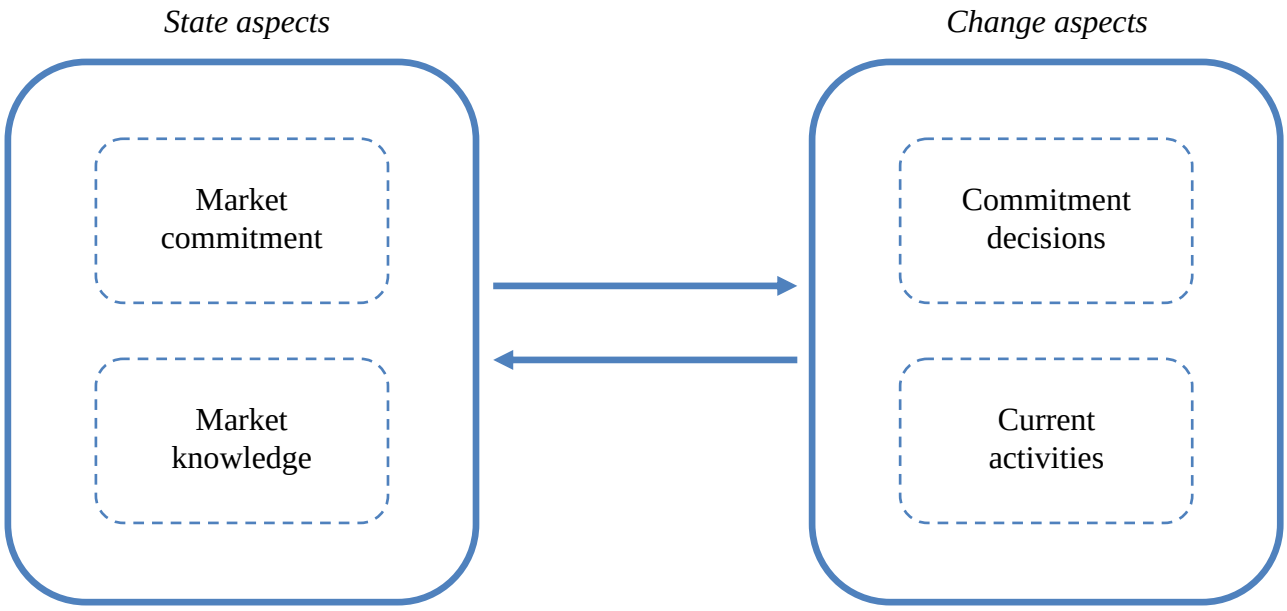
As product reaches its stage of standardization – production in the inventor's country declines as imports rise and exports decline. In developed countries imports from developing countries are starting to rise rapidly, thus home production and exports are declining [20; 107].

Rugman, Collinson and Hodgetts sums up that the international product life cycle theory is useful in helping to explain how new technologically innovative products fit into the world trade picture. However, due to rapid technological development new innovative products are improved very rapidly and the situation might occur when one or two versions of the same product may be in the standardize product stage while other versions are in the maturing stage and still other are in the new product phase [21; 165].

2.1.2.2. Uppsala model

Uppsala internationalization theory was developed by researchers Johanson, Vahlne, and Wiedersheim while they were working at the University of Uppsala. The Uppsala internationalization model is among the most influential and important models in the range of internationalization theories.

The main idea of this model is that firms internationalize as they gain experience and knowledge of foreign markets or in other words – enterprises are gradually increasing their international involvement [22; 33]. According to Zan, Zambon and Pettigrew process of internationalization evolves in interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign markets on the other [23; 44]. Mentioned authors, also as Paliwoda and Ryans are dividing the internationalization into state and change aspects. The state aspects of internationalization are defined as market commitment and market knowledge, while the change aspects are indicated as current business activities and commitment decisions. Market knowledge and market commitment are said to affect the decisions regarding commitment of resources to foreign markets and the way current activities are performed, while market knowledge and market commitment are, in turn, affected by current activities and commitment decisions, thus this process (*Picture 3*) is seen as casual cycles [24; 82].



Picture 3 – Internationalization process of the firm (by Paliwoda and Ryans)

Additionally to the scheme provided in *Picture 3* Parker offers to look at the process of internationalization as a set of stages where every next step is based on knowledge gained in a previous stage [22; 33]:

- In the first stage where firms are not engaged in export activities there is little learning about international markets.
- In the second stage, independent representatives are hired to facilitate exporting. Interactions with this representative help the exporting firm learn about the foreign market.
- An overseas sales subsidiary is established when the firm has sufficient learning.
- Following additional learning, the company can establish foreign production facility.

Among the critics of the traditional internationalization models are Cavusgil and Knight, they state that the emergence of born globals has engendered a degree of tension by challenging established theories of internationalization. According to the Uppsala model, firms target culturally similar markets and will not commit additional resources until sufficient relevant knowledge is amassed. Because such learning takes time, internationalization is supposed to be a slow process, but a number of studies have suggested that new ventures can internationalize rapidly after founding in a manner not consistent with the slow process described by the Uppsala model [25; 65].

Traditional internationalization theories do not account for the early international expansion of born globals. Globalization and the creation of numerous trading blocs or business networks have blurred boundaries between domestic, regional and global markets. The Uppsala approach does not capture the role of other firm-profile factors such as international entrepreneurship which has emerged as a key factor driving international market entry [25; 65].

As a result, network approach may be seen as a better explanation of the nonlinear foreign development of the firms and also as a modern explanation of business internationalization. Network approach to the internationalization is described in the following chapter.

2.1.2.3. Network approach

According to Hollensen the main idea in the network approach is that the international firm cannot be analyzed as an isolated actor but has to be viewed in relation to other actors in the international environment, thus the individual firm is dependent on resources controlled by others. Author also emphasizes that the relationship of a firm within a domestic network can be used as connections to other networks in other countries [26; 62]. These ideas mainly highlight the fact that nowadays it is very difficult to find a non international company, because particular company might not be involved in direct international activities, but it might be associated with other domestic companies that are connected to somewhat international networks, thus making it involved in international cooperation.

After Bengtsson and Kock analysis it can be indicated that business networks of a modern world are very complex and consist of different kinds of relationships. A basic firm is usually involved in few relationships at the same time and this is done in order to defend its position in the business network [27; 424].

Firm is involved in the relationships with its customers, suppliers, competitors, government and all other actors in a business network. Researcher Flynn distinguishes four main types (informal, formal, social and interpersonal) of networks and offers following classification [28; 2]:

- Informal networks often exist within formal organizations and practices. Informal networks differ from formal networks in the degree to which membership is voluntary and relationships are unofficial.
- Formal networks tend to be public, and officially recognized; they possess identifiable memberships and have explicit structures.
- Social networks refer to social structures comprising nodes connected by shared elements such as values, visions, ideas, financial exchange, friendship, and kinship. Social networks - whether they are families, religious groups, or nations - influence the problem solving approaches of their members.
- Interpersonal networks refer to social networks consisting of individuals who all belong to the same social category, such as an ethnicity or profession. Members of interpersonal networks view fellow embers according to their social categories.

In general it can be said that a business network is an integrated and coordinated structure of ongoing economic and non-economic relations embedded within, among and outside business firms. Actors in business networks are motivated by both economic goals (e.g. profit, market share, market control) and non-economic goals (e.g. power, stability, approval, status, recognition, moral justification). No single universal logic can determine all concrete outcomes of network relations because these outcomes are necessarily contingent on time and space-specific contexts [29; 59].

2.1.3. Development of the marketing strategies in expanding companies

Understanding how and by what entry modes or approaches companies become international entities is very important, but when we are speaking about the business internationalization process facilitated by interactive advertising technologies it is also important to analyze the processes of advertising strategy development in expanding companies. And understanding of advertising development processes begins from the understanding of core elements of marketing strategies that are employed by expanding companies.

There is a great amount of marketing books and articles on the topic of marketing strategy and every author has a slightly different view to this matter. One of the best known marketing professors Dr. Philip Kotler states that a marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives. It consists of specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels [30; 71].

Following this definition Scott W. Cooper highlights that each of the marketing strategy will provide direction indicating which tactical tools will be used and how they should be used to help communicate the position in terms of building awareness, presenting a positive attitude, and, in turn, fulfilling the marketing objectives [31; 202].

Next two marketing strategy definitions that are somewhat similar to the previous two are provided by Gordon R. Foxall and Malcolm McDonald – marketing strategy indicates how each element of the marketing mix and each subdivision of the elements will be used to achieve marketing objectives [32; 34]. Marketing strategies are the means by which marketing objectives are achieved and are generally concerned with the four major elements of the marketing mix [33; 57].

William M. Pride and O. C. Ferrell distinguish two steps that the development of marketing strategy encompasses: (1) selecting and analyzing target markets and (2) creating and maintaining a marketing mix that satisfies the needs and preferences of people in the target market [34; 28].

Joanne Scheff ads advertising objectives and market positioning to the process of marketing strategy development - the first step in developing an advertising program is to set the advertising

objectives. These objectives must flow from prior decisions about the target market, market positioning, and the marketing mix. The positioning and marketing mix strategies define the job the advertising must do [35; 322].

As we can see from the previous descriptions all authors agree that marketing strategy exists to meet marketing objectives, that is – companies need to create marketing strategies to achieve their marketing objectives.

Furthermore it can be summed up that almost all authors distinguish following tactical tools that are used in the process of creation and execution of marketing strategies:

- *Target market.* Target market or target customer group is that segment of the market having defined characteristics, needs, and expectations to which the firm's product or service is expected to appeal and toward which its marketing effort is aimed [36; 71].
- *Positioning.* Positioning involves designing and implementing an offering mix to create and maintain a particular image of an organization and its offers relative to its competition in the minds of the target publics [37; 33]. Or in another words positioning is how the product or service is to be perceived by a target market compared to the competition [38; 1].
- *Marketing MIX*. The marketing MIX is the term used to describe the combination of elements comprising the offer that a business makes to its customers. It is well known that a marketing MIX consists of four "P"s: Product, Place, Price and Promotion [39; 44].

Next important thing, analyzing marketing strategies and advertising, is to describe what part of the overall marketing strategy advertising takes.

As it is already known – the majority of authors distinguish three core elements that are used in the process of creation and execution of marketing strategies: target market, positioning and marketing mix.

Moreover target market definition tells that target market is segment of the market to which the firm's product or service is expected to appeal and toward which its marketing effort is aimed [36; 71]. And according to Scott W. Cooper advertising objectives will nearly always define awareness and attitude goals as they relate to the target market [31; 293].

This indicates the importance of target market in the advertising strategy creation process. Advertising strategies are actually created for target markets. For this reason, when designing advertising strategy, special importance has to be paid for different characteristics of different consumers in the target market.

Positioning is how the product or service is to be perceived by a target market compared to the competition [38; 1]. And Jim Blythe states that advertising can be crucial element in positioning the product, but positioning also relies on pricing and product design [40; 482]. This means that advertising strategy alone is not able to change company's positioning.

Gordon R. Foxall states that marketing strategy indicates how each element of the marketing mix and each subdivision of the elements will be used to achieve marketing objectives [32; 34]. This highlights the marketing mix as the most important tool used to achieve marketing objectives. It is also known that a marketing mix consists of four "P"s: Product, Place, Price and Promotion [39; 44].

Looking at the marketing mix elements it is obvious that there is a direct relationship between advertising and promotion, but we are usually not able to change product, place or price with the advertising campaigns, because advertising campaigns are usually created for established products with created pricing schemes and distribution channels. Nevertheless there is a possibility to change product placement and pricing with the launch of e-commerce site, that is one of the interactive advertising forms.

To sum up it can be stated that advertising strategies exist to help to achieve marketing strategy objectives. Advertising strategies take place in the marketing mix element "Promotion" and they are also directly affected by target market, this is because advertising campaigns are created to reach target markets. As a result target market consumer characteristics are very important in designing advertising strategies and managers expanding their companies to foreign markets have to acknowledge with consumer habits in those markets and tailor their advertising effort to their needs. Advertising applied in the country of the expanding company or product origin may not be applicable to the foreign market of expansion.

Furthermore, creating any advertising strategy it is important to bear in mind marketing strategy objectives and analyze relationship between advertising tools and consumer characteristics in a target market.

2.1.4. Development of the advertising strategies in expanding companies

Advertising strategy development process is quite similar to the overall marketing strategy development process. Advertising strategies also exist to accomplish objectives and they describe tools that are used to achieve those objectives.

Susan Sweeney highlights that the starting point of advertising strategy is the definition of advertising objectives and the most common objectives for an online advertising campaign include:

- Building brand awareness.
- Increasing web site traffic.
- Generating sales.

Susan Sweeney also emphasizes that there is also a number of choices to make, such as what type of advertising to use and where to advertise [41; 251]. Nigel Morgan and Annette Pritchard ads

that besides advertising objectives advertising strategy should outline the existing advertising situation and the advertising strategy needs to clearly identify the problem, the desired outcome, the current and desired operating context, current consumer perceptions of the brand and the ability of advertising to contribute towards the desired outcome [42; 52].

Chris Fill describes advertising plan as the mean by which appropriate messages are devised and delivered to the target audiences who then act in appropriate ways. Chris Fill also distinguishes three main elements of any advertising plan [43; 508]:

- The message or what is to be said.
- The media or how the message will be conveyed.
- The timing or manner in which the message will be carried.

And finally Roman G. Hiebing and Scott W. Cooper list elements that have to be included to the advertising strategies - once the promotional objectives are established; promotion strategies must be formulated demonstrating how to accomplish the objectives. Promotion strategies should include [31; 268]:

- The type of promotion device.
- The promotion incentive.
- Whether to implement a closed or open promotion.
- The delivery method.

To sum up it can be stated that different authors give rather similar definitions of advertising strategies and highlight such elements of advertising strategies:

- Advertising objectives.
- Advertising message.
- Advertising media.
- Advertising message delivery method.
- Target audiences.
- Consumer perceptions.

Thus it can be said that expanding company has to define advertising objectives in the first place and create the message it wants to transmit to potential customers in new market.

Advertising media and message delivery methods might vary in different situations, but when we speak about the interactive advertising technologies – it will be mainly associated with the Internet.

Having advertising objectives set, message created and message delivery method chosen managers of the expanding company have to analyze their target audiences in foreign markets and

consumer perceptions in those target groups to select the most appropriate technology of acquisition of consumer attention.

2.2. Interactive advertising theory

As it was already discussed in the first part of this work – there is a very thin line between international and non international firms and internationalization is a direct or indirect process by which firms enter into international operations. Almost all firms, even if they are not exporting any goods, have foreign partners or local partners that have foreign partners, thus forming a network of international relationships.

When we are talking about the expansion of business in countries with small internal markets and high level of competition such as Lithuania it is very difficult to exploit such things as for example – economies of scale, depending only on a local market, that is why companies make choices of going international or global.

As a result managers are faced by entry location? entry mode? and entry timing? questions more and more often. Correct determination of entry location, choice of market entry mode or the selection of appropriate entry timing is crucial in the process of business internationalization. These elements are very important strategic decisions of a firm that has chosen to expand internationally. Nevertheless, interactive advertising is also of a core importance in the process of international expansion, especially in a modern society. Interactive advertising redefines market entry modes, helps in entry location and entry timing choices and off course formulates the image of expanding company in the target counties.

Internet already became most promising and fastest developing media in the world and firms wanting to expand internationally are unable to execute successful expansion without employing this media.

To eliminate the confusion concerned with great amount of interactive advertising development steps there is a need to distinguish elements that might be constant in the process of interactive advertising development and those that are variable in different cases. Advertising strategies are needed to fulfill advertising and overall marketing objectives and it is done by communicating advertising message to the target audience (in the case of international expansion target audience can be referred to foreign markets). It is obvious that there is no one universal advertising strategy, because different companies with different products and services need different advertising – they have different customers and they want to transmit different messages. As a result different companies need to form their individual strategies of interactive advertising development.

Essence of this work is to reveal the possibilities of interactive advertising involvement in the procedures of international expansion, thus the following chapters analyze the main elements of interactive advertising development and most commonly used technologies of interactive advertising.

2.2.1. Interactive advertising technologies applicable for the business internationalization

In the inaugural issue of the Journal of Interactive Advertising editors Leckenby and Hairong Li defined interactive advertising as a paid and unpaid presentation and promotion of products, services and ideas by an identified sponsor through mediated means involving mutual action between consumers and producers [44]. This definition describes advertising with which consumers can interact primarily via internet (interactive media). Due to the fact that internet is one of the fastest developing media in the world – new interactive advertising technologies are emerging every day, nevertheless there are several most important interactive advertising technologies that can be used for business internationalization.

Following chapters analyze most commonly used interactive advertising technologies in more detail to reveal their advantages and disadvantages. Interactive advertising technologies are grouped by their usage for the exploration of new markets and for support of active international trade.

2.2.1.1. Technologies applicable for the exploration of new markets

When expanding companies are at the experimental or irregular export phases they want to acknowledge with foreign markets and analyze the perceptions of consumers in those markets. At this point interactive advertising technologies are great tools to accomplish these tasks.

Following chapters describe corporate web pages, search engine marketing, affiliate marketing, display advertising and e-commerce solutions as the most suitable tools for the exploration of new markets.

Corporate web pages

Bruce D. Weinberg argues that critical reality is that the Internet is a, or perhaps arguably the, key driver in the burgeoning consumer demand for, and the organizational strategic opportunity in, multichannel marketing. Certainly today, it is not unusual for companies to host a corporate website listing information such as a mission statement, executive profiles, and product offerings

[45; 386]. Companies wanting to introduce themselves to foreign markets should pay a very close attention to the content of their web pages – they have to create an image of a trustworthy and responsible entity. Example of a corporate web page is provided in *Appendix 1*.

Traditionally, corporate websites have been offensive, built to sell. But offence is not enough. In sports, there are three facets to every successful team: offence, defense, and coaching. Kevin Potts states that the most effective websites have similar three-pronged approach: marketing to new customers (offence), supporting existing customers (defense), and providing general corporate information that supports the other two (coaching) [48; 2]. In the case of expanding company defense faze is at its roots, because company is new to the market and it has to attract its customers first, as a result more attention should be paid to the corporate information sections and special offers for new customers. However support for existing customers has also to be at a very high level, because every new customer in foreign markets is of a core importance.

Corporate websites have been rapidly adopted as a communication tool, with most companies spending increasing sums of money on creating their internet presence. This presence is first and foremost a brand-building effort; despite the many other functions it fulfills [46; 55].

Eric Sylvers explains that a good corporate web site goes beyond transparency and in some cases can help a company increase business and improve the efficiency of its communications with the outside world. The more information that is made available on the company's web site, the fewer calls there will be. That could mean fewer people are needed to deal with those phone calls, and in turn lower operating costs [47].

Having a corporate websites gives companies countless advantages, including: unlimited space for corporate information, access to hundreds of millions of potential consumers in new markets and that is a good start for international business development and creation of 24 hour services, tool for test marketing new products or services, important element of public relations and many others.

Search engine marketing

The internet has become the primary source of information for large number of consumers. Thus, search engines as the mediators between consumers and online information is an increasingly important topic [49; 159]. Having a corporate web page is not enough – it has also to be visible and to be visible it has to be search engine optimized.

Search engine marketers use several established strategies to reach their brand marketing goals. Search marketers divide their techniques into paid search advertising and organic search engine optimization, or SEO [50; 108] [51].

According to Boris Mordkovich paid search advertising is also defined as a pay-per-click or keyword advertising and it is a placement of a small ad on the search page for a specific keyword or keywords in return for a specified payment when a visitor actually clicks on that ad [52; 11].

Nicholas Tyacke and Rohan Higgins explain that keyword advertising works through the real time sale or auctioning of search terms by a search engine company or its advertising subsidiary. The advertiser selects (with or without the assistance of the search engine company or its advertising subsidiary) keywords that it wishes its advertising linked to when a search is conducted using that search engine and nominates the maximum amount it is willing to pay when a user clicks on the triggered ad. Whenever that search engine is used to conduct a search using any of those keywords, the advertiser's advertisement will appear either as a banner or text ad on the search results page or among the search results. The ranking of the triggered ads will be determined, in whole or in part, by the ranking of the current bids for the keyword [53; 453].

Martin M. Mosho highlights that the main advantage of pay-per-click advertising is that you only pay when someone actually clicks on your site. Those who do are valuable prospects because they demonstrate an interest in your firm and the products you sell. And if you are willing to outbid your competitors, you can raise high in the search engine for your category [54; 151]. Using this type of advertising in search engines expanding companies might simply buy the interest of their potential customers.

However this strategy of contact initiation is sometimes quite expensive. Jerry L. Work reminds that with paid search, it has to be paid for every visitor that comes to a corporate web page. Other disadvantage of keyword advertising is that many search engine users prefer natural results over paid results [55; 6].

Another strategy used by search engine marketers is search engine optimization. Search engine optimization is best described as the process of making a web site more accessible or visible to search engines. The goal of optimization is to have the search systems not only find your site but rank the relevance so that it appears at the top of the search engine results [56; 21].

Ideally corporate web page should be displayed somewhere on the first three pages of results. Most people won't look beyond the third page, if they get even that far. According to the Jerri L. Ledford the fact is it's the sites that fall on the first page of results are the ones that get the most traffic [57; 18].

Jin Zhang summarizes factors which can contribute to visibility of a webpage in a search engine results list, for example [58; 666]:

- *Web page metadata structure.* A metadata system is a system of code web page is written in.
- *Web page content.* Web page content is simply determined by words on the web page itself.

- *Hyperlink cited status.* Hyperlink cited status of a web page refers primarily to the number of web pages on the internet that hyperlink or cite to a particular webpage: the more pages hyperlink a web page, the better the hyperlink cited status, and vice versa.
- *Search query expansion.* In the context of web search engines, query expansion involves evaluating a user's input (what words were typed into the search query area) and expanding the search query to match additional documents.
- *Other possible factors.*

  These factors can be grouped into two basic categories:
- The first group includes webpage metadata structure and webpage content. These factors are internal and are determined by the webpage itself. They can be obtained or parsed from a webpage. This group of factors can be controlled and manipulated by webpage designers or developers due to their internal nature. They should be primary factors in optimizing the visibility of a webpage in a search engine results list.
- The second group includes hyperlink cited status, query expansion, and other possible factors. These factors are external to the webpage and cannot be obtained from the webpage itself. Factors in this group cannot be controlled and managed by the webpage designers or developers because of their external nature. That is, hyperlink cited status of a webpage totally depends on whether other websites cite or hyperlink to a webpage.

Presence in the search engines is of a core importance both for domestically based and for expanding companies, because nowadays almost all information or product search is conducted online in search engines. As a result company might be visible to potential customers virtually with no advertising – only with good search engine marketing programme.

The major advantage of good search engine marketing is that web page can be displayed in the first page of search results and that will make particular company more visible to potential customers.

The disadvantages might occur as a result of a bad search engine optimization. In the cases when search engine optimizers try to spam search engines by using a term over and over on a page or including hidden text intended for search engines but not users - it's generally very easy to detect any kind of trickery. Don Kreski warns that the danger is that web site owners may end up not with a low ranking, but no ranking at all for entire site [59; 25].

Affiliate marketing

Simon Goldschmidt and Sven Junghagen state that affiliate marketing was one of the first marketing models rolled out on the Internet; it originates from Amazon.com introduction of

partnership and commission-based marketing in July 1996. Amazon discovered this new marketing approach when contacted by woman who wanted commissions on the customers she was referring. This woman had a website with cookery recipes, and many of her visitors had asked her where they could find good cookbooks. She had been recommending that they go to Amazon to buy them, which many of them did. After a while, she contacted Amazon and asked for commission for leading potential customers to the firm via her website. This was the beginning of affiliate marketing for Amazon, who caught on this idea and started to offer other websites an affiliation (partnership) with the firm [60; 13].

John M. Gallaughera explains that affiliate advertising programs typically provide a partner site operator with a percentage of any sales generated by customers traveling through the partner to the online storefront. Partner firms provide a banner advertisement or some other link so that users can pass through to enter the sales-taking entity. Users are tracked from their site of entry so that partners can be reimbursed accordingly if visits result in sales [61; 479].

Ravi Jayagopal concludes that the most obvious advantage of affiliate marketing is that web content owners are getting voluntary, non-salaried, sales representatives who are willing to promote their products for just a portion of the profits. There is no need to pay affiliates up-front. Affiliates are paid only when there is a sale – that is, only if the lead they send goes on to purchase web content owner product or signs up. Link popularity also ads benefit to a company website, because it enhances search engine optimization (as mentioned in previous chapter) – when there are hundreds of affiliates linking to particular site, regardless of the motivation behind the linking, it increases link popularity [62; 176].

Barry Silverstein also ads that one of the advantages of affiliate programs is that you can grow a network of affiliates very rapidly via the internet, but if hundreds or thousands of web site owners become your affiliates, it is unlikely that you will be able to screen each one and get to know them individually and this advantage will transform to disadvantage, because you will not be able control all your affiliates and methods how they work. As a result your company might be advertised in the improper manner [63; 286].

Display advertising

Display advertising (also known as banner ads) is one of the earliest formats of Web advertising [64; 18]. Display advertising can take many forms on the Internet. The oldest is the banner, a horizontal bar across the top of a web page. The side bar or skyscraper has developed from this; it is vertically oriented rather that horizontally [65; 279]. Examples of banners ads are provided in *Appendix 2*.

Barry Silverstein compares that banners are like little electronic billboards or flashing neon signs on web sites, appearing at the top, at the bottom, o sometimes within a web page. Although the banner ad may seem almost insignificant as an advertising medium, it can be used for both creating awareness and driving traffic to a web site [66; 79].

Kevin Potts emphasizes the key advantages of banner advertising [48; 361]:

- Capacity to be deeply analyzed: Punctilious banner management software schedules ad rotations, tracks impressions and click-throughs, and more. Marketers are provided all of these results to help them improve their creative.
- Proven success: While banners may seem like a medium worn thin, they do deliver results, which is why firms keep investing in them.
- Allowance for creative freedom: Unlike plain-text ads or paid search, which relies entirely on text, banners can be designed to visually appeal to the audience. This includes a variety of ad sizes, animation, and a spectrum of typography and color choices.
- Platform for rich media: More than any other medium, certain sites allow banners that use Flash, video, and more to capture the reader's eye. This provides for more immersive user experiences, where products and services can be detailed within the ad, or the user can play with the ad before committing to a click.

While these are strong arguments for display advertising C. H. Bothma reminds that there also are some negative factors to be considered [67; 254]:

- High overall cost: If a company demands a successful marketing campaign, it will need to allocate a relatively large percentage of the advertising budget to display advertising.
- Limited information is allowed: Hence, advertisers need to think of a creative but short message to attract viewers.
- An image with a large file size or unlimited animation looping may require several minutes of downloading time: this could prevent the remainder of the web page from being displayed until the image is finished, resulting in impatient visitors who leave the site before the web page is shown.

However, if placed in the right web content, display advertising might become a very valuable tool for the attraction of new customers or for the introduction of new products or services to the market.

E-commerce

Janice Reynolds emphasizes the importance of World Wide Web in the modern business world - today's consumers have a wide variety of commerce choices: traditional businesses, mega

discount stores, catalogs or direct market mail, and the Web. The Web, taken as a whole, is a powerful medium where consumers browse, research, compare, and then buy online or, after doing their "window shopping" online, make purchases at a regular stores [68; 9]. That is why e-commerce is becoming more and more important for a modern society.

The most succinct definition of e-commerce can be found in the Learn2succeed.com book about e-commerce: the e-commerce (or electronic commerce) is any business transaction whose price or essential terms were negotiated over an online system such as an Internet, Extranet, Electronic Data Interchange Network, or electronic mail system [69; 1]. Example of e-commerce web page is provided in *Appendix 3*.

Ritendra Goel also ads that doing any business online is electronic commerce, and there are four main areas in which companies conduct business online today [70; 27]:

- Direct marketing, selling, and services.
- Online banking and billing.
- Secure distribution of information.
- Value-chain trading and corporate purchasing.

The short-term and long-term advantages of e-commerce include [71; 9]:

- Lower transaction costs.
- Less paperwork for transactions like ordering, billing and customer service.
- More customer feedback.
- More opportunities for satisfying customer needs.
- Improved monitoring of consumer satisfaction.
- New markets composed of new customers.
- Enhancement of the company's image.

Despite the large list of advantages e-commerce brings there are also some possible drawbacks that have to be emphasized [72; 58]:

- Possible capacity and bandwidth problems.
- Security issues.
- Accessibility (not everybody is connected to the Web yet).
- Acceptance (not everybody accepts this technology).
- A lack of understanding of business strategy and goals.

Nevertheless e-commerce is a great tool to expand existing businesses even on an international basis, enhance company's image and advertise online. In order to acknowledge with foreign markets in experimental export phase a very basic e-commerce solutions is enough – these

solutions are relatively cheap and do not require any foreign facilities, all domestic resources are applicable.

However simple and cheap e-commerce solutions are suitable only for experimental export phase of the expanding company. If expanding company decides to be actively involved in international trade and rely only on e-commerce – more sophisticated e-commerce solutions are needed as a result more investments are required. In some cases even foreign subsidiaries are required, for example – warehousing or customer service facilities.

2.2.1.2. Technologies applicable for the support of active international trade

When company becomes actively involved in international trade it is already familiar with its foreign consumers and operating environment. At this point companies are ready to move on in their relationships with consumers and establish or enhance the emotional connection with them. As a result more specific technologies of interactive advertising should be activated.

Following chapters describe blogs, social networks, opt-in e-mails and viral marketing as the most suitable tools for the establishment of more personal connections with consumers.

Blogs

The growth of web logs, also abbreviated to blogs, on the Internet has been phenomenal. Originally an online writing tool that helped its users keep track of their own online records, the blog quickly turned into a key part of online culture. The method provides an easy way for an average person to publish material of any topic he or she wishes to discuss in a web site. Chin-Lung Hsu highlights that with a popular issue a blog can attract tremendous attention and exert great influence on society [73; 65]. Example of a blog is provided in *Appendix 4*.

A blog is just a web site. But it's a special kind of site that is created and maintained by a person who is passionate about a subject and wants to tell the world about his or her area of expertise. A blog is almost always written by one person who has a fire in the belly and wants to communicate with the world. There are also group blogs (written by several people) and even corporate blogs produced by a department or entire company (without individual personalities at all), but these are less common. The most popular form by far is the individual blog.

Most marketing and public relations people know about blogs, and many are monitoring what's being said about their company, products, and executives on this new medium. David Meerman Scott emphasizes the fact that a significant number of people are also blogging for marketing purposes, usually with amazing success [74; 45].

The ability to focus a blog on a niche topic is one of the advantages blogging has over other media, in particular books. It also costs almost nothing to put up a blog. You can begin publishing a customer service blog right away because there is no up-front investment you have to recoup. And finally as the blog attracts readership, some of that readership is naturally a potential buyer for products or services the author might be selling. Also, an active blog will increase the amount of content on the authors web site, drawing more search-engine traffic, and therefore making the author more visible and better known [75; 56].

Blog is simply an expression of individuals' ideas who is passionate about some particular topics. If expanding company would be able to find such individuals that are passionate about company or company's products and ask them to write a blog – it would be a great success if done properly. In this case potential consumers would be introduced to a new market entrant through emotional channel and it would enhance them to spread the story to their friends that are also potential customers.

One of the disadvantages of writing a blog is time - blogs can sometimes be very time-consuming. People also sometimes might not look seriously at ideas posted in blogs.

Social networks

New communication technologies are changing social contacts and lead to new forms of interaction like online communities. These online communities enable users to communicate and connect with each other, to build up a personal network, as well as to share personal content [76; 200].

A social network consists of all the people - friends, family, colleagues and others - with whom one shares a social relationship; say friendship, commerce, or other [77; 1]. Example of corporate profile in a social network is provided in *Appendix 5*.

Tiffany A. Pempek describes that social networking sites are designed to foster social interaction in a virtual environment. In general, communication is facilitated through information posted in the profile (i.e., the user's personal page), which often includes a photograph of the member and personal information describing his or her interests, both of which provide information about one's identity. Members can view one another's profiles and can communicate through various applications similar to email or online message boards [78; 2].

Aaron Newman explains that social networks can help with marketing and advertising. Networks such as MySpace and Facebook allow companies to create company and product pages within their network. Individuals within the network can then become friends, or "fans" of an organization or product. This can be effective way to gain brand awareness and viral word-of-

mouth marketing for organizations. If a user of the social network becomes “friends” with your organization, your organization will be displayed on his profile for all of his friends to view. If the user has 200 friends, this sets 200 of eyeballs that are going to be looking at your company and wondering why it is interesting enough for a user to put in his or her profile [79; 45].

Opt-in e-mails

Paul Russell Smith and Jonathan Taylor argue that unlike traditional direct mail, opt-in e-mail is a low-cost communications tool that can be easily tested, refined and rolled out. Done well, it can give customers useful relevant information, reminders and offers, which in turn boosts sales, satisfaction levels and brand relationships [80; 633].

Opt-in email is the key to successful e-mail marketing. Customer choice is the watchword. Dave Chaffey explains that before starting an e-mail dialogue with customers, companies must ask them to provide their e-mail address and then give them the option of “opting into” further communications. Ideally they should proactively opt-in to by checking a box. E-mail lists can also be purchased where customers have opted in to receive e-mail. This approach is also known as permission marketing [81; 212].

E-mail is one of the cheapest and quickest methods for reaching a large number of recipients with a personalized message and also provides the opportunity for direct response [82; 121]. Matt Haig emphasizes that e-mail messages can also be sent or received at any time of day or on any day of the year. Furthermore, you can send as many messages to as many people as you want to, whenever and wherever you happen to be [83; 94].

Emma H. Wood explains that the problems with using e-mail stem largely from its overuse and misuse. Inbox clutter and e-mail spam (unsolicited e-mails) create target audiences who are quick to press the delete button [82; 119]. As a result the delete button might be pressed even for opted in e-mails.

Once you have the permission of certain group of people to send them information concerning your company or subjects of interest you can start publishing a newsletter.

Newsletters (whether called eNewsletters, ezines, email newsletters) are an effective way to build goodwill and keep in touch with potential customers. Through a newsletter current and potential customers can be informed about different topics while subtly promoting products or services [84; 236]. Example of a newsletter is provided in *Appendix 6*.

David Meerman Scott reminds that e-mail newsletters have been around as long as e-mail, but still have tremendous value as a way to deliver a regular series of thought leadership content.

However, the vast majority of e-mail newsletters nowadays basically just serve as advertising for a company's products and services [74; 136].

Bruce David Keillor states that newsletters should serve as a vehicle for conveying information about important information about new laws, new rules, and regulations, industry trends, and hot topics, but it should also communicate announcements and news from within the particular company, major sponsorships and donations and any other newsworthy topics [85; 205].

One advantage of newsletter is that it gives a better response rate as compared to banner ads, which makes it a more cost-effective medium. Another is transferability, a fairly unique e-commerce concept. When people receive a newsletter of high interest, they often send it to a friend or coworker. This pass-along readership is free advertising and is highly encouraged [86; 214].

Matt Haig ads that the potential disadvantages of using a newsletter as a way of advertising include: time, cost and possible irrelevance. Preparing a newsletter takes a lot of time, particularly when you have a large subscriber base [87; 108]. It also might be quite expensive to hire a newsletter writing service and your writer may not be familiar with your industry or your company, so the provided newsletter information might be irrelevant for newsletter readers [88].

Viral marketing

David Meerman Scott emphasizes that for marketers, one of the best things about the Web is that when an idea takes off, it can propel a brand or company to fame and fortune for free. Whatever it can be called - viral, buzz, or word-of-blog marketing - having other people tell your story drives action. Many viral phenomena start innocently. Somebody creates something - a funny video clip, a cartoon, or a story - to amuse friends, and one person sends it to another and that person sends it to yet another, on and on. Perhaps the creator might have expected to reach at most a few dozen friends. One of the first examples of viral marketing was the "dancing baby" from the mid-1990s. It was grainy and low-tech, but it was cool and it spread like crazy. Instead of reaching a few hundred friends and colleagues, dancing baby struck a nerve and reached millions [74; 92].

Glen Hopkins explains that viral marketing is the use of marketing strategies to propagate or service awareness through the use of existing social networks. Viral marketing use pre-existing social networks because there is a large market there already. Since a lot of people are in the network already, all one has to do is to feed the ad whether in form of a video or in text and it will already be seen by many people. It will reach more people in a shorter time than having to establish a new network first [89; 61].

Viral marketing is called viral because it travels much the same way as an actual biological virus does: spreading from one "infected" person to the next. Just like a biological virus, a

"marketing virus" spreads for free, so it doesn't cost a dime [89; 47]. As a result the main advantage of viral marketing is that it is cheap and it requires only a fraction of traditional marketing plans budget. In viral marketing case costs are reduced as users do all the leg-work and spread message for free. However the message should be really interesting for users to do the leg-work.

Unlike traditional advertising viral is not an interruptive technique. Instead, viral campaigns work the Internet to deliver the exposure via peer-to-peer endorsement. Viral campaigns, whether ultimately liked or disliked, are often welcomed by the receiver. The act of forwarding electronic message containing advertising is voluntary rather than paid testimonial or a mass ad campaign and thus may be viewed more favorably by the recipient [90; 389].

However Svend Hollensen warns that if done improperly viral marketing can backfire and create negative buzz [91; 565]:

- If particular software is needed that is not widely used, then people will not be able to open or view the message.
- Many people receive viral marketing messages while at the office, and company anti-virus software or firewalls can prevent people from receiving or viewing such attachments.
- For a viral marketing campaign to be successful, it must be easy to use. For example is the promotion is some sort of game or contest, then asking for referrals should be an option immediately after the game, not as condition to play.

2.2.2. Consumer online perceptions in target markets

In the following chapters literature overview is extended to analyze how consumers react online. First of all the consumer purchase decision process is analyzed and then more specific analysis of antecedents of information search is performed.

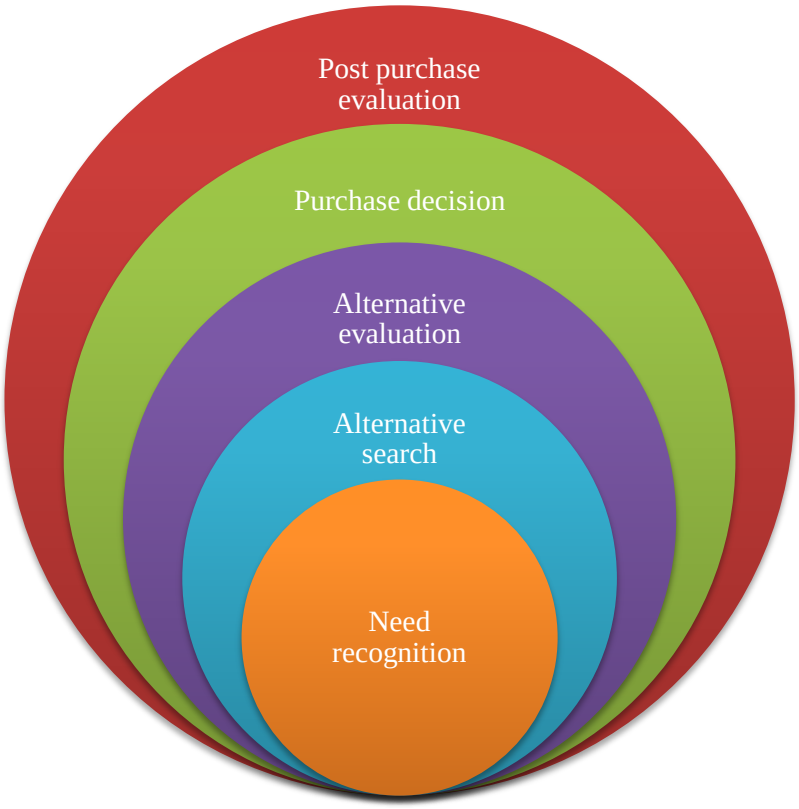
This analysis is performed in order to reveal the relevance of different interactive advertising tools for particular target markets (different consumers with different characteristics).

2.2.2.1. Consumer characteristics

Jane Summers reminds that consumer preferences are constantly changing and it is therefore important that managers understand how their customers make their purchase decisions, what is likely to impact their choices and what the important criteria are in their decision-making. Understanding the consumer decision-making process is a fundamental building block in the development of any successful marketing strategy [92; 77]. If managers will be aware of the process

by which their customers decide whether to purchase or not particular products they will be able to tailor interactive advertising technologies to their specific needs.

The process by which consumers make decisions to purchase various products and brands is summarized by J. Paul Peter and James H. Donnelly in *Picture 4* [93; 49].



Picture 4 – Consumer decision making process (by J. Paul Peter, James H. Donnelly)

In general, consumers recognize a need for a product, search for information about alternatives to meet the need, evaluate the information, make purchases, and evaluate the decision after the purchase.

Leon G. Schiffman explains that in the very beginning of consumer decision making process consumers recognize need for something, for example – a need for a purchase. Then the pre-purchase search begins. The relocation of past experiences (drawn from storage in long-term memory) might provide the consumer with adequate information to make the present choice. On the other hand, when consumer has had no prior experience, he or she may have to engage in an extensive search of the outside environment for useful information on which to base a choice [94; 77]. This means that consumer knowledge and ability to search are very important aspects because it will determine whether consumer is going to conduct information search or not and where is he going to address for information search.

In the third stage of decision making process all possible alternatives found due to the search process are evaluated. The criteria consumers use to evaluate the alternative products that constitute their evoked sets are usually expressed in the terms of important product attributes [94; 77]. It can be noted at this point that the more important purchase is for a consumer the more time he should be analyzing its attributes and this makes the purchase involvement very important aspect when analyzing perceptions of interactive advertising technologies.

Finally, purchase decision is been made and process of post purchase evaluation begins. In general, if the individual finds that a certain response achieves a desired goal or satisfies a need, the success of this cue-response pattern will be remembered. The probability of responding in a like manner to the same or similar situation in the future is increased. In other words, the response has a higher probability of being repeated when the need and cue appear together again and thus it can be said that learning has taken place. Likewise, if a response does not satisfy the need adequately, the probability that the same response will be repeated is reduced [93; 54].

To sum up it can be noted that following consumer characteristics in target markets influencing consumer ability and willingness to search information on the Internet are of core importance when implementing interactive advertising campaigns:

- Consumer knowledge.
- Ability to search.
- Purchase involvement level.

These consumer characteristics are very important and managers have to be familiar with them when implementing interactive advertising campaigns. Following chapters analyze each of these characteristics in more detail.

After analysis of these characteristics it should be clear what interactive advertising tools managers have to choose for target markets with different abilities, knowledge and purchase involvement levels.

Consumer knowledge

As it can be seen from the consumer decision making process in *Picture 4*, it starts with the recognition of need and prior to the purchase decision consumers are looking for adequate information (knowledge) to make the present choice [94; 77].

Jim Blythe states that the information search comes from two sources: an internal search (from memory) and an external search (from outside sources). If the internal information search is insufficient, that is to say the individual does not have enough knowledge of the product category to

be able to make a choice, an external search will be undertaken [95; 263]. And most likely - external search will take place on the Internet.

This means that the consumer knowledge determines whether search of the outside environment for information will be needed or not. It is also obvious that consumer knowledge determines the extent to which search for information will be undertaken. If the consumer has a high level of knowledge in particular field he will not need large amount of information about new products or services in the field, but if the level of knowledge is low consumer will obviously need more information – as a result greater amount of information search will be carried out. This can be illustrated by the following example – consumer wants to purchase a car and he has to decide upon the engine type - regular petrol engine or modern electric engine. Electric engines are relatively new to the market and consumer has less knowledge in the field, this means he will need a greater amount of product knowledge – he will seek for such information as reliability of electric engines, working principals, ways of charging the engine, ways of mileage calculation, horsepower and torque characteristics of the engine and other specific questions. What comes to regular petrol engine – consumer will be simply interested in such characteristics as torque, horsepower and fuel consumption; he already knows petrol engine working principals, reliability issues and he does not have any specific questions, because petrol engines are common phenomenon.

To sum up – **knowledge directly affects amount of information search conducted by consumer.**

Ability to search

Derek Partridge states that knowledge limits search when possible and gives clues about how to explore the problem spaces in a reasonable way. Nevertheless - search is the backup for missing knowledge and can never be completely eliminated [96; 98].

Yuan Gao also ads that perceived ability to search can be defined as the perceived cognitive capability of searching for and processing information. In an online environment the ability to navigate on the Internet will facilitate information gathering and source evaluation. Therefore - perceived ability to search increases external search on the Internet [97; 27].

In an online environment, however, Internet skills and prior purchase experience will become increasingly important for consumers to repeatedly use the Internet as an information source. As a result perceived online search ability may be determined by Internet skills and prior purchase experience as well as consumer knowledge. The higher the level of online skills, the more positive experience users achieve from the Internet. Internet skills increase the perceived ability to search on the Internet [97; 28].

To sum up – knowledge has a direct effect on the ability to search for information on the Internet. Furthermore **perceived ability to search directly affects amount of information search conducted by consumer.**

Purchase involvement level

Involvement refers to the consumers' perceptions of importance or personal relevance of an object, event or activity. Hee Jeong Yim emphasizes that consumers do not continually experience feelings of involvement, even for important products such as car, a home or special hobby equipment. People rather feel affiliated to such products only on certain occasions when product knowledge about the personal relevance of these products is activated [98; 76].

Nevertheless there is a tendency for consumer to be highly involved when considering products or services that are expensive or very specific. For example – consumers will be highly involved when purchasing a flat and on the contrary they will show low level of involvement when purchasing a chewing gum.

When a message is personally relevant or important to consumers, the likelihood of scrutiny is higher. At high levels of involvement, consumers are more likely to ignore media characteristics (like credibility) as cues and scrutinize claims closely [99; 113].

Many researchers have agreed on the important role of involvement in determining consumer pre-purchase search for brand information and suggested that situational involvement will increase processing effort. Yuan Gao highlights that if the personal relevance of a specific purchase is increased, consumers tend to allocate more cognitive resources and are more motivated to process or search for relevant information [97; 29].

To sum up – **involvement level directly affects amount of information search conducted by consumer.**

2.3. Legal environment of interactive advertising development

Worldwide internet accessibility creates perfect conditions for the execution of interactive advertising campaigns, including the development of e-commerce. Interactive advertising has no country boundaries, however interactive advertising campaigns executed in different countries has to conform to different regulations, ensuring the protection of consumers and intellectual rights.

For better understanding of legal environment of interactive advertising development following chapters describe most important Lithuanian and European Union regulations concerning this matter.

2.3.1. European Union regulations

Most important directives of The Council of Europe and European parliament, associated with interactive advertising, mainly e-commerce are as follows:

- *Directive of remote transactions.* This directive is applied for the transactions that are made without direct physical contact: by phone, e-mail, or other electronic means. Key points of this directive:
    - After a transaction both sides has to receive the confirmation of transaction by previously identified means (e-mail, paper letter or etc.).
    - Both sides of transaction are able to cancel the transaction within 7 working days without any fines.
    - Seller is obligated to provide all the necessary information (concrete product description, product price, information about taxes, delivery costs and etc.) about the product prior to the transaction.
- *Directive of electronic commerce.* This document is applied especially for the regulation of electronic businesses in the European Union member states. Key points of this directive:
    - Member states are obligated to assure that all the necessary information (physical and geographical addresses, registration and VAT numbers and etc.) about the information society service provider, established in member state, is easily accessible.
    - Member states are obligated to assure that transactions made in the electronic space are valid and conform to the local legislation. Service provider is obligated to provide its customers all necessary information and conditions, concerned with the transaction: description of technical steps needed to fulfill the transaction; right away after the transaction service provider is obligated to provide the document assuring the transaction; customer has the right to cancel the transaction at any time during the process of transaction.
    - Internet and telecommunication service providers are not responsible for the transactions that are made through their provided services. Internet and telecommunication service providers are not entitled to monitor the information they are transferring.
    - Member states are entitled to control the unauthorized distribution of commercial e-mail correspondence within the boundaries of their laws.

- *Directive of Copyright and Related Rights in the Information Society*. This directive describes main points of copyright and related rights that might occur in Information Society.

  Overviewed regulations can be found in the European Union law database EUR-Lex [105].

2.3.2. Lithuanian regulations

Following list is an overview of Lithuanian regulations concerning content published on the internet, electronic relationships and electronic commerce:

- *Act of Public Information (2006, Nr. 82-3254):*

  This law defines a public gathering, compilation, publication and dissemination of public information; rights, duties and responsibilities of producers, disseminators, participants, journalists and the governing body.
- *Law on Electronic Communications (2004, Nr. 69-2382):*

  This law regulates social relations in relation to electronic communications services, networks and associated facilities and services, electronic resources, as well as social relations pertaining radio equipment, terminal equipment and electromagnetic compatibility.
- *Electronic Signature Law (2000, Nr. 61-1827):*

  This law regulates electronic signature creation, verification, and validity of the signature of user rights and responsibilities, and establishes requirements for certification service providers as well as their electronic signature of the rights of the supervisory authorities and functions.
- *Consumer Protection Law (2003, Nr. 85-2581):*

  This law establishes the rights of consumers, as well as governs consumer, retailer, manufacturer and service provider relationships that are not regulated by other laws.
- *Act of Information Society Services (2006, Nr. 65-2380):*

  This law regulates the provision of information society services, and other activities of information society service providers.

  Overviewed regulations can be found in the web page of Parliament of Republic of Lithuania [106].

2.4. Empirical research methodology of business internationalization process using interactive advertising technologies

One of the first phases in research process is the creation of unique research methodology. It is very important to understand what kind of information needs to be analyzed and what kind of data analysis tools are available.

In order to analyze business internationalization process using interactive advertising technologies more deeply following empirical research methods were selected:

- Analysis of secondary sources of information.
- Survey research.
- Correlation analysis.
- Regression analysis.
- Multi criteria analysis.
- Diagnosis of arising issues.

Analysis of secondary sources of information was selected in order to reveal important worldwide trends of interactive advertising development and business internationalization.

Survey research was intended to reveal the perceptions and feelings of consumers towards interactive advertising technologies.

Correlation and regression analysis are needed for better understanding and insights of the relationships between different variables that are observed in particular analyses.

Multi criteria analysis was selected to reveal the pros and cons of practical applications of particular interactive advertising tools used for business internationalization process.

Diagnosis of arising issues was used to diagnose the main problems that might occur for entities participating in business internationalization process.

All these research methods are described in more detail in following chapters.

2.4.1. Analysis of secondary sources of information

Secondary source of information is an article or a set of articles that describe or is associated with the analyzed matter, but it was originally intended for different research and was presented elsewhere.

Analysis of secondary sources of information is required to reveal the global trends that in particular cases due to different limitations or scarcity of resources cannot be defined using primary sources of information.

Analysis is performed by interpreting previously made researches that are associated with analyzed matter. Relevant data is selected and analyzed in particular contexts.

2.4.2. Survey research

Survey is one of the most important methods of primary data collection. Survey is usually performed through internet systems, telephone, mail or in-personal communication or other.

Survey receiver is a person that is collecting data. Respondents are persons who are being asked questions.

Survey results enable to find out the reasons why people behave in certain way in different situations; it helps in forecasting future perspectives and segment the market.

In order to perform survey analysis questionnaire is used. Questionnaire is a set of questions constructed to reveal the issues of analyzed matter. Questionnaire has to be designed having analysis objectives in mind and knowing to what particular questions we are looking answers for. When implementing questionnaire analysis plan has to be designed to reveal the information that is needed to be measured. After the questionnaire is created it has to be tested in order to reveal its drawbacks and only when questionnaire is corrected it can be presented to the survey respondents. [100; 87]

Formula 1 illustrates how sample has to be identified for particular cases:

$$n = \frac{z^2 * s^2}{\Delta^2}$$

Formula 1 - Sample identification

In provided formula n represents the number of persons that have to be question aired in order to obtain statistically reliable results. In the cases when there is no data about the prevalence of the phenomenon most unfavorable scenario has to be included to the formula – s equal to 50. If the required reliability of the survey is 95% (p = 0.05), z = 1.96. Δ (delta) is a symbol that represents possible error.

As a result in current case required sample size can be calculated as follows:

$$n = \frac{1.96^2 * 50^2}{5^2} \approx 384$$

Calculations show that 384 respondents have to be question aired in order to obtain reliable data.

2.4.3. Correlation analysis

Correlation analysis is the analysis of the connection between two variables. Aim of correlation analysis is to determine whether the stochastic relationship between factors Y and X exists or not.

Analysis is performed by calculating coefficient of correlation using collected statistical data and evaluating its significance.

Stochastic (ambiguous, based on chance, sometimes vividly characterized, and sometimes – not recognizable) dependence is usually not directly linked, but subtotaling - in many ways over many inter-connected and dynamically changing circumstances.

Coefficient of correlation can be found using *Formula 2*:

$$r = \frac{n\sum X_i Y_i - \sum X_i \cdot \sum Y_i}{\sqrt{n\sum X_i{}^2 - (\sum X)^2} \cdot \sqrt{n\sum Y_i{}^2 \cdot (\sum Y_i)^2}}$$

Formula 2 - Coefficient of correlation

Coefficient of correlation can have values from -1 to 1. The nearer the value of coefficient of correlation is to 1 or -1 the stronger the relationship between two variables is. Positive value of coefficient of correlation indicates that there is a direct relationship between two variables (when X values increase, Y values also increase) and negative value of coefficient of correlation indicates that there is a reverse relationship between two variables (when X values increase, Y values decrease). When coefficient of correlation is equal to 0 random variables X and Y are not correlated.

In order to check whether the size of coefficient of correlation is significant we use sample statistics that can be calculated using *Formula 3*:

$$t_{stat} = \left| r\sqrt{\frac{n-2}{1-r^2}} \right|$$

Formula 3 - Sample statistics

Calculated value t_{stat} has to be compared with critical value $t_{\alpha,k}^{crit}$. If $t_{stat} > t_{\alpha,k}^{crit}$ it can be stated that size of the coefficient of correlation is significant. Critical value can be found using Microsoft Excel program function TINV.

In the cases when $t_{stat} > t_{\alpha,k}^{crit}$ stochastic relationship exists and in the cases when $t_{stat} \leq t_{\alpha,k}^{crit}$ stochastic relationship does not exist. [101; 14]

2.4.4. Regression analysis

Aim of the regression analysis is to determine the form and analytical expression of stochastic connection between variables X and Y.

Regression analysis is performed by selecting the curve that best describes the totality of statistical points and assessing the adequacy of the curve to the actual situation.

When there is a need to find the linear connection between X and Y regression curve is found using *Formula 4*:

$$y = a_0 + a_1 x$$

Formula 4 - Regression curve

In provided formula a_0 represents the Y if $X_i = 0$ and it can be calculated using *Formula 5*:

$$a_0 = \frac{\sum y}{n} - \frac{a_1 \sum x}{n}$$

Formula 5 - Calculation of a_0

Value a_0 can be also found using Microsoft Excel program function INTERCEPT.

Value a_1 shows how Y value would change if X_i would be increased by one unit and it is calculated using *Formula 6*:

$$a_1 = \frac{n\sum xy - \sum x \sum y}{n\sum x^2 - (\sum x)^2}$$

Formula 6 - Calculation of a_1

Value a_1 can be also found using Microsoft Excel program function SLOPE.

Curve adequacy to given statistical data is evaluated by comparing regression equation values $\hat{y}$ scattering around the average $\overline{y}$. As a result, in order to evaluate the adequacy of regression curve the variance of regression has to be calculated, it can be done using *Formula 7*:

$$S^2_{regr} = \frac{\sum\left(\hat{y}_i - \bar{y}\right)^2}{m}$$

Formula 7 - Variance of regression

In given formula m is number of factors.

The next step is to calculate the residual variance; it can be done using *Formula 8*:

$$S^2_{resid} = \frac{\sum\left(\overline{y_i} - y_i\right)^2}{n-2}$$

Formula 8 - Residual variance

After the calculation of residual variance F statistics can be calculated using *Formula 9*:

$$F = \frac{S^2_{reg}}{S^2_{resid}}$$

Formula 9 - F statistics

Calculated F statistics has to be compared to critical F value, that can be found using Microsoft Excel program function FINV.

If calculated F statistics ≥ critical F value – equation of regression can be used for planning and practical calculations. In the cases when F statistics < critical F value equation of regression cannot be used for planning and practical calculations. [101; 14]

2.4.5. Multi criteria analysis

Multi criteria analysis in general is used to make a comparative assessment of alternative projects or in particular case it can be used to evaluate alternative interactive advertising technologies.

This method of analysis is required to analyze different applications of interactive advertising technologies and to reveal their strengths and weaknesses. Using this analysis method recommendation can be provided for the development of particular interactive advertising technologies using practical cases as an example.

In multi criteria analysis there are several steps involved. These steps are as follows:

- First of all projects or technologies should be selected for the judgment.

- Then the criteria used for judgment should be also selected and defined.
- Once the projects to be judged and judgment criteria are defined quantitative estimation of those criteria should be selected. Value to each criterion has to be assigned according to its importance.
- Having all previous steps completed quantitative judgment has to be applied to selected projects or technologies.
- After the judgment procedures each analyzed project or technology is given a score and the one with highest score is named as the best one.

Completing these steps best project or technology can be selected and analyzed as a positive example in more detail.

2.4.6. Diagnosis of arising issues

Managerial activity takes place in the entity decision making process. Or in other words management is an activity that entity performs when making a decision.

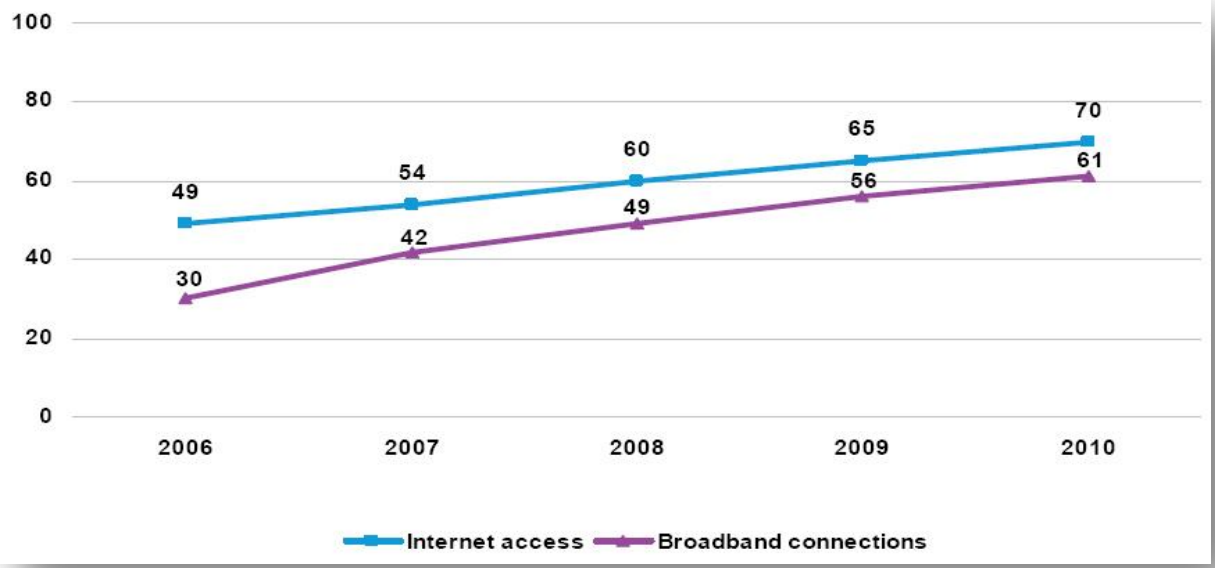
As a result it is very important to define entities whether they are organizations or individuals. It is important to define entity in a concrete situation, because different entities in different situations might have different interests and when these interests overlap conflicts between different entities might occur.

Diagnosis of arising issues begins from the clear identification of entities participating in particular processes. When entities are identified – possible interests of each particular entity are described. Finally, having identified entities and their interests, possible problems that might arise are described.

3. Empirical research of the business internationalization process using interactive advertising technologies

3.1. Trends and insights of business internationalization using interactive advertising

Internet is becoming very important media for a modern society and the usage of this media is steadily increasing every year. Growth of internet users is provided in *Picture 5*.

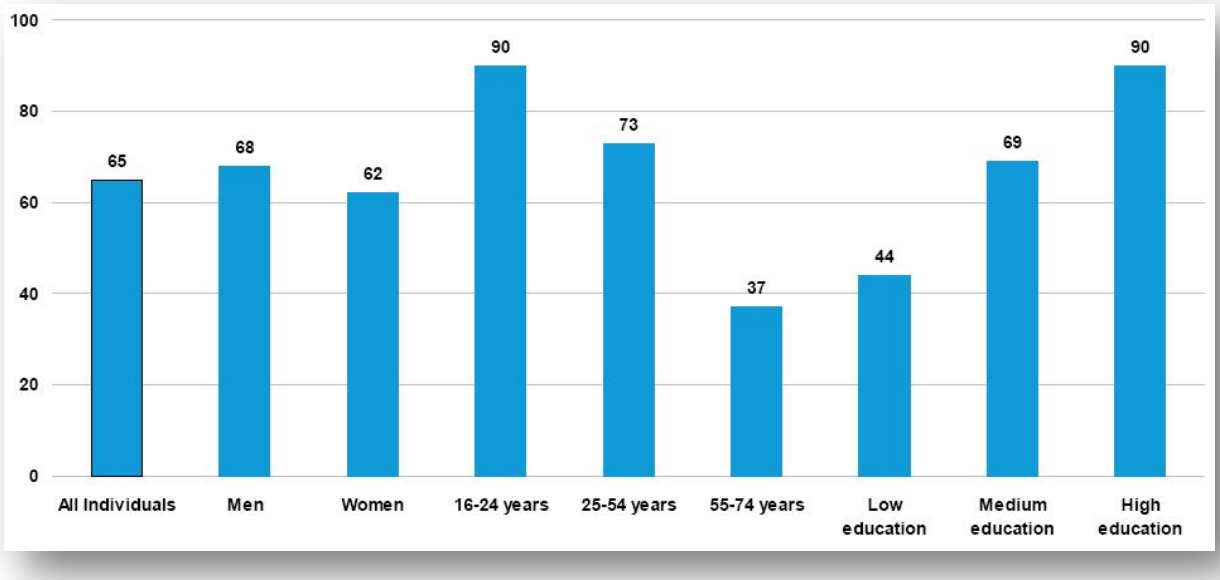


Picture 5 – Internet access households, EU27 (%), 2010 (by Eurostat)

As it can be seen from the graph above internet usage is constantly growing, this means that more and more people are being affected by interactive advertising technologies. Thus companies wanting to expand to foreign countries will not be able to execute successful international expansion without employing this media.

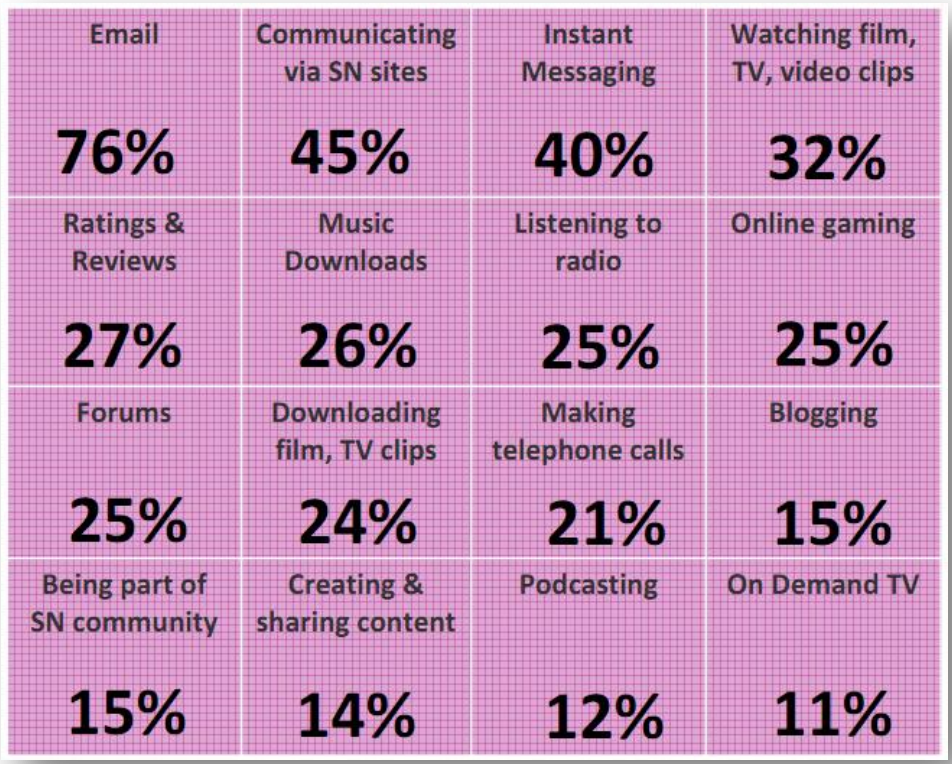
Internet is being used by different kinds of people – *Picture 6* reflects the composition of individuals who used the internet on average at least once a week. As it can be seen from the graph 65% of all individuals in 27 European countries use internet and the highest level of usage is among people aged from 16 to 54 years old. Level of education also has a direct impact on internet usage – 90% of individuals having high education use internet, whereas only 44% of individuals having low education use internet.

Due to the demographic widespread usage of internet it becomes a very powerful communication tool for expanding businesses as it provides the ability to reach persons of all age, educational level or sex.



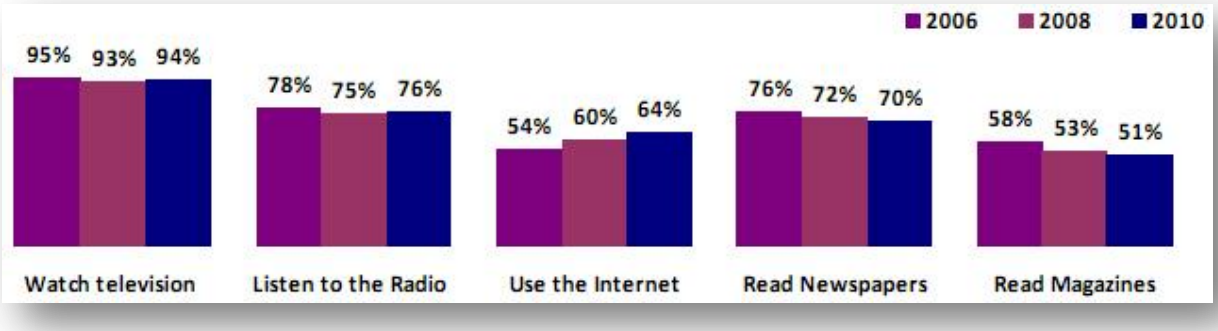
Picture 6 – Individuals who use internet at least once a week, EU27 (%), 2010 (by Eurostat)

Internet is being used for a variety of reasons and most common of them are provided in *Picture 7*.



Picture 7 – Top activities carried out on the internet (by Mediascope Europe)

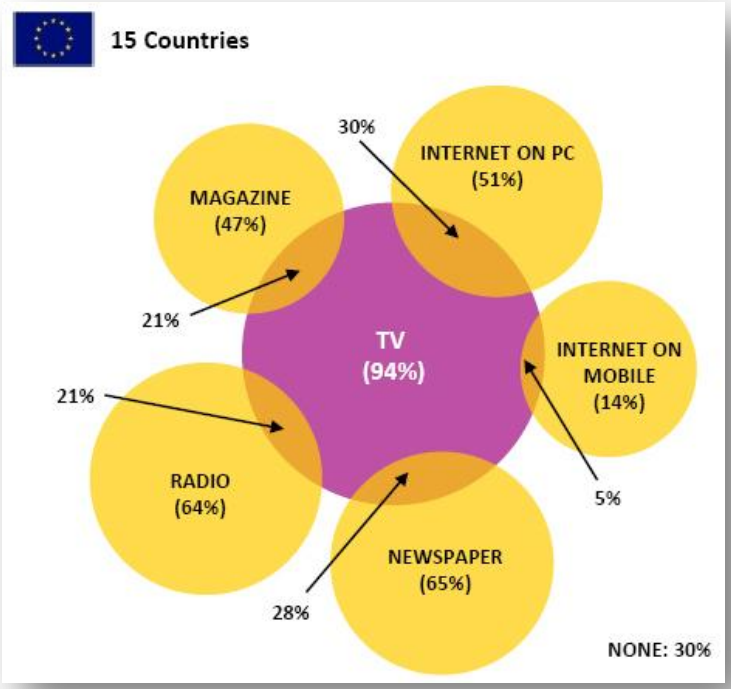
As it can be seen from the *Picture 7* – most popular ways of internet usage belong to the group of communicational purposes: nearly all internet users use e-mail and half of them belong to social networks or use instant messaging services. This highlights the importance of e-mail and social network communications for expanding businesses. Presence in social networks for international companies is very important because in these networks they can reach nearly half of all internet users and even greater group of internet users might be reached using e-mails that is why electronic newsletter or other opt-in e-mail programs are a must for expanding companies.



Picture 8 – Media usage in typical week (by Mediascope Europe)

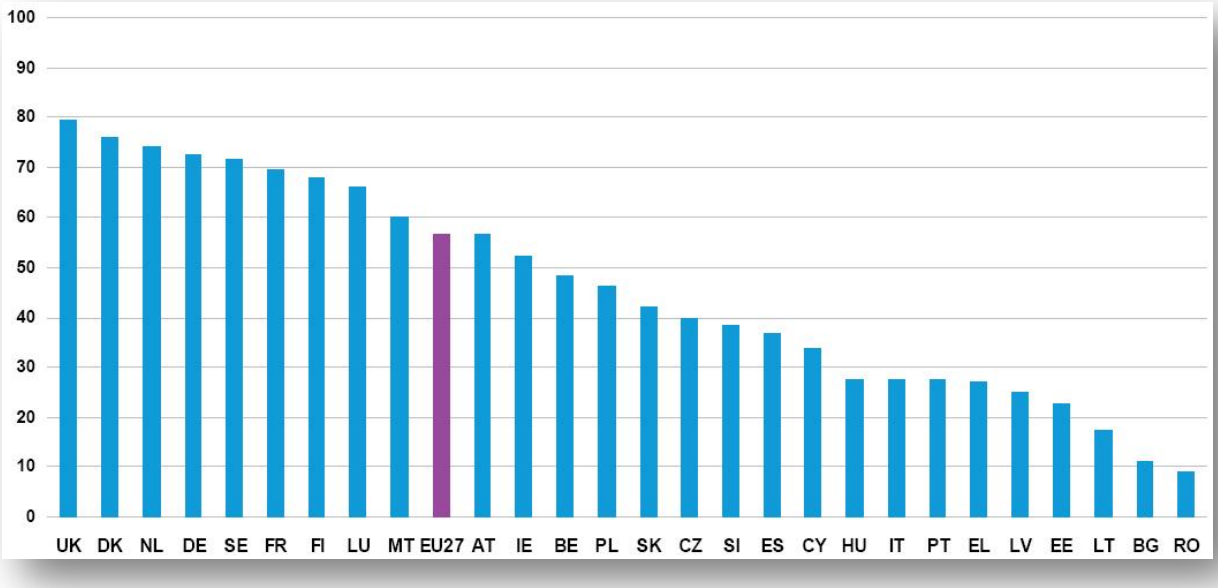
Other important thing to analyze is the Internet as a media in the context of other types of media. *Picture 8* provides information about the usage of each particular media. At the moment television is a dominating media and currently 94% of people use it. However there is a tendency for the decline of popularity in all types of media except the internet. Usage of television declined by 1% within last three years, usage of radio has declined by 2%, newspapers by 6% and magazines by 7%. On contrary – usage of internet has risen by 10% in last three years. This indicates that the usage of internet is simply boosting and in years to come this media is going to become dominant one. Worst situation is with the newspaper and magazines, because all types of press is moving to the internet and in years to come usage of these types of media will drastically decline giving its share to the internet.

As it was already discussed – television currently is a dominant media, but that does not mean that people give their full attention to this media when they use it. *Picture 9* provides insights into media meshing. 30% of respondents use internet while watching TV – this indicates that they are providing 30% less attention to the information obtained from television. Most commonly people switch their attention from their TV sets during TV ads. On contrary – expanding companies should be aware that advertising on the internet is more effective as people sometimes even do not treat advertising messages as advertising and do not navigate away from them.



Picture 9 – Media Meshing: TV - other media used (by Mediascope Europe)

E-commerce is among most important tools for business internationalization as it provides unique possibilities of seller-consumer interaction on a worldwide basis. Usage of e-commerce in different European countries is depicted in *Picture 10*.



Picture 10 – Usage of e-commerce by countries, 2010 (by Eurostat)

Usage of e-commerce in Lithuania is at a quite low level, however other countries show way higher numbers totaling in average of ~55% of internet users who bought or ordered goods or services for private use over the internet in the last 12 months. This provides the ability for expanding companies to reach huge foreign markets using e-commerce technology.

Despite being a great platform for direct trade internet also provides the unlimited sources of information for its users. Key sources of information for research are illustrated in *Picture 11*.

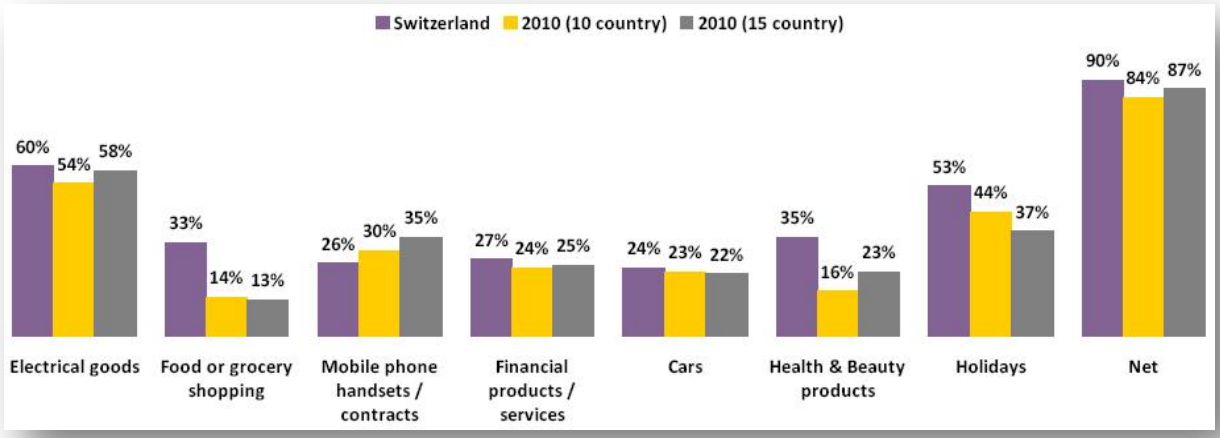


Picture 11 – Key sources of information for research, 2010 (by Mediascope Europe)

As it can be seen from *Picture 11* – search engines are number one source of information about desired products for consumers. This fact once more highlights that search engine marketing is unarguably very important for expanding companies, because only with proper search engine marketing new market entrants will be visible to their customers in new markets.

Social networks are also very important because 52% of people are looking for personal recommendations prior purchase decision and these recommendations can be provided in exactly in social networks.

Interactive advertising technologies sometimes might even influence the mind change. 55% of respondents in Europe (15 countries) researching on the internet changed their mind about the brand they were about to purchase – these results are provided in *Picture 12*.



Picture 12 – Changing mind after researching online (by Mediascope)

Chart above one more time illustrates the importance of internet presence for expanding companies. Poor internet presence in some cases might even lead to lost customers – 58% of electrical goods buyers have changed their mind about the brand or store where they want to acquire products after online research.

Thus it is very important to be acquainted with the internet power and use interactive advertising technologies as a valuable tool for business internationalization.

3.1.1. Correlation - regression analysis of exports and internet, e-commerce usage

In order to find out whether the relationship between exports and usage of internet by enterprises exist correlation analysis was performed. Following this, regression analysis revealed what impact usage of internet by enterprises has on total exports.

To evaluate the correlation and its significance between exports and usage of internet by enterprises Microsoft Excel program was used. Correlation results are provided in *Table 2*, statistical data can be found in *Appendix 8*.

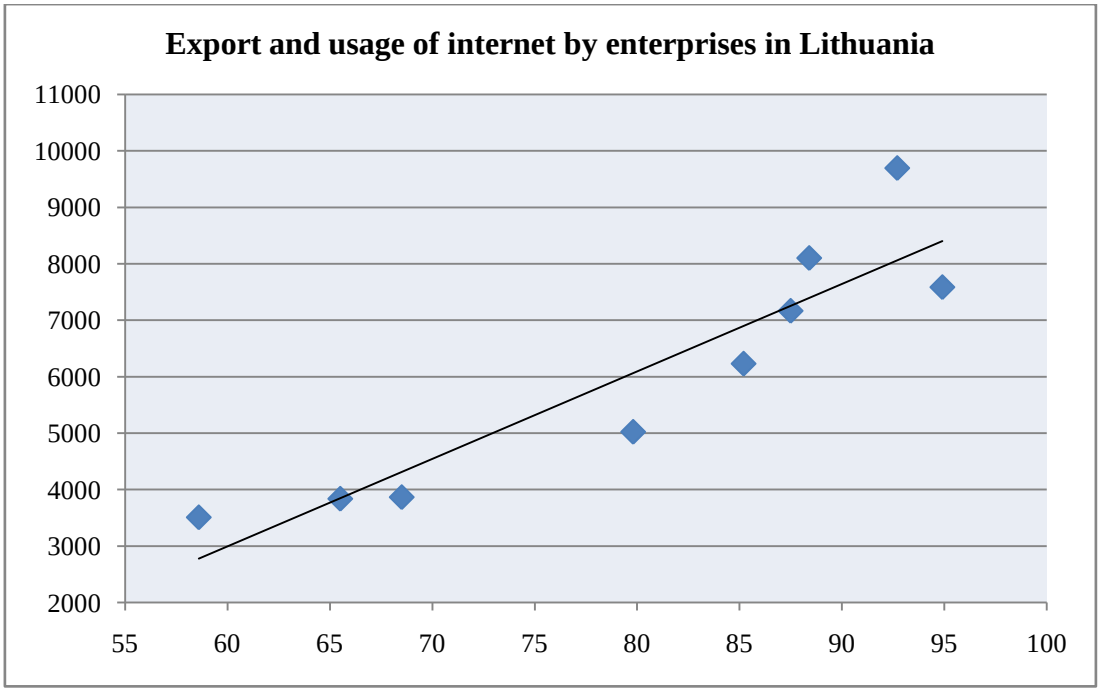
	Usage of internet by enterprises in Lithuania
Coef. of correlation	**0,92**
T stat.	6,08
T crit.	2,36
Relevance	T stat. > T crit.

Table 2 – Correlation analysis of usage of internet and exports in Lithuania (by Author)

Results obtained from correlation analysis show that correlation coefficient is significant and that there is a relation between observed variables.

There is a very strong correlation (0.92) between usage of internet by enterprises in Lithuania and Lithuanian exports. As a result – when usage of internet in Lithuania by enterprises increases Lithuanian exports also increase. This means that **the higher internet usage level by enterprises is going to be in Lithuania the more exports will be generated by Lithuanian enterprises**.

Form and analytical expression of stochastic connection of usage of internet by enterprises in Lithuania and Lithuanian exports were found using regression analysis. Curve that best describes the totality of statistical points is provided in *Picture 13*, curve equation is provided in *Table 3*.



Picture 13 – Regression curve 1 (by Author)

Calculation of relevance of regression is provided in *Appendix 10*.

a_0	-6313,162
a_1	155,078
$y = a_0 + a_1*x$	y = -6313,162 + 155,078x
F stat	36,93
F crit	5,59
Relevance	F stat. > F crit.

Table 3 – Regression analysis of usage of internet and exports in Lithuania (by Author)

The coefficient of regression a_1 indicates that **increase of internet usage in Lithuanian enterprises by 1% would result in 155 million LTL increase in Lithuanian exports**. This indicator is very important, because it reflects the importance of internet usage for business internationalization of Lithuanian companies.

In order to find out whether the relationship of exports in Lithuania and usage of e-commerce in European Union exist correlation analysis was performed. Following this, regression analysis revealed what impact usage of e-commerce in European Union has on total exports in Lithuania.

To evaluate the correlation and its significance of exports in Lithuania and usage of e-commerce in European Union Microsoft Excel program was used. Correlation results are provided in *Table 4*, statistical data can be found in *Appendix 9*.

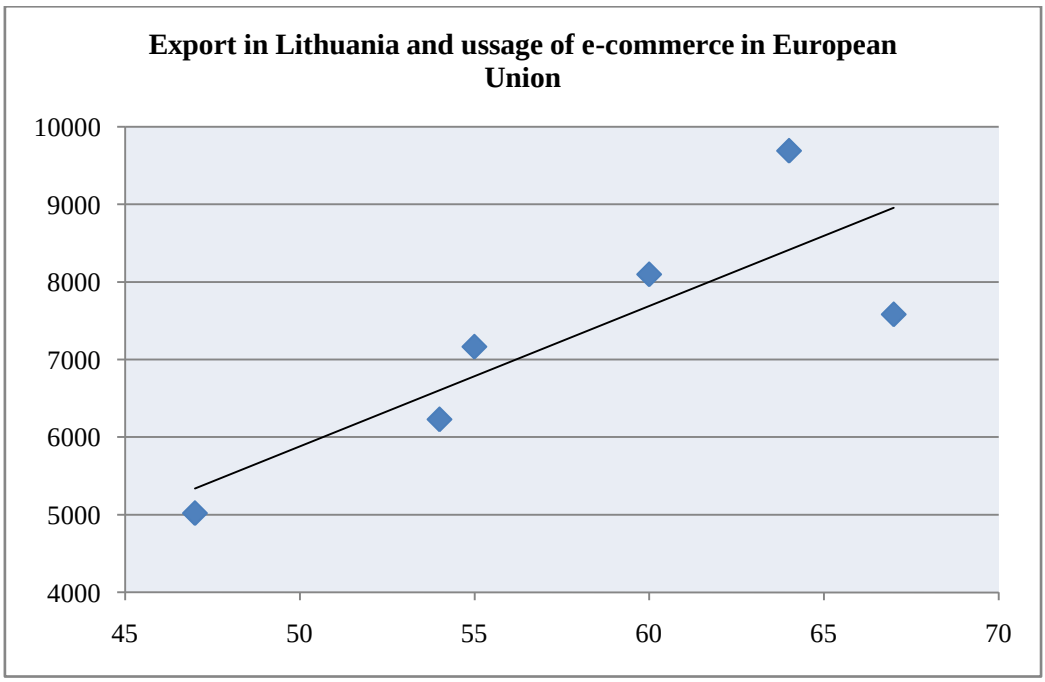
	Individuals having ordered goods/services over the internet in EU
Coef. of correlation	**0,83**
T stat.	2,93
T crit.	2,78
Relevance	T stat. > T crit.

Table 4 – Correlation analysis of export in LTU and usage of e-commerce in EU (by Author)

Results obtained from correlation analysis show that correlation coefficient is significant and that there is a relation between observed variables.

There is a very strong correlation (0.83) between exports in Lithuania and usage of e-commerce in European Union. As a result – when usage of e-commerce in European Union increases Lithuanian exports also increase. This means that **the higher usage level of e-commerce is in European Union the more exports will be generated by Lithuanian enterprises**.

Form and analytical expression of stochastic connection of usage of e-commerce in European Union and Lithuanian exports were found using regression analysis. Curve that best describes the totality of statistical points is provided in *Picture 14*, curve equation is provided in *Table 5*.



Picture 14 – Regression curve 2 (by Author)

Calculation of relevance of regression is provided in *Appendix 11*.

a_0	-3157,858
a_1	180,819
$y = a_0 + a_1*x$	y = -3157,858 + 180,819x
F stat	8,56
F crit	7,71
Relevance	F stat. > F crit.

Table 5 – Regression analysis of export in LTU and usage of e-commerce in EU (by Author)

The coefficient of regression a_1 indicates that **increase of usage of e-commerce in European Union by 1% would result in 181 million LTL increase in Lithuanian exports**. This indicator is very promising for Lithuanian enterprises wanting to internationalize, because there is a tendency for usage of e-commerce in European Union to grow and this will directly impact exports of Lithuanian companies.

3.2. Research of consumer attitudes towards interactive advertising technologies

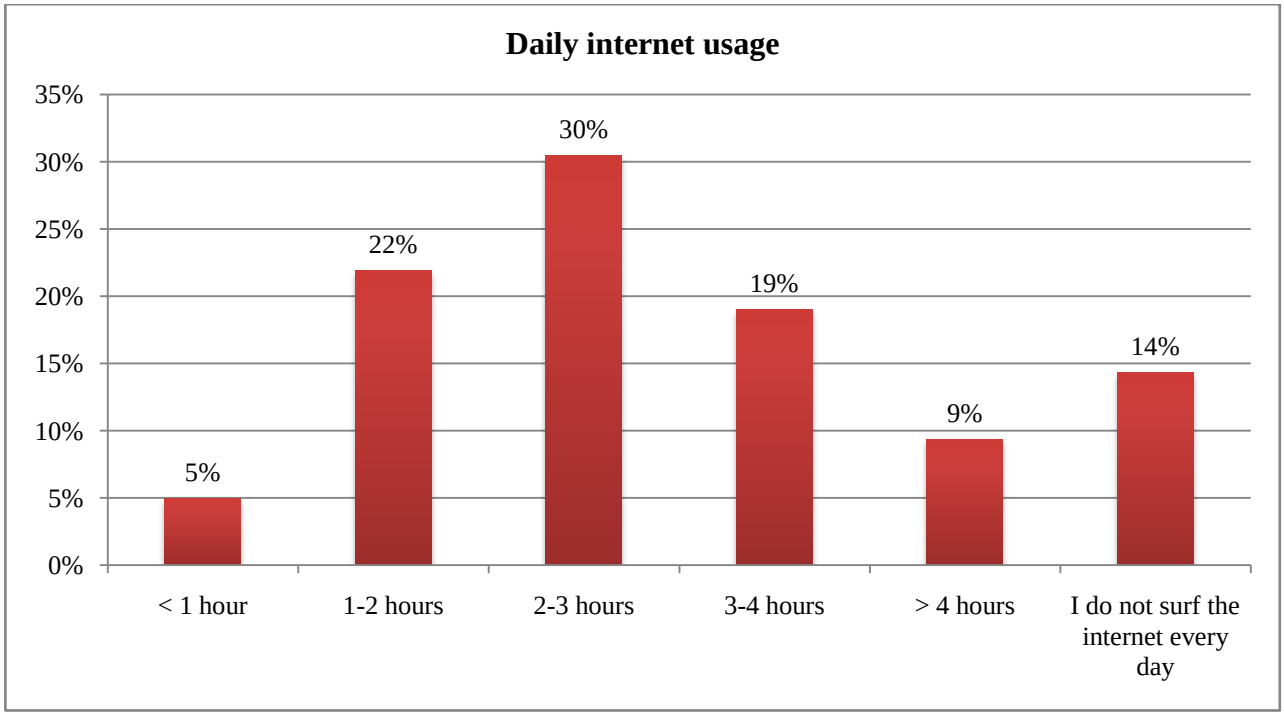
In order to analyze consumer online habits and preferences and to reveal the importance of different consumer characteristics that effect the perception of interactive advertising technologies applicable for business internationalization – customer research was performed.

Information obtained from survey respondents and insights concerned with specific facts are provided in following chapters.

Majority of survey respondents are people from 18 to 29 years old, they account for 64% of all respondents and thus the survey results mainly reflects perceptions of this age group.

Questionnaire used for the survey can be found in *Appendix 7*.

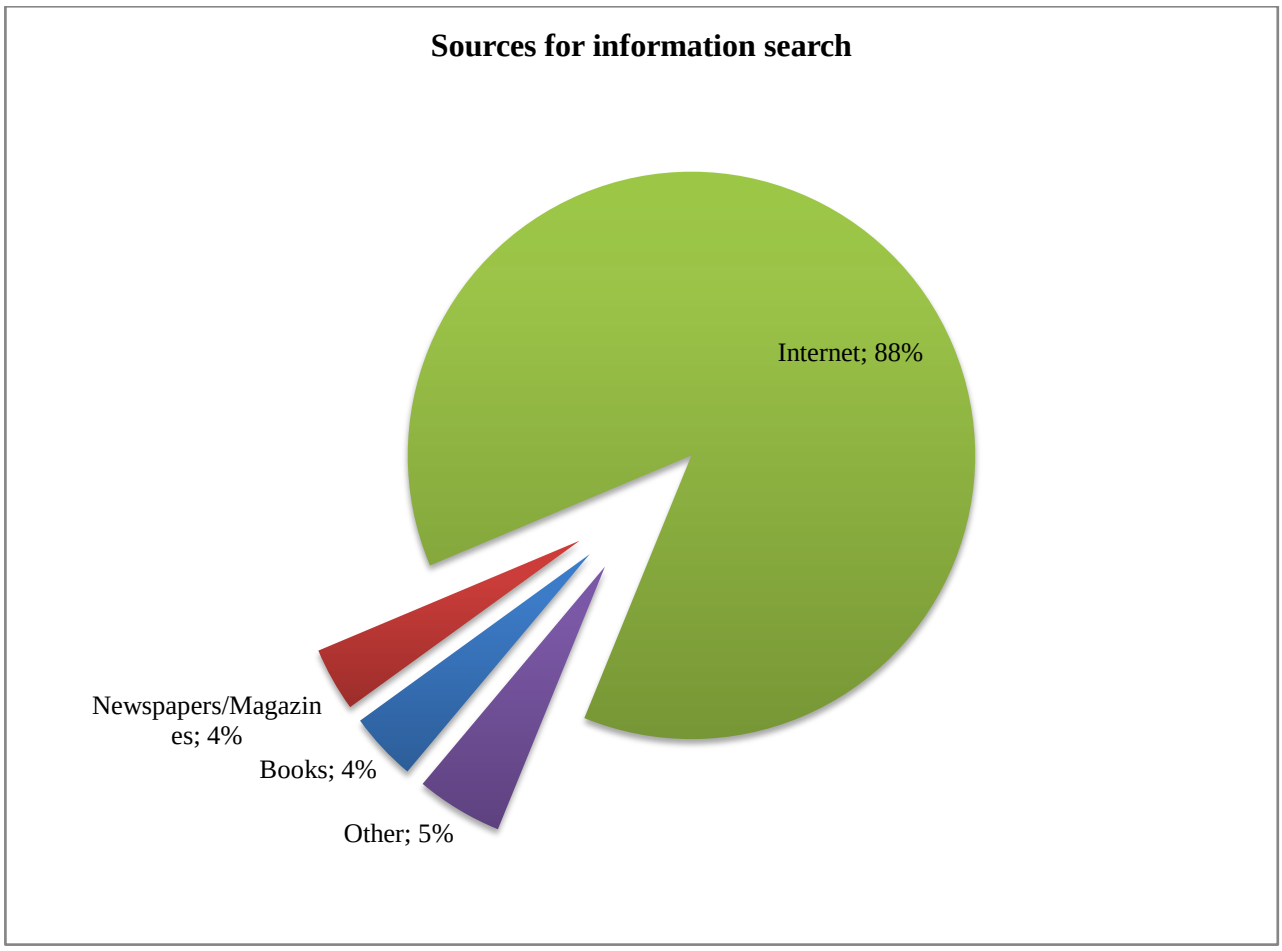
One of the first questions intended to reveal the importance of the internet in a modern society was concerned with the daily usage of the internet. Answers obtained from survey respondents concerned with this question are provided in *Picture 15*.



Picture 15 – Daily internet usage (by Author)

Not surprisingly only 14% of survey respondents answered that they do not surf the internet on a constant basis. Majority of respondents – 58%, spend more than 2 hours a day surfing the web and these numbers are most likely higher than the amount of time people spend reading magazines or newspapers, listening to radio or watching TV. The fact that people spend significant time surfing the web every day gives a great opportunity for managers of expanding companies to reach their target audiences using interactive advertising technologies.

In order to analyze whether people treat internet as a valuable source of information question about the information search habits was asked. Answers to this question are provided in *Picture 16*.

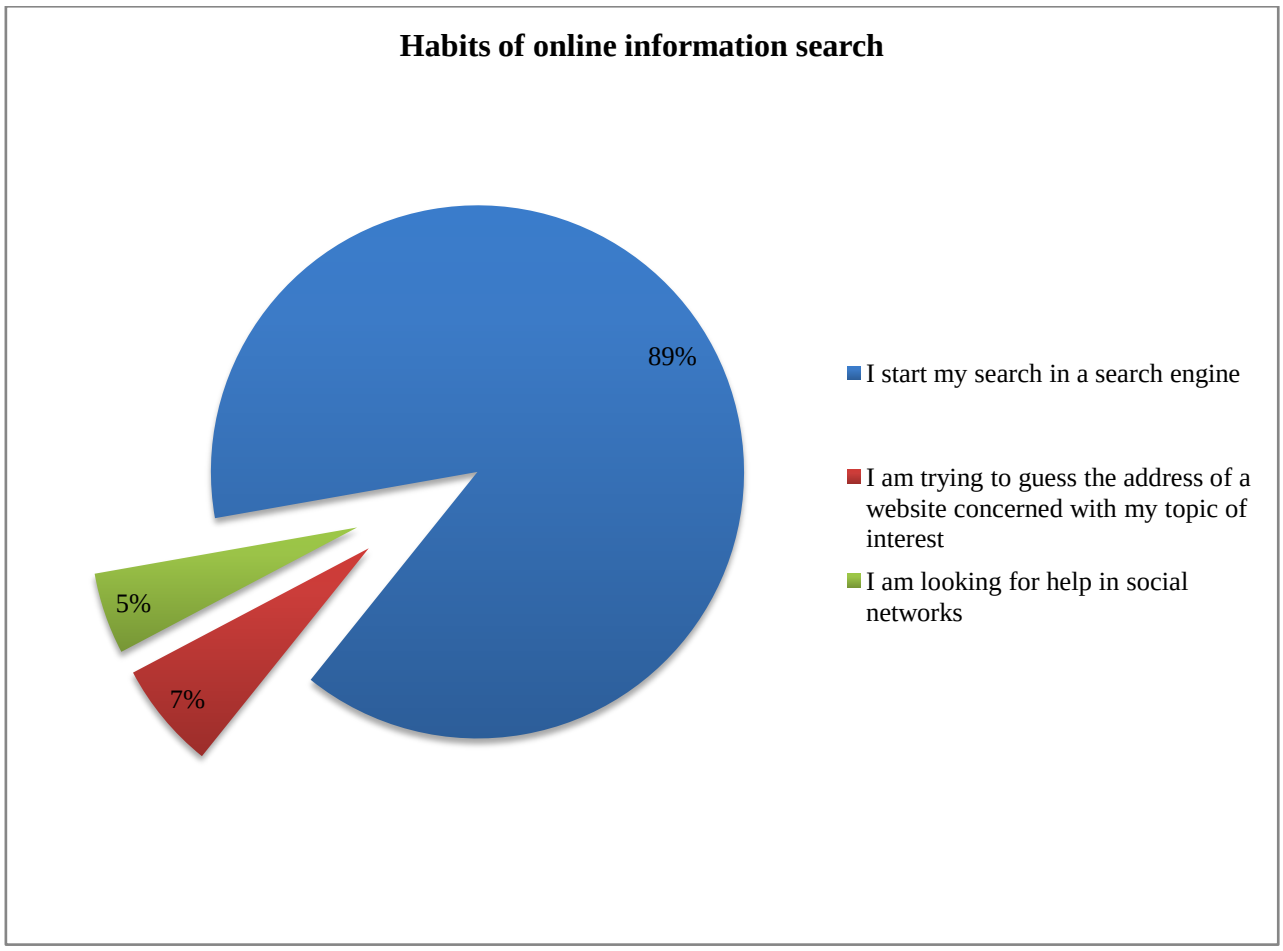


Picture 16 – Sources of information search (by Author)

As it can be seen from the graph below – internet remains number one source of information for vast majority of people. Newspapers, magazines, books and other sources of information account only for 13% of all information sources people use nowadays.

The fact that 88% of people use internet for information search highlights the importance of interactive advertising technologies in the consumer decision making process. When there is a need for outside information – consumers are going to address Internet and this is the place where they can be reached by only one mean of advertising and it is – interactive advertising. As a result expanding companies that want to be visible in foreign markets must have an online presence.

Following question goes a bit deeper and analyzes consumer online search habits. Survey respondents were asked to identify how they are using internet for information search. Answers to this question are depicted in *Picture 17*.

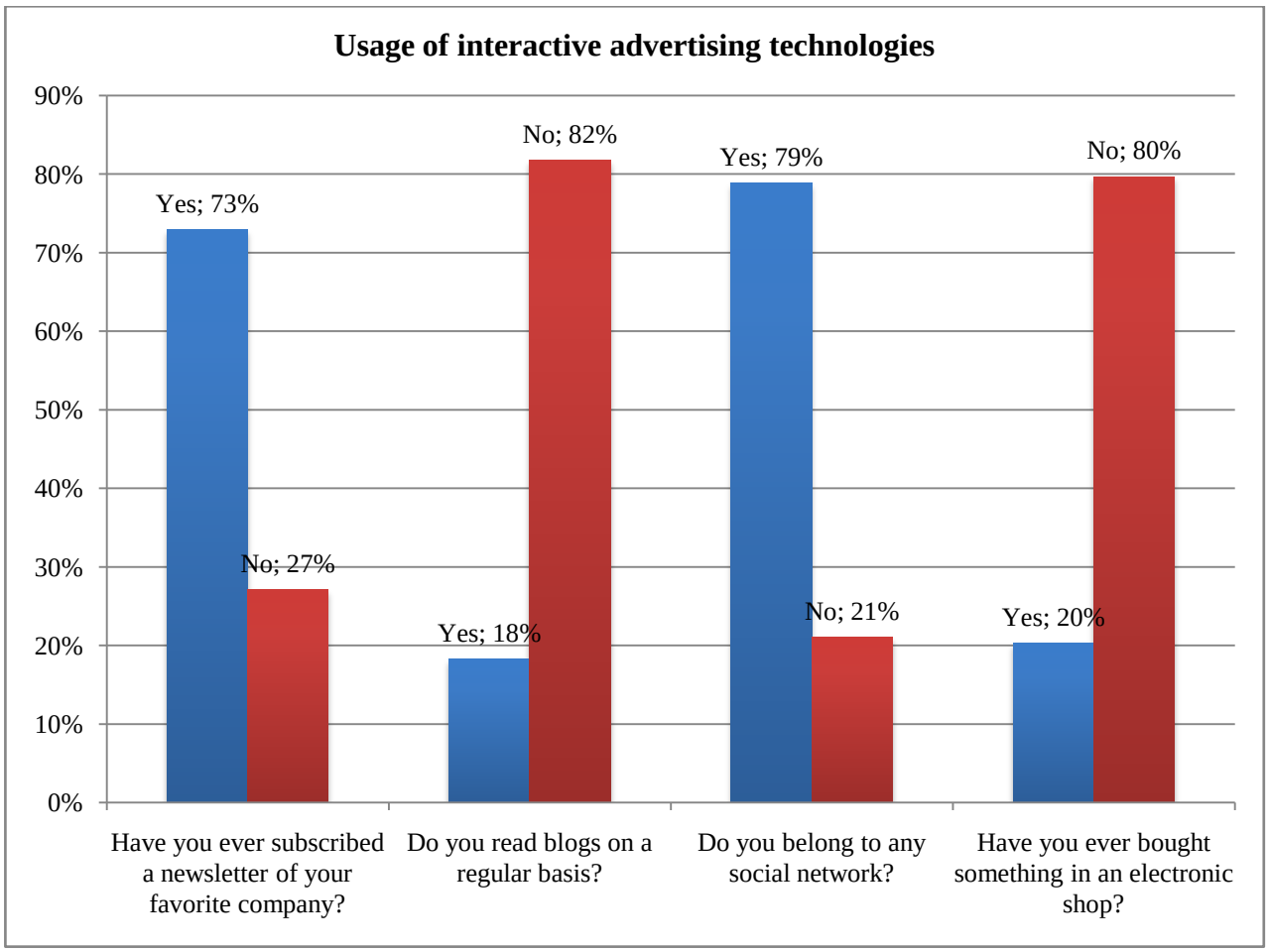


Picture 17 – Habits of online information search (by Author)

89% of respondents have answered that if they need some kind of information that can be obtained online they go straight to their favorite search engine. 5% of respondents are trying to look for the information in social networks (ask their friends or colleagues) and 7% of respondents are simply trying to guess the address of a website concerned with their topic of interest (if a person is in a need of information about cars he will for example try to go to a web page www.cars.com).

High number of search engine usage highlights the fact that presence in search engines (search engine marketing) is inevitable for expanding companies. If a new market entrant is going to have a good search engine optimization he will be even more visible for foreign market consumers than their local goods or services providers with weaker search engine optimization or no search engine optimization at all.

Next graph depicts answers to questions concerned with the usage of other interactive advertising tools. Survey respondents were asked if they belong to any kind of social network, do they read blogs on a constant basis, have they ever subscribed a newsletter of their favorite company and have they ever bought something in an electronic shop. Answers to these questions are provided in *Picture 18*.



Picture 18 – Usage of interactive advertising technologies (by Author)

Among the most popular tools of interactive advertising are newsletters (opt-in e-mail) and social networks.

73% of survey respondents have answered that they have subscribed to a newsletter of their favorite company. Customers that subscribe to a newsletter should be highly valuated by expanding companies, because these customers show a very direct interest in products or services of those companies; these customers allow to send them advertising material and sometimes they even agree to provide their personal information such as sex, age and interests – this information is very valuable because it can be used for in-depth target market analysis and by doing this expanding companies are able to acknowledge with foreign markets in more detailed manner.

79% of survey respondents have answered that they belong to some kind of social network. As a result big proportion of target market consumers can be reached via advertising campaigns in social networks. Advertising in social networks is very valuable for expanding companies, because there is a possibility to filter advertising material directly to target groups – social networks provide the ability to segment audiences by age, sex, place of residence, occupational position and other demographical characteristics.

To analyze consumer attitudes towards advertisements in social networks more deeply question about corporate profiles in social networks was included – this question revealed that 69% of survey respondents are fans or friends of corporate profiles. These numbers show that consumers are willing to add their favorite brands to their profiles and show them to their friends – this creates a very valuable advertising campaign that is absolutely free.

Other tool of interactive advertising that might be used for the establishment of emotional connection with consumers is blogs. 18% of survey respondents have answered that they read blogs on a constant basis and this number is quite high for Lithuania, because number of Lithuanian blogs is still relatively low. Blogs are interesting for people, because they can be written by anyone – neighbors, friends, relatives and etc., that is why people tend to accept blogs as the expression of someone's thoughts but not the advertising. As a result expanding companies are able to utilize blogs as hidden advertisements and establish emotional connection with their consumers in foreign markets.

Every fifth person from the survey answered that he had purchased something in an electronic shop. This number is quite low if compared with European average of ~50%. However 20% is relatively high number for Lithuania because electronic commerce is only at its roots in our country.

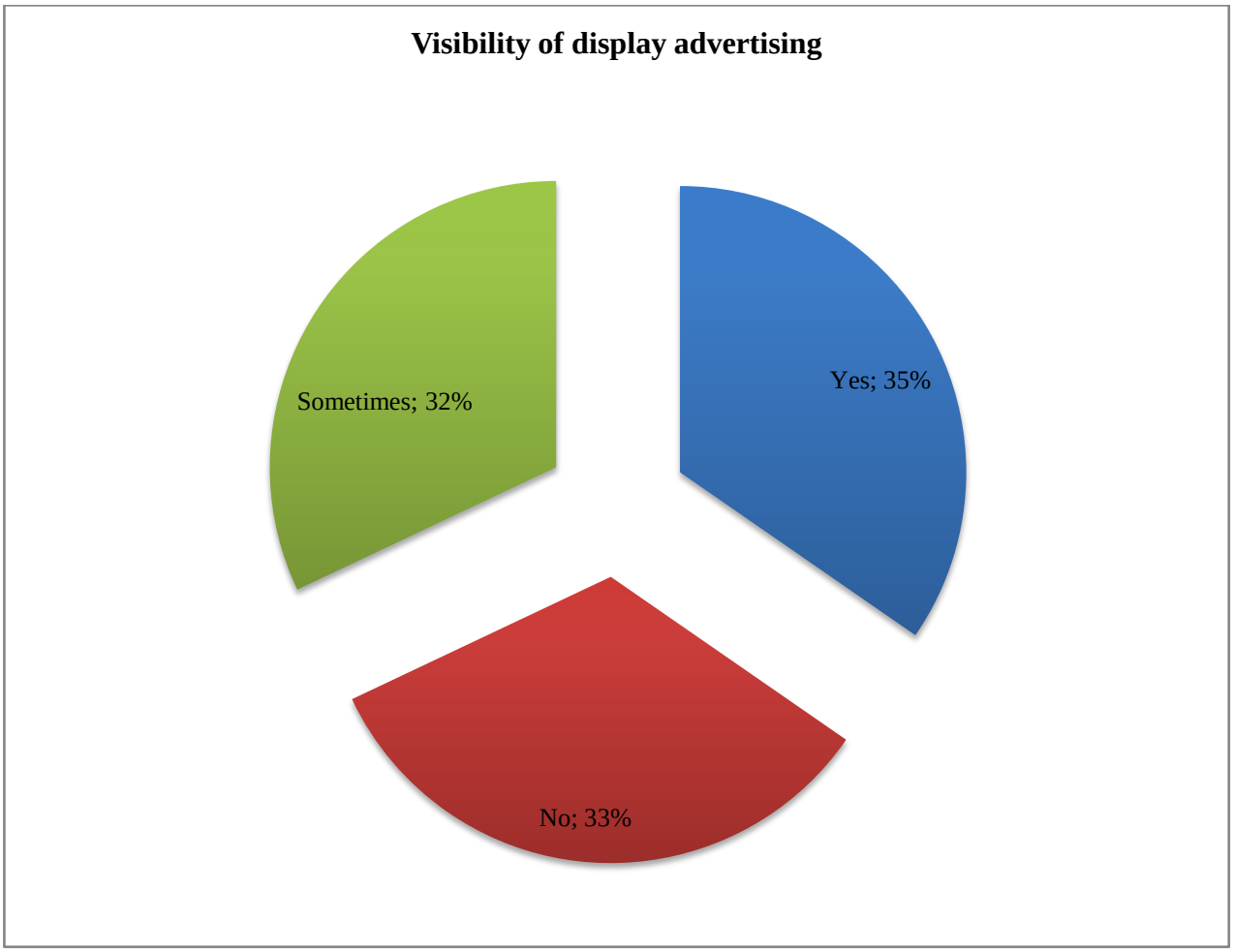
Survey respondents were also asked whether they rely on electronic commerce technologies and 65% answered that they think that it is secure to buy products in electronic shops – this fact only becomes an antecedent of the future growth of electronic commerce in Lithuania.

Nevertheless if the technology of electronic commerce is intended to support the international expansion this tool will be mainly tailored to foreign countries where the usage of e-commerce is most likely going to be at a higher level than in Lithuania. Electronic commerce tools are very valuable in international expansion because they give an opportunity for expanding companies to analyze their foreign target market consumer perceptions and even evolve to active trade.

Another group of interactive advertising technologies that can be used in a combination with web pages, social networks, blogs, e-commerce and other is display advertising.

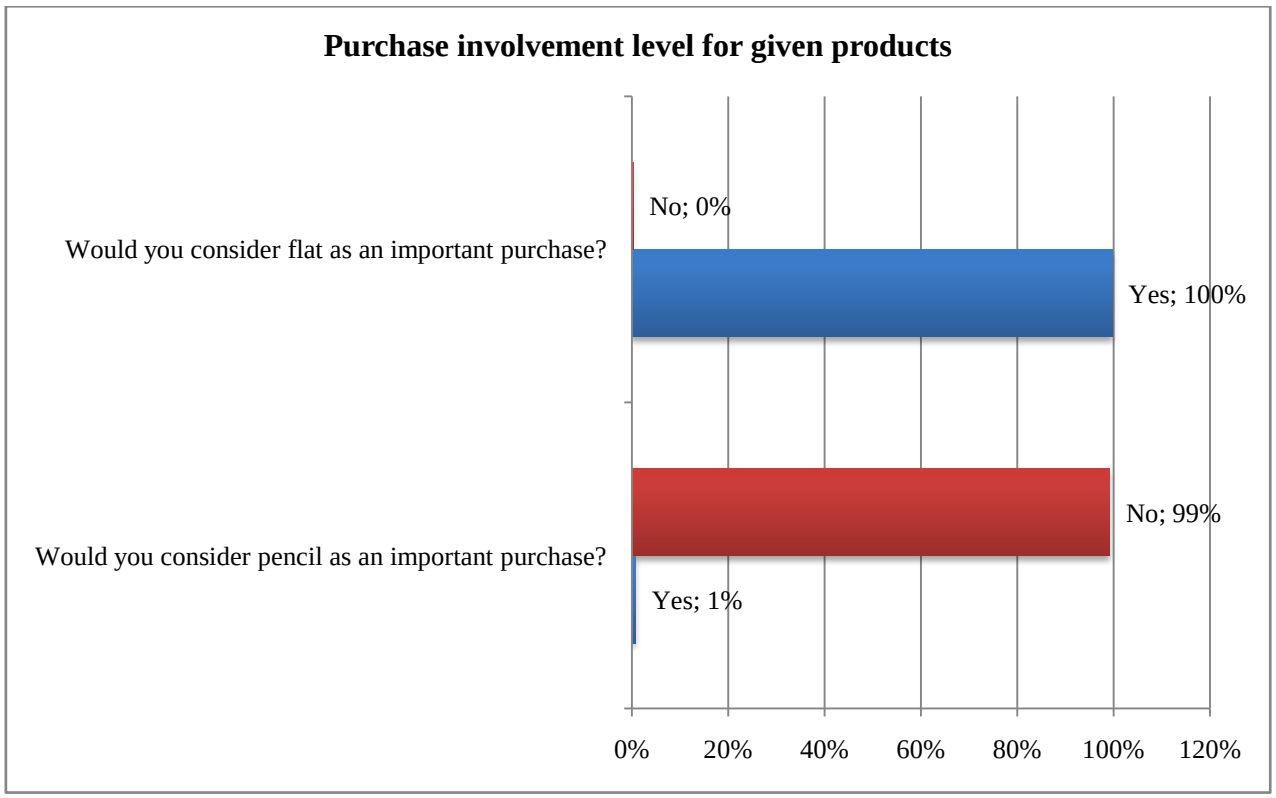
Display advertising is one of the oldest forms of interactive advertising and some marketers tend to believe that it is not as effective as it was when it was introduced. However 35% of survey respondents indicated that they acknowledge with information provided in banners and very similar group of 32% of survey respondents indicated that they sometimes acknowledge with information provided in banners. This creates a significant group of 67% of survey respondents that might be attracted by banners in web content. Graph depicting survey respondent answers is provided in *Picture 19*.

Using banners expanding companies are able to attract customers from foreign markets to their web content. So the task is to make interesting and noticeable banners to attract attention and if the attention is attracted web content observers will most likely acknowledge with provided advertising material.



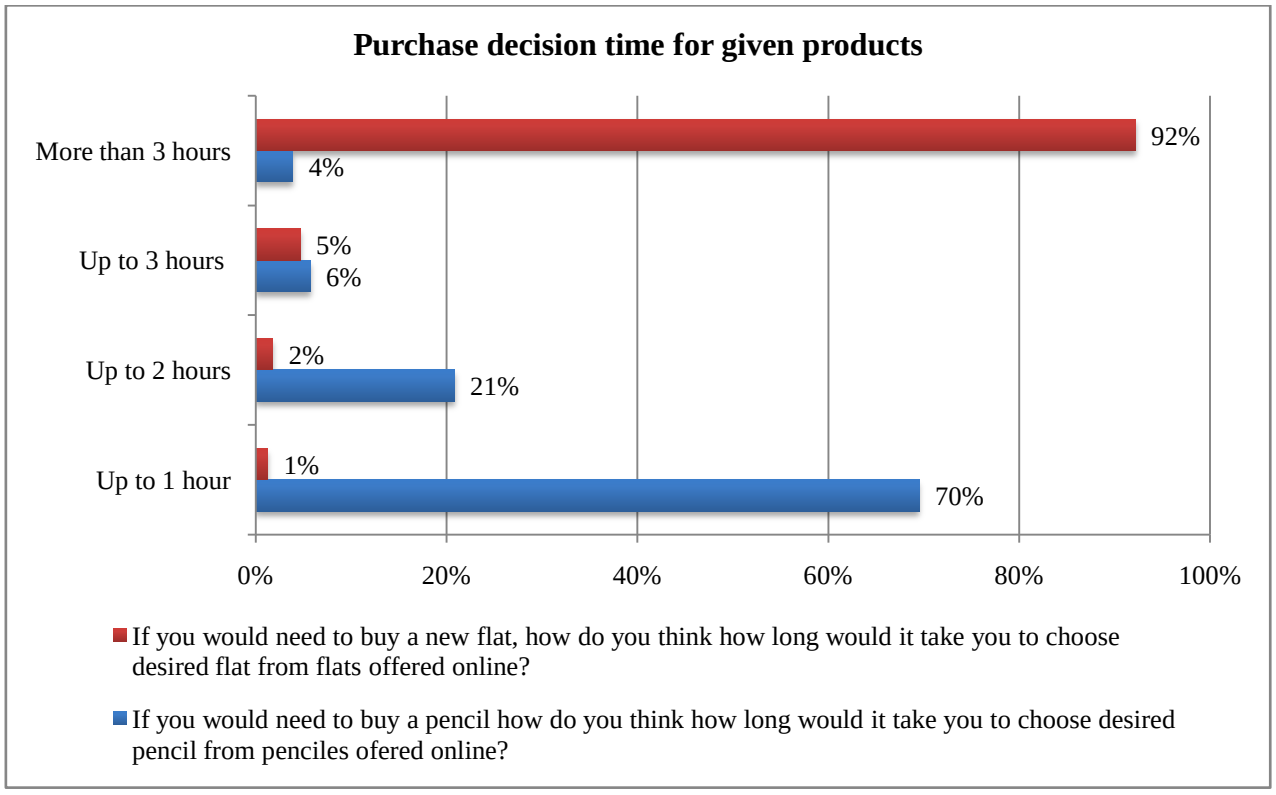
Picture 19 – Visibility of display advertising (by Author)

In order to reveal the relationship between purchase involvement level and amount of conducted information search survey respondents were asked to express their opinions about the importance of purchase of flat and pencil, following this they had to answer how long it would take them to choose such products from similar products offered online. Answers to these questions can be found in *Picture 20* and *Picture 21*.



Picture 20 – Purchase involvement level for given products (by Author)

Not surprisingly all survey respondents have identified flat as an important purchase and only 1% of respondents identified pencil as an important purchase.



Picture 21 – Purchase decision time for given products (by Author)

Survey respondents also indicated that they would need more time to choose important product that less important one. As a result it can be stated that the more important purchase is for a consumer the more time he is going to spend online seeking for information about it. This indicate that "important" product sellers (for example: cars, real estate and etc.) should employ as many interactive advertising technologies as possible and provide large amounts of comprehensive information about their products. If comprehensive information is provided in particular company web content there is a possibility that consumers will not seek for more information and will not navigate to competitor web content in this way client might be saved.

Search engine optimization is also very important for the promotion of "important" products, because consumers are going to generate a great amount of information search and the first place they are going to address is internet and particularly – search engines.

3.2.1. Correlation analysis of reliance on particular interactive advertising technologies

In order to find out whether consumer reliance on particular interactive advertising tools is related to consumer knowledge and information search abilities correlation analysis was performed.

To perform correlation analysis data obtained from the consumer survey results was used. Answers summarizing consumer reliance on particular tools of interactive advertising are provided in *Table 6*.

Answer	Rely on newsletters	Rely on corporate web pages	Rely on blogs	Rely on e-commerce
Yes	78	127	134	251
No	50	88	15	133
Sometimes	256	169	235	-

Table 6 – Reliance on particular tools of interactive advertising (by Author)

In order to express consumer answers in quantitative terms values were assigned to each answer. Answer values are expressed in *Table 7*.

Answer	Value
Yes	3
No	1
Sometimes	2

Table 7 – Answer values 1 (by Author)

Answer values for question about reliance on e-commerce are different, because this question had only two possible answers (Yes or No). Answer values to this question are provided in *Table 8*.

Answer	Value
Yes	2
No	1

Table 8 – Answer values 2 (by Author)

Consumer knowledge and ability to search are denoted as an internet surfing capabilities and the evaluation of consumer internet surfing capabilities (survey respondents evaluated their internet surfing capabilities within the scale from 1 – bad, to 5 – very good) is shown in *Table 9*.

	1	2	3	4	5
Internet surfing capabilities	7	14	98	150	115

Table 9 – Internet surfing capabilities (by Author)

All survey data used for correlation analysis is provided in *Appendix 15*.

To evaluate the correlation and its significance between internet surfing capabilities and reliance on given technologies of interactive advertising Microsoft Excel program was used. Obtained correlation analysis results are provided in *Table 10.*

	Rely on newsletters	Rely on corporate web pages	Rely on blogs	Rely on e-commerce
Coef. of correlation	**-0,27**	**0,43**	**-0,46**	**0,51**
T stat.	5,45	9,40	10,23	11,52
T crit.	1,97	1,97	1,97	1,97
Relevance	T stat. > T crit.	T stat. > T crit.	T stat. > T crit.	T stat. > T crit.

Table 10 – Correlation analysis of consumer research (by Author)

Results obtained from correlation analysis show that all correlation coefficients are significant and there is a relation between observed variables.

There is a weak negative correlation (-0.27) between reliance on newsletters and internet surfing capabilities, however the number of respondents is high enough for this analysis and tendency is visible. As a result – consumers that rely on newsletters tend to have lower internet surfing capabilities and it can be predicted that when consumer internet surfing capabilities improve reliance on information provided in newsletters decrease. This means that **managers of expanding**

companies should develop newsletters for their consumers with lower internet surfing capabilities.

There is a medium positive correlation (0.43) between reliance on corporate web pages and internet surfing capabilities. As a result – consumers that rely on corporate web pages tend to have higher internet surfing capabilities and it can be predicted that when consumer internet surfing capabilities improve reliance on information provided in corporate web pages increase. This means that **managers of expanding companies should develop corporate web pages for their consumers with higher internet surfing capabilities**.

There is a medium negative correlation (-0.46) between reliance on blogs and internet surfing capabilities. As a result – consumers that rely on blogs tend to have lower internet surfing capabilities and it can be predicted that when consumer internet surfing capabilities improve reliance on information provided in blogs decrease. This means that **managers of expanding companies should develop blogs for their consumers with lower internet surfing capabilities**.

There is a medium positive correlation (0.51) between reliance on e-commerce and internet surfing capabilities. As a result – consumers that rely on e-commerce tend to have higher internet surfing capabilities and it can be predicted that when consumer internet surfing capabilities improve reliance on information provided in e-commerce increase. This means that **managers of expanding companies should develop e-commerce for their consumers with higher internet surfing capabilities**.

To conclude correlation analysis it can be stated that that consumer knowledge and ability to search has a positive impact on the interest in corporate web pages and e-commerce and negative impact on interest in newsletters and blogs. That is – when consumer internet surfing capabilities improve they tend to value corporate web pages and e-commerce more, but they tend to ignore newsletters and blogs.

3.3. Analysis of Lithuanian corporate web pages adapted for business internationalization

Corporate web pages were chosen for a further research as a result of a correlation analysis, as it was revealed that when consumer internet surfing capabilities increase they tend to rely on this tool of interactive advertising more. Furthermore – corporate web page is usually first and sometimes the only one interactive advertising technology used by Lithuanian companies.

www.snaige.lt, www.tauras.lt and www.vici.lt corporate web pages were chosen for analysis randomly from Lithuanian corporate web pages of companies that are exporting their products to

foreign countries (screenshots of these web pages are provided in appendixes: www.snaige.lt – *Appendix 12*, www.tauras.lt – *Appendix 13*, www.vici.lt – *Appendix 14*).

Based on literature overview and survey results 5 most important characteristics of corporate web pages were distinguished and values were assigned to each criterion:

- Search engine optimization – this element is crucial for almost all web pages in all countries, because consumer search usually starts exactly in search engines. Search engine optimization has to be checked using different keywords in different languages and analyzing meta data structure.
- Interactive features and simplicity – webpage has to be simple and easy to orientate in. Due to the fact that company is new to the market its customers will try to get as much information as possible about its products, thus the information has to be provided in clear and accessible manner.
- Clear description of services and products – content has to provide answers to all possible questions. If consumers will find majority of answers in particular web page they are most likely to search less of outside information in other web pages (possibly web pages of competitor companies).
- Adaptation for international users – clear and easy to access information is not enough, if information will be provided in languages that are unfamiliar for foreign market consumers it will be worthless. As a result at least English and Russian language translations of web pages has to be provided to be oriented to most common export destinations of analyzed companies.
- Web page design – design is also important, because with the help of a corporate web page design image of solid and trustworthy company can be created.

  Values of mentioned criterions are summarized in *Table 11*.

Criterion	Value
Search engine optimization	0.3
Interactive features and simplicity	0.1
Clear description of services and products	0.2
Adaptation for international users	0.3
Web page design	0.1

Table 11 – Criterion values (by Author)

According to the *Table 11* – most important criterions are: Search engine optimization and Adaptation for international users. Search engine optimization is very important because people use search engines as a number one source for information search and if they will be looking for some

sort of information about products or services they most likely are going to be looking for it in search engines. Adaptation for international users is important because information has to be provided to consumers in understandable language; at least Russian and English languages has to be added because these languages are among most popular ones in expansion markets of Lithuanian companies.

Second important criterion is – Clear description of products and services, because consumers have questions and they need to be answered with clear and easy to understand descriptions of products and services.

Interactive features and simplicity and Web page design are also important characteristics as they are forming the image of the company and enabling easy access of information.

Having valuations of corporate web page features final marks were calculated and best corporate web page was revealed. Final mark of each web page is a sum calculated by multiplying points given for particular criterion and its value. Evaluation in points for each particular criterion might range from 1 (worst) to 5 (best). Evaluation of each web page is summarized in *Table 12*.

Web pages:	**Criterions and their values**					**Final mark:**
	Search engine optimization 0.3	**Interactive features and simplicity** 0.1	**Clear description of services and products** 0.2	**Adaptation for international users** 0.3	**Web page design** 0.1	
www.tauras.lt	1*0.3 = 0.3	3*0.1 = 0.3	2*0.2 = 0.4	5*0.3 = 1.5	3*0.1 = 0.3	2.8
www.snaige.lt	1*0.3 = 0.3	5*0.1 = 0.5	5*0.2 = 1.0	5*0.3 = 1.5	5*0.1 = 0.5	**3.8**
www.vici.lt	1*0.3 = 0.3	4*0.1 = 0.4	4*0.2 = 0.8	3*0.3 = 0.9	2*0.1 = 0.2	2.6

Table 12 – Corporate web page evaluation table (by Author)

As it can be seen from the results worst situation is with Search engine optimization, because all analyzed web pages are not ready for search engines when foreign language key words are used.

Simplest navigation and most suitable interactive features are provided in www.snaige.lt web page. Information is also easily accessible in www.vici.lt web page. Orientation in www.tauras.lt is more complicated, if users need more specific information longer search of information has to be executed.

Web paged of www.snaige.lt and www.vici.lt provides clear descriptions of products and services in all offered languages. Whereas www.tauras.lt provides not all available descriptions of

products and services in foreign languages and that is not good if company is trying to become competitive in foreign markets.

At least English and Russian translations were required for initial preparation of a corporate web page for business internationalization. Web pages of www.tauras.lt and www.snaige.lt fulfilled this requirement; www.vici.lt provides only translation to English language.

In the case of language translations – the more the better, because even if company is not exporting its products to specific country, usage of that country language might create an interest in that company product, thus new opportunities for business internationalization might arise.

Although web page design has a value of only 0.1 it is also very important because good design creates a solid and trustworthy image of expanding company. Best design is provided by www.snaige.lt and www.tauras.lt web pages; www.vici.lt lacks of clean and solid image – its design is outdated.

As a result from analyzed corporate web pages the one that is best prepared for business internationalization is www.snaige.lt. It provides enough amounts of clear and easily accessible information in required languages and solid design with integrated interactive features. The only important thing to consider is search engine optimization – it has to be enhanced for a web page to be visible in search engines; search engine advertising is also to be considered.

3.4. Diagnosis of issues arising for entities participating in the process of interactive advertising development

One of the major problems in international management is reality inadequacy to aspiration, thus it is important to define entities and their interests in different contexts.

To diagnose possible issues arising for entities participating in the process of interactive advertising development – entities, their interests and their problems of interactive advertising development are analyzed in the following chapters.

3.4.1. Participating entities

One of the first steps in the process of issue diagnosis in international management is the clear definition of entities. In the case of interactive advertising – it is the clear definition of entities participating in the process of interactive advertising development.

As a result following most important entities participating in the process of interactive advertising development were distinguished:

- Entrepreneur wanting to expand his company.

- Marketing manager of expanding company.
- Advertising agency.
- Competitors of expanding company.
- Consumers of expanding company.
- Local and foreign authorities of the countries company is expanding to

As it can be seen – the first entity is an entrepreneur that wants to expand his business to foreign countries and start interactive advertising campaign. This is probably the most important entity, because its actions affect all other entities.

Entrepreneur wanting to expand his company usually assigns marketing manager to perform all interactive advertising tasks. As a result entity of marketing manager that is responsible for interactive advertising development is assigned.

Marketing managers that are responsible for interactive advertising development especially in the foreign markets usually don't have a strong know how background of this specific field, that is why in most cases entity of advertising agency is hired.

As expanding company enters foreign market and starts its interactive advertising campaign it engages in contact with already established companies offering similar products or services in that particular region. As a result competitors of expanding company can be defined as one of the entities participating in the process of interactive advertising development.

Consumers of expanding company are also very important entities, because interactive advertising effort is aimed and targeted to particular consumer needs in particular foreign market company is expanding to.

And finally – last two entities are governments or different authorities both local and foreign of the countries company is expanding to.

3.4.2. Interests of participating entities

Once the entities participating in the process of interactive advertising development are described interests of those entities can be analyzed.

Possible interests of entrepreneur wanting to expand his company:

- Economic benefit. Entrepreneur is expanding his company in order to achieve personal economic benefit.
- New challenges. Entrepreneur is an adventurous personality and he wants new challenges.

- Company growth. Entrepreneur is willing to expand his company to different foreign markets and by that he is willing to attain some specific market share of new foreign markets.

Possible interests of marketing manager of expanding company:

- Economic benefit. Manager is expecting to get a salary bonus for successful implementation of interactive advertising campaign.
- Promotion. Manager is expecting to get a promotion for successful implementation of interactive advertising campaign.
- Secure workplace. Manager is performing assigned task in order to not get fired.

Possible interests of advertising agency:

- Economic benefit. Advertising agency is providing help for the expanding company and in return is expecting monetary remuneration.

Possible interests of competitors of expanding company:

- Maintain customers. Already established companies in new target market of expanding company want to maintain their customers and not let them shift to a new foreign rival company.
- Redeem lost customers. Already established companies in target market of expanding company want to redeem their lost customers that are now customers of a new foreign rival company.
- Enhance online presence. Competitors of expanding company will react to its interactive advertising campaigns and will try to increase their online presence.

Possible interests of consumers of expanding company:

- Price of products / services. Consumers in foreign markets will want cheap or reasonable prices for products / services from new market entrant.
- Quality of products / services. Consumers in foreign markets will want as high quality as possible for the given price from new market entrant.
- Accessibility of products / services. Consumers in foreign markets will want new market entrant products / services to be conveniently accessible.

Possible interests of local authorities:

- Taxes. Government of the country where expanding company is originated is expecting that this company would pay taxes.
- Employment. Government of the country where expanding company is originated is expecting that this company would employ citizens of this country.
- Transparent operations. Government of the country where expanding company is originated is expecting that this company would perform transparent operations and that all local regulations and laws are met.

Possible interests of foreign authorities:

- Taxes. Foreign government of the country where company is expanding to is expecting that this company would pay taxes.
- Employment. Foreign government of the country where company is expanding to is expecting that this company would employ citizens of this country.
- Transparent operations. Foreign government of the country where company is expanding to is expecting that this company would perform transparent operations and that all local regulations and laws are met.

As it can be seen – different entities have different interests, but not all these interests are compatible with each other and when these interests overlap – conflicts arise. Possible problems occurred due to the mismatch of interests of different entities are described and analyzed in the following part.

3.4.3. Problems arising for participating entities

After the identification of entities participating in the process of interactive advertising development and distinction of their possible interests – discussion concerning arising problems of interactive advertising development can be started.

Most common problems arising due to the confrontation of interests of different entities are described in *Table 13*.

Entity	Confronting entities	Arising problems
Entrepreneur	Marketing manager	If marketing manager feels that he is not going to get neither monetary incentive, nor promotion for well performed development of interactive advertising he

		can perform assigned tasks ineffectively and in a rejected manner.
	Advertising agency	Entrepreneur will want advertising agency services to be as cheap as possible and advertising agency will try to maximize their gains. As a result – it is possible that advertising agency will offer only basic services for agreed price and that might be just not enough for the successful implementation of interactive advertising program.
	Competitors	Competitors will off course defend their market and they will try to make the entry of a new company as complicated as possible.
	Consumers	Consumers might sometimes prefer only local production or services thus ignoring products or services of a new foreign company.
	Local and foreign authorities	Entrepreneur expanding his business to other countries might sometimes break foreign country laws simply because of lack of legislative knowledge of a foreign country he is expanding to.
Marketing manager	Advertising agency	Deadlines are one of the most common problems concerned with the cooperation with advertising agencies. Marketing manager will set deadlines for the implementation of interactive advertising campaigns, but advertising agency might not meet these deadlines.
	Competitors	Competitors will off course defend their market and they will try to make the entry of a new company as complicated as possible.
	Consumers	Consumers in foreign countries might reject products or services of a new market entrant (for example due to the cultural differences) and marketing manager sometimes might not be able to change this even modifying all marketing mix elements.
	Local and foreign authorities	Marketing manager might sometimes break foreign country laws simply because of lack of legislative knowledge of a foreign country his company is expanding to.

Advertising agency	Competitors	Competitors might react to a new competing interactive advertising campaign and launch even stronger interactive advertising campaign, thus making the first advertising campaign ineffective or less effective.
	Consumers	Consumers might reject the interactive advertising agency implemented interactive advertising tools if they are inadequate for appropriate culture or mentality.
	Local and foreign authorities	One of the most common problems in interactive advertising development is authorship rights – advertising agency might use multimedia material for interactive advertising campaign that they have no rights for and by doing this they will break the law.
Competitors	Consumers	Consumers might be affected by interactive advertising campaign of a foreign company and shift from their old producers to a new market entrant.
	Local and foreign authorities	Competitors might sometimes employ illegal ways to rival new foreign entrant company that is trying to compete with them.

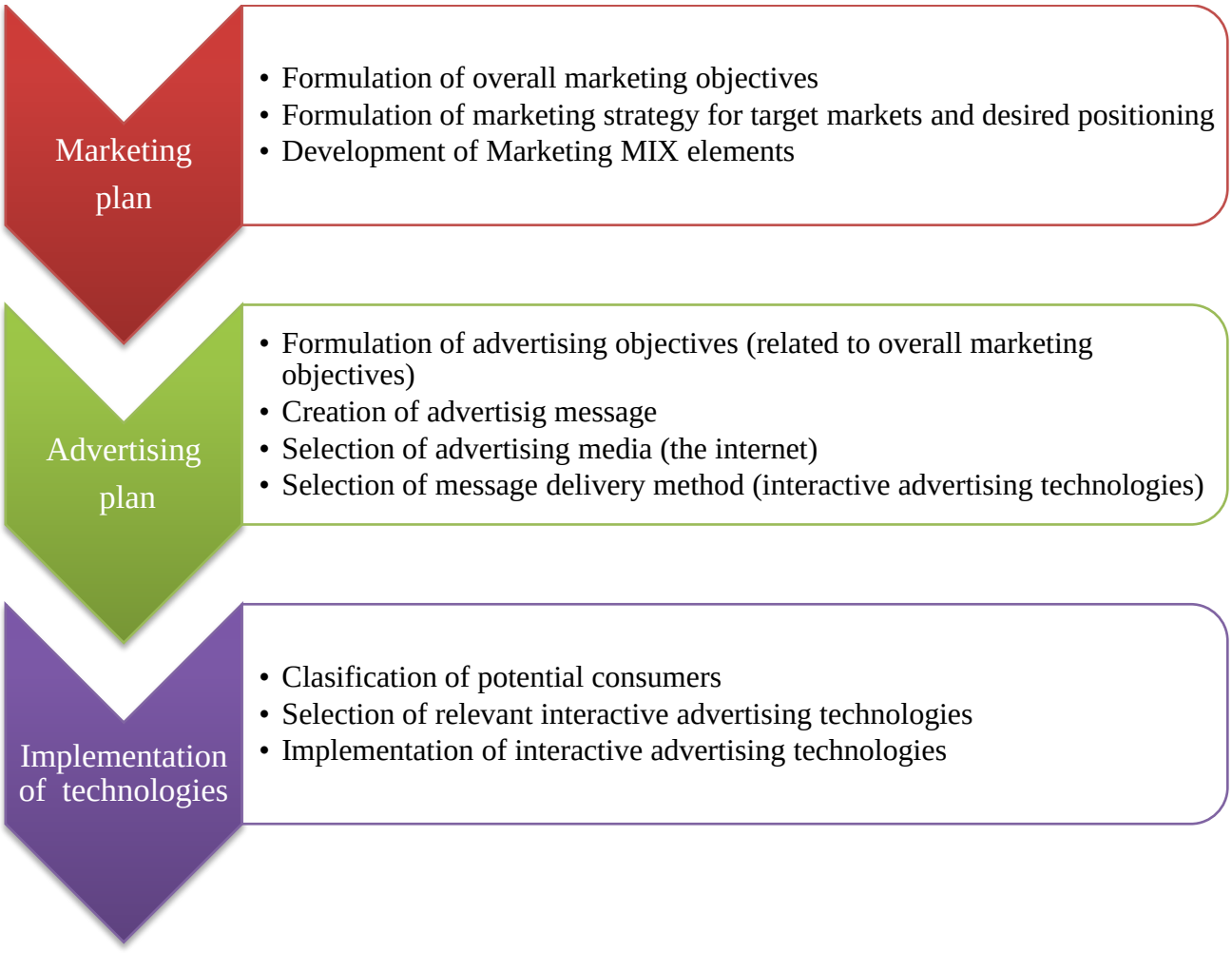
Table 13 – Problems arising in the process of interactive advertising development (by Author)

Described problems are only the most common ones, whereas there are other smaller or hidden issues that might arise in the process of interactive advertising development in foreign countries. Nevertheless these problems might be solved or avoided employing different management measures, described in the concept part of this work.

4. Concept of the business internationalization process using interactive advertising technologies

4.1. Development of interactive advertising for international businesses

The very first thing managers of expanding companies have to understand is that there is no one universal advertising strategy, because different companies with different products and services need different advertising – they have different customers and they want to transmit different messages in different target markets. As a result different companies need to form their individual strategies of interactive advertising. Scheme provided in *Picture 22* illustrates general steps that should be included in the process of interactive advertising development. This scheme is of a general nature and it depicts how interactive advertising technologies are included to the overall strategy of expanding company.



Picture 22 – Interactive advertising development for international businesses (by Author)

Successful development of interactive advertising program begins at the formulation of overall marketing objectives of expanding companies.

Marketing objectives have to be measurable and realistic in order to achieve them – they have to describe where company is heading to and what goals it wants to achieve. All further actions of expanding companies will depend on marketing objectives as a result this is the first and one of the most important tasks in the process of development of interactive advertising programs for expanding companies. Process of the creation of marketing objectives cannot be affected by interactive advertising technologies – interactive advertising technologies are tools that might be used to achieve overall marketing objectives.

After clear definition of overall company marketing objectives marketing strategy has to be created. At this point it is very important to define Positioning and Target Market. In the case of business internationalization Target Market is a group of consumers situated in foreign countries of expansion.

Marketing MIX is created to accomplish marketing strategy – it is a set of elements that are used to achieve marketing objectives. Marketing MIX has to be created for particular companies in particular situations having Positioning and Target Market of expanding company in mind.

Development of interactive advertising programs is directly associated with Marketing MIX element Promotion and consumers in expansion Target market. It can be also stated that advertising strategies also exist to help to achieve marketing objectives. As a result next step after the formulation of overall Marketing strategy and Marketing MIX is the creation of advertising plan.

Advertising strategy development process is quite similar to the overall marketing strategy development process. Managers have to be aware that advertising strategies also exist to accomplish objectives and advertising strategy objectives are directly associated with the overall marketing strategy objectives. Or in other words – advertising strategies are created to support overall marketing strategies.

The first step in advertising strategy development process is the clear definition of advertising objectives. Secondly managers have to understand that the purpose of advertising is to deliver an advertising message (advertising message will depend on advertising objectives, for example: company might want to introduce itself to a foreign market or to start immediate sales) to target audiences. As a result after clear definition of advertising objectives advertising message, depicting advertising objectives, has to be created.

Following the advertising message creation managers have to decide upon the advertising media and advertising message delivery method. In the case of interactive advertising development advertising media can be referred to the Internet and advertising message delivery methods can be denoted as technologies of interactive advertising.

Finally, advertising message delivery process is carried on through chosen advertising media. Managers have to choose advertising message delivery methods according to consumer characteristics and perceptions in their target markets of expansion. Most important characteristics that might affect perception of interactive advertising are as follows:

- Consumer knowledge.
- Ability to search.
- Purchase involvement level.

Managers have to classify their target market consumers according to these characteristics and when it is done relevant interactive advertising technologies have to be selected and implemented.

Following chapter describes how particular technologies of interactive advertising can be used in different stages of business internationalization.

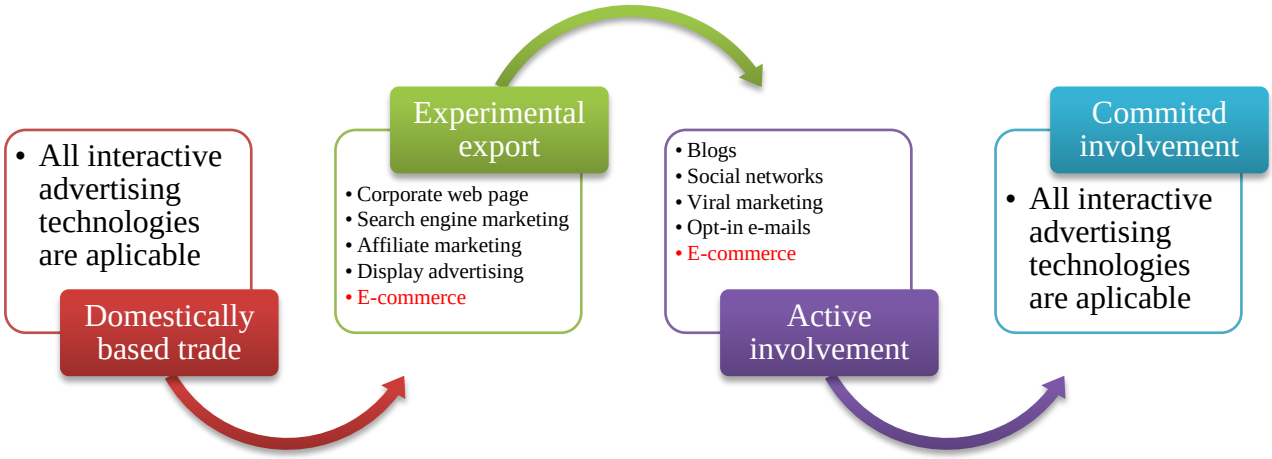
4.2. Application of interactive advertising technologies for different stages of the business internationalization

Internationalization is a gradual process and the usage of interactive advertising technologies should also be gradual and it might differ depending on the stage of business internationalization expanding company is currently in.

Analysis of the most common approaches to the business internationalization and foreign market entry modes in the first sections of this work reveal the fact that companies will try to gradually increase their involvement in international operations and in most cases their international expansion will consist of the following stages:

- 1 stage – domestically based market operations (pre-export).
- 2 stage – experimental or irregular export.
- 3 stage – large volume export or active involvement in international trade.
- 4 stage – committed involvement in foreign market operations.

Thus the usage of interactive advertising technologies will also depend on the business internationalization stage and it will gradually evolve depending on that stage. *Picture 23* provides the list of most important interactive advertising technologies (tools) that can be used in the business internationalization process – interactive advertising tools are grouped by their usage in different stages of business internationalization.



Picture 23 – Stages of business internationalization and interactive advertising (by Author)

In the very first stage of business internationalization companies are usually not involved in any active international operations – all operations are based on domestic trade. At this level all interactive advertising technologies are applicable. In domestic markets companies already have established products, supply channels, loyal customers and etc. – companies are familiar with their operating environment and are able to adapt different interactive advertising technologies to support their current operations.

When companies are starting to expand to foreign countries experimental exports or irregular exports usually take place – companies are willing to "try out" foreign markets and see whether they would be successful in those markets or not. At this point companies should start adapting their interactive advertising efforts to the expansion target market needs – at least basic steps are needed:

- Corporate web page has to be translated to the languages of the countries company is expanding to, so the potential customers from foreign markets would be able to conveniently acknowledge with new market entrant products or services.
- Search engine marketing programme has to be started – it is very important, because due to good search engine optimization corporate web page might be displayed within the first search results in search engines according to particular keywords and this gives a great opportunity to be spotted by potential consumers in foreign markets.
- A great way to introduce company to foreign markets is affiliate or display marketing. Using these technologies potential customers in foreign markets might be introduced to new market entrant products or services with the help of interactive banners, flash games or other eye caching advertising material.
- Basic e-commerce site can become a very useful and cheap step in the exploration of new markets at this phase. Companies are able to launch their e-commerce sites in foreign

markets and introduce their products to potential customers without any physical subsidiaries in foreign countries (suitable for small volume exports) – this is a great way of exploring the perceptions of consumers in foreign markets.

At the point when companies acknowledge with foreign markets and reveal the general perceptions of consumers in these markets – active and regular involvement in international activities begins. Thus new interactive advertising technologies might be added to accompany already activated ones:

- When company becomes familiar with its customers in foreign markets it can enhance the emotional connection with them. This can be done with the help of blogs and social networks. Due to these tools firms can interact with their consumers live and collect needed information about consumer preferences in a very fast and easy manner.
- When the data base of foreign market customers is created companies are able to distribute their advertising material more actively and more efficiently with the opt-in e-mails or viral marketing campaigns.
- At the point when involvement in international operations becomes active and regular basic e-commerce solutions has to be upgraded to more sophisticated ones and in some cases foreign facilities are already needed. If this step is done properly e-commerce solution might be even suitable for large volume exports.

Finally, the phase when company becomes committed to the foreign market (opens a subsidiary, acquires a local company, etc.) is very similar to the first phase when all operations are based on domestic trade. At both levels all interactive advertising technologies are applicable, because at both levels companies already have established products, supply channels, loyal customers and etc. – companies are familiar with their operating environment and are able to adapt different interactive advertising technologies to support their current operations.

4.3. Solutions to issues arising for entities participating in the process of interactive advertising development

Nearly all problems arising for entities participating in the process of interactive advertising development might be solved or prevented using core management functions. Thus the successful implementation of interactive advertising campaigns is directly affected by core management functions:

- Planning.
- Organizing.
- Motivating.

- Controlling.

As a result following chapters describe all these functions and provide insights to the solutions of problems arising for entities participating in the process of interactive advertising development mentioned in empirical research part of this work.

Planning interactive advertising campaigns in foreign countries

Theoretically, the function of planning is to improve the quality of decision making by a careful consideration of all the relevant factors before a decision is made [102; 383].

In the case of interactive advertising development planning is crucial, because already after the decision to expand to foreign countries entrepreneurs and marketing managers have to asses and evaluate totally new environments. Questions about different cultures, their habits, mentalities, legislative systems; questions about possible competitors and their ways of reaction to competition have to be answered in order to develop successful interactive advertising campaign. And if this step is taken properly following problems might be avoided:

- Rejection of foreign products in expansion target country
- Rejection of particular products in general in expansion target country
- Ineffectiveness of particular interactive advertising tools
- Unexpected actions of competitors (sometimes even illegal)
- Law ignorance problems

Thus only after very careful assessment of new environment and available resources managers can determine the expansion strategy and design a programme of interactive advertising development.

As a result planning is the first step that needs to be taken in order to develop an interactive advertising strategy and to prevent possible problems.

Organizing interactive advertising campaigns in foreign countries

Already after the planning procedure and also within this procedure managers must organize people, materials, time, jobs and etc. Through organizational procedures managers will create the environment that is suitable for the achievement of organizational goals.

Or in other words - organization is a method of ensuring that the work required to fulfill plans is broken into parts and given out to various individuals in the organization and that there is no duplication of work and that all efforts are harnessed to a common goal [103; 133].

In the case of interactive advertising development the work required to fulfill the interactive advertising tasks might be broken into such parts:

- Entrepreneur usually formulates the overall advertising strategy and takes a decision to expand to other countries
- Then the lower level manager (usually marketing manager) is assigned to be responsible for the implementation of the interactive advertising
- Due to the fact that interactive advertising requires specific IT knowledge in most cases search of IT partner (or Advertising agency) that would help in the process of interactive advertising development begins
- After the IT partner search marketing manager gathers the information about the most important advertising keywords, product or service descriptions and all other advertising material, then this material is transferred to the IT company
- IT company then offers set of unique interactive advertising technologies tailored to client needs
- After the receipt of IT company offers marketing manager usually revises them and suggests his ideas for improvements
- And finally, when the final and corrected interactive advertising tools are placed online by the IT company employees that would be responsible for ongoing maintenance of interactive advertising tools are trained to administer them

In this set of actions one of the most important organizational aspects is the selection of IT company – this task is usually assigned to marketing manager, who is responsible for the implementation of interactive advertising campaign.

Manager has to select reliable agency from hundreds of agencies available in today's market. This is a very important step, because wrong selection of advertising agency might lead to the following problems:

- Law ignorance problems
- Delayed deadlines
- Inadequacy of cost and offered services

Moreover – due to the fact that company is expanding to foreign countries managers should also consider the possibility to employ foreign advertising agency from the expansion country – this agency would be more familiar with local consumer habits, needs and local legislative system.

Motivating parties involved in the process of interactive advertising development

It can be concluded that motivating is the process of providing reasons for people to work in the best interests of an organization. Obviously different people do things for different reasons – that is, they have different motivations. Some are interested primarily in earning as much money as they can. Others may be spurred on by opportunities to get promoted. Part of a manager's job, then is to determine what factors motivate workers and to try to provide those incentives to encourage effective performance [104; 172].

If we would look at the motivation from the interactive advertising development perspective there are two types of motivation:

- First is the employee motivation – top managers motivate employees that are responsible for the interactive advertising development by providing both intrinsic and extrinsic types of motivation
- Second is the affiliate motivation – companies developing interactive advertising pay outside entities for driving traffic to their corporate web pages, electronic shops, blogs and etc.

As a result, in the process of interactive advertising development, motivation of marketing manager is very important, because if manger is motivated he will perform assigned tasks willingly and accurately; he will also pay a greater attention to the selection of advertising agency, thus reducing advertising costs and ensuring highest possible efficiency. It can be summed up that proper motivation will eliminate problem of ineffective advertising campaign performance resulting from a human factor.

Controlling the implementation of interactive advertising campaigns

Controlling is the essential process of seeing that what was planned to happen actually does happen. Thus objectives can be set for the whole organization; or particular departments. What managers have to do (if they want to succeed in achieving objectives) is to check before things have gone too far that they are "on track": and if they have fallen short or wandered off course to see by how much and how to correct this situation [103; 143].

In the process of interactive advertising development controlling there are also some important aspects to be considered:

- First of all technological aspects such as compatibility of interactive advertising material and different web browsers has to be checked periodically

- It has to be ensured that all legal, ethics and language aspects of interactive advertising tools are controlled and monitored on a constant basis
- And most importantly interest in particular advertising material (traffic) has to be monitored and if it is lower than required corrective actions has to be taken

Advertising agency is the entity that has to be controlled the most. Marketing managers have to ensure that interactive advertising tools implemented by this agency are legal and that they are compatible with available IT technologies.

Traffic of interactive advertising tools has also to be monitored on a constant basis in order to ensure that implemented advertising campaign is effective and that competitor companies are not setting up greater and more effective advertising campaigns.

Nevertheless marketing manager that is responsible for the implementation of interactive advertising has also to be controlled in order to ensure that his work is effective.

4.4. Strengths and weaknesses of the most common interactive advertising technologies

Managers, developing interactive advertising, must be aware of available interactive advertising tools. For this purpose comprehensive table of interactive advertising technologies applicable for business internationalization and their strengths and weaknesses is created – *Table 14*. This table is a result of a thorough marketing literature overview.

Interactive advertising technologies	Advantages	Disadvantages
Search engine marketing	- Your site can be displayed in the first page of search results. - In pay-per-click case you pay only for those customers who actually come to your website.	- Pay-per-click might be expensive. - Bad search engine optimization can lead to low ranking or no ranking at all.
Affiliate marketing	- You are getting a voluntary, non-salaried, sales representative who is willing to promote your product for just a portion of the profits - Enhances search engine optimization	- Sometimes you might not be able control all your affiliates and methods how they work
Display advertising	- Proven success - Allowance for creative freedom - Platform for rich media	- High overall cost - Limited information is allowed
Opt-in e-mail	- One of the cheapest and quickest methods for reaching a	- E-mail spam (unsolicited e-mails) have created target

	large number of recipients	audiences who are quick to press the delete button
Newsletters	- Free advertising - Highly encouraged (people resend good newsletters to their friends)	- Time consuming - If newsletter agency is hired newsletter might be expensive and irrelevant
Corporate websites	- Unlimited space for corporate information - Access to hundreds of millions of potential consumers - Good start for international business development - Creation of 24 hour services - Tool for test marketing new products or services - Important element of public relations	- Poor website design might lead to poor company image
Blogs	- Ability to focus a blog on a niche topic - Costs almost nothing - Attracts readership - Enhances search engine optimization - Good blogs authors are visible and well known	- Time consuming - People sometimes might not look seriously at ideas posted in blogs
Social networks	- Enhances word-of-mouth marketing - Helps to achieve the emotional connection between consumers and products	- In some cases – expensive and time consuming
Viral marketing	- Unlike traditional advertising viral is not an interruptive technique, it is often welcomed by the receiver and viewed more favorably	- If particular software is needed that is not widely used, then people will not be able to open or view the message
E-commerce	- Great tool to test new markets - Lower transaction costs - More customer feedback - New markets composed of new customers - Enhancement of the company's image	- Security issues - Acceptance (not everybody accepts this technology)

Table 14 – Strengths and weaknesses of common interactive advertising tools (by Author)

Using this table manages can pick interactive advertising technologies (tools) that best suit their needs and that will help accomplish advertising and overall marketing strategy objectives.

4.5. Consumer characteristics linked to the most common interactive advertising technologies

After the consumer classification to different consumer characteristic groups and clear understanding of strengths and weaknesses of particular interactive advertising tools managers have to group interactive advertising tools and their target market consumer characteristics.

This step is very important, because managers have to choose interactive advertising strategies that will suit their consumers in their target market.

To ease the process of interactive advertising tools assignment to different consumer characteristics (that might affect perception of those interactive advertising tools) table classifying interactive advertising tools according to consumer characteristics is created – *Table 15*. In this table tools of interactive advertising are linked to consumer characteristics. Furthermore – recommendations for implementation of interactive advertising strategies are provided.

Consumer characteristics	Suggested interactive advertising tools	Recommendations
High consumer knowledge	Corporate websites E-commerce Search engine marketing	- Focus has to be made on product features rather than benefits. - Such information as product comparison, thorough reviews and clear specifications has to be provided. - Usage of rich media has to be limited.
Low consumer knowledge	Display advertising Affiliate marketing Social network advertising Viral marketing Search engine marketing Blogs	- Focus has to be made on product benefits rather than features. - Usage of rich media has to be maximized. - Eye caching slogans and special offers are recommended. - Emotional connection with a consumer has to be established.
High ability to search	Corporate websites E-commerce Search engine marketing	- Consumers know what they want and know where to look – they're rational. - Information has to be interactive, easy to use. - Great amount of detailed product information has to be provided.
Low ability to search	Opt-in e-mails Display advertising Affiliate marketing Search engine marketing Blogs	- Advertising has to be clear, easy to understand and provide clear links to specific information. - Product reviews and newsletters with up to date information are useful for this consumer group. - Emotional connection with a consumer

		has to be established.
High purchase involvement	Corporate websites Affiliate marketing Blogs Search engine marketing	- Clear links to pages providing detailed product information has to be used. - Information has to be very clear and easy to access. - Content has to provide answers to all possible questions. - Interactive ability to compare products or services would be useful. - Trustworthy features have to be highlighted.
Low purchase involvement	Display advertising Search engine marketing	- Brand name if of a high importance. - There is no need for detailed or specific information. - Eye caching slogans and special offers are recommended.

Table 15 – Consumer characteristics linked to interactive advertising technologies (by Author)

Conclusions

The major problem raised at the beginning of this work is that the knowledge of business internationalization using interactive advertising technologies is still scarce and that it is sometimes confusing for managers to decide how to expand their businesses on international level using interactive advertising technologies. Managers are not always aware what technologies of interactive advertising to choose and how to reach target audiences in foreign markets. As a result the objective to create clear and easy-to-understand concept of business internationalization using interactive advertising technologies was formed.

Following is the description of research results and steps that were taken in order to accomplish the objective of this work:

- Business internationalization theory analysis revealed the pros and cons of business internationalization. Three most common business entry modes where distinguished and analyzed: export, contractual business entry and foreign direct investment. International product life cycle, Uppsala model and network approach were analyzed as the main approaches to the business internationalization.
- After the analysis of business entry modes and approaches to the internationalization theory it was also found out that business internationalization is a gradual process and that it usually consist of four phases: domestically based trade; experimental export; active involvement and committed involvement in international trade.
- Analysis of marketing and advertising strategy development processes in expanding companies revealed that there is no one universal interactive advertising strategy because different companies with different products and services need different advertising – they have different customers in different target markets and they want to transmit different messages. It can also be stated that the development of advertising strategies is impossible without a clear understanding of overall marketing objectives, because the first step in the development process of advertising is the clear definition of advertising objectives that are directly associated with overall marketing objectives.
- Interactive advertising theory analyzed interactive advertising technologies applicable for business internationalization. Interactive advertising technologies were assigned to two groups: technologies applicable for exploration of new markets and technologies applicable for support of active international trade. The section of technologies applicable for exploration of new markets described corporate web pages, search engine marketing, affiliate marketing, display advertising and e-commerce as the best technologies for the process of acknowledgement with foreign markets and analysis of consumer perceptions in

those markets. The section of technologies applicable for support of active international trade described blogs, social networks, opt-in e-mails and viral marketing as the best technologies for the establishment of emotional connection with consumers in foreign markets.

- Analysis of consumer online perceptions in target markets discussed consumer purchase decision making process and revealed three most important consumer characteristics affecting the perception of interactive advertising technologies in international markets: consumer knowledge; ability to search and purchase involvement level.
- Analysis of legal environment of interactive advertising development in theoretical part of this work described European Union and Lithuanian regulations concerned with the application of interactive advertising technologies and highlighted key points of analyzed legal acts.
- After the business internationalization and interactive advertising theory analysis the empirical research methodology was created for the practical part of this work. Analysis of secondary sources of information, survey research, correlation and regression analysis, multi criteria analysis and analysis of arising issues were selected for further research.
- Empirical part of this work started from the analysis of secondary sources of information. Trends and insights of business internationalization using interactive advertising technologies were provided. One of the most important findings is that worldwide internet usage is constantly increasing; the internet is a number one source of information and the most popular information search tool is search engines; the internet is the only media that had increased its audience in the last four years (audience of television, radio, newspapers and magazines was decreasing in the same period); the usage of e-commerce is constantly growing in European countries. Correlation – regression analysis of exports and the internet usage revealed two important facts: the increase of usage of the internet in Lithuanian enterprises by 1% would result in 155 million LTL increase in Lithuanian exports; the increase of usage of e-commerce in European Union by 1% would result in 181 million LTL increase in Lithuanian exports.
- Research of consumer attitudes towards interactive advertising technologies revealed that: there is a direct relationship between the consumer purchase involvement level and the amount of conducted information search; as consumer internet surfing capabilities improve they tend to value corporate web pages and e-commerce more, but they tend to ignore newsletters and blogs. Moreover it was found out that nearly all survey respondents belong to social networks and subscribe to newsletters – this gives the possibilities of fast consumer attraction using named technologies of interactive advertising.

- Multi-criteria analysis of Lithuanian corporate web pages adapted for business internationalization disclosed the main mistakes that are made in the development process of this technology; recommendations were provided for the correction of mistakes.
- Participating entities, interests of participating entities and problems arising for participating entities are identified and described in the empirical part of this work, section of issues arising for entities participating in the process of interactive advertising development.
- Finally, a concept of interactive advertising development was created – schemes describing general steps of development of interactive advertising for international businesses and application of interactive advertising technologies for different stages of business internationalization are offered. Solutions to issues arising for entities participating in the process of interactive advertising development are offered through the usage of core management functions: planning, organizing, motivating, controlling. A table describing the strengths and weaknesses of the most common tools of interactive advertising is created. Moreover, a comprehensive table linking consumer characteristics to relevant tools of interactive advertising was also created.

As a result – managers, using the information provided in the concept and other parts of this work, should clearly understand what are the steps they need to take in order to support their international expansion with the usage of interactive advertising technologies and what kind of interactive advertising technologies are relevant for consumers in their expansion target markets.

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Appendixes

List of appendixes

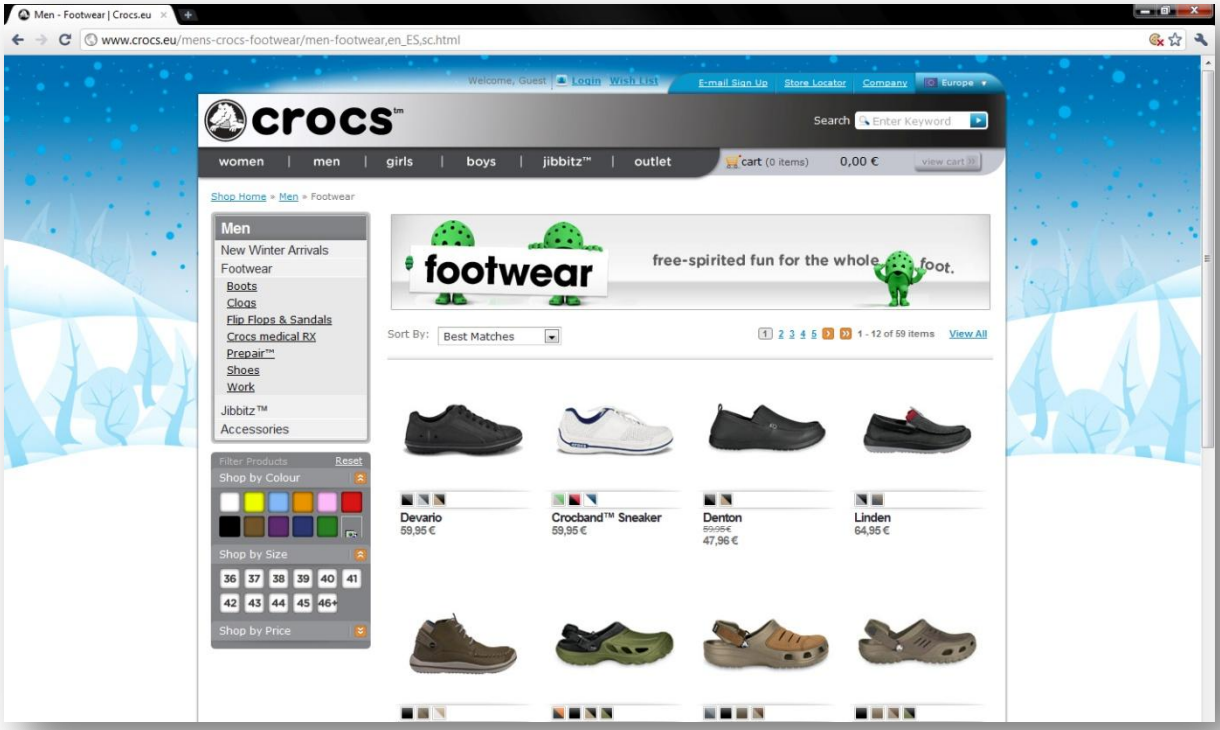
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Appendix 1 – Example of a corporate web page (Coca Cola)



Appendix 2 – Example of a banner ad (Miele and Ibericos)



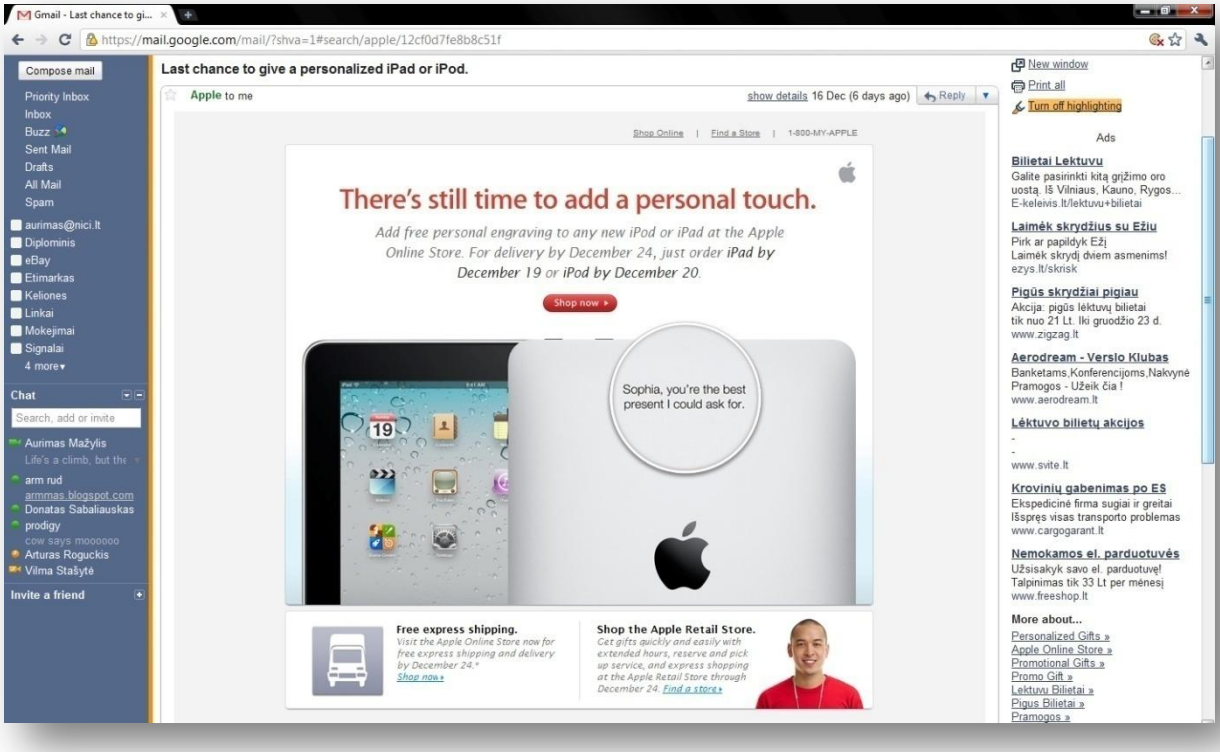
Appendix 3 – Example of an e-commerce page (Crocs)



Appendix 4 – Example of a corporate blog (General Motors)



Appendix 5 – Example of a corporate profile in social network (Starbucks)



Appendix 6 – Example of a newsletter (Apple)

Appendix 7 – Survey questionaire

How long do you spend surfing the internet during the day (all togehther: at home, at work, at univesity and etc.)?

- < 1 hour
- 1-2 hours
- 2-3 hours
- 3-4 hours
- > 4 hours
- I do not surf the internet every day

If you need information on some kind of topic what is the first place you usually address for such information?

- Books
- Newspapers/Magazines
- Internet
- Other

If you need to search for the information online what is the first step you take?

- I start my search in a search engine
- I am trying to guess the address of a website concerned with my topic of interest
- I am looking for help in social networks

Have you ever bought something in an electronic shop?

- Yes
- No

Do you think that it is secure to buy products in electronic shops?

- Yes
- No

Have you ever subscribed a newsletter of your favorite company?

- Yes
- No

Do you think that you can (would) rely on the information provided in newsletters?

- Yes
- No
- Sometimes

Do you think that you can (would) rely on the information provided in corporate websites?

- Yes
- No
- Sometimes

Do you read blogs on a regular basis?

- Yes
- No

Do you think that you can (would) rely on the information provided in your favorite blogs?

- Yes
- No
- Sometimes

Appendix 7

Do you belong to any social network (i.e.: www.facebook.com, www.myspace.com)?

- Yes
- No

Are you a fan/friend of any corporate profile or page in social networks?

- Yes
- No

Do you acknowledge with the information provided in banners of the web pages you are visiting?

- Yes
- No
- Sometimes

Would you consider pencil as an important purchase?

- Yes
- No

Would you consider flat as an important purchase?

- Yes
- No

If you would need to buy a pencil how do you think how long would it take you to choose desired pencil from penciles ofered online?

- Up to 1 hour
- Up to 2 hours
- Up to 3 hours
- More than 3 hours

If you would need to buy a new flat, how do you think how long would it take you to choose desired flat from flats offered online?

- Up to 1 hour
- Up to 2 hours
- Up to 3 hours
- More than 3 hours

Please evaluate your internet surfing capabilities within the scale from 1 (low) to 5 (high):

- 1
- 2
- 3
- 4
- 5

How old are you?

- < 18
- 18-29
- 30-39
- 40-49
- > 49

Thank you for your participation!

Appendix 8

Year	EU27 (mln)	Usage of internet by enterprises (%) LT
2001	3506	58,6
2002	3838	65,5
2003	3867	68,5
2004	5023	79,8
2005	6230	85,2
2006	7166	87,5
2007	8100	88,4
2008	9694	92,7
2009	7584	94,9

Appendix 8 – Usage of internet by enterprises and exports in Lithuania

Year	EU27 (mln)	Individuals having ordered goods/services over the internet (%) EU
2004	5023	47
2005	6230	54
2006	7166	55
2007	8100	60
2008	9694	64
2009	7584	67

Appendix 9 – Usage of e-commerce in Europe and Lithuanian exports

Year	**EU27 (mln)**	**Usage of internet by enterprises (%) LT**
2001	3506	58,6
2002	3838	65,5
2003	3867	68,5
2004	5023	79,8
2005	6230	85,2
2006	7166	87,5
2007	8100	88,4
2008	9694	92,7
2009	7584	94,9
Average:	6112	

$\hat{y}_1$	$(\hat{y}_1-y(vid))^2$	$(\hat{y}_1-y)^2$
2774,385468	11139670,76	535259,8228
3844,420896	5141914,991	41,22791128
4309,653691	3248452,217	195942,2904
6062,030552	2496,945766	1079584,487
6899,449582	620076,8447	448162,7433
7256,128058	1309029,014	8123,066897
7395,697897	1647880,29	496041,4526
8062,531569	3804573,403	2661689,24
8403,702285	5251899,365	671911,8369
Sum:	32165993,83	6096756,168

a_0	-6313,162
a_1	155,078
$y = a_0 + a_1*x$	y = -6313,162 + 155,078x
F stat	36,93
F crit	5,59
Relevance	F stat. > F crit.

Variance of regression	Residual variance
32165993,83	870965,1669

F stat	36,93143544
F crit.	5,591447848
Relevance	F stat. > F crit.

Appendix 10 – Relevance of regression analysis 1

Appendix 11

Year	EU27 (mln)	Individuals having ordered goods/services over the internet (%) EU
2004	5023	47
2005	6230	54
2006	7166	55
2007	8100	60
2008	9694	64
2009	7584	67
Average:	7299,5	

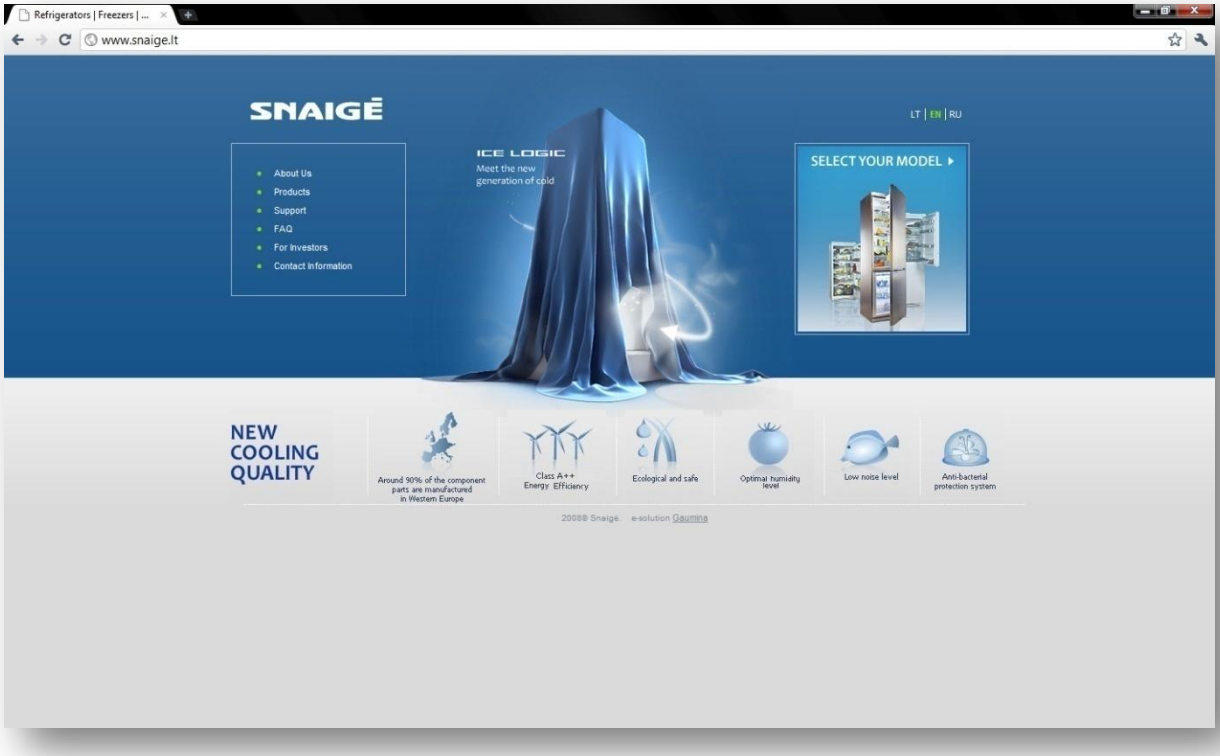
$\hat{y}_2$	$(\hat{y}_2-y(vid))^2$	$(\hat{y}_2-y)^2$
5340,628982	3837175,666	100888,1701
6606,361024	480441,6396	141647,6207
6787,179888	262471,8976	143504,6776
7691,274204	153487,0266	167056,7766
8414,549656	1243335,736	1636993,182
8957,006246	2747326,956	1885146,152
Sum:	8724238,922	4075236,578

a_0	-3157,858
a_1	180,819
$y = a_0 + a_1*x$	y = -3157,858 + 180,819x
F stat	8,56
F crit	7,71
Relevance	F stat.> F crit.

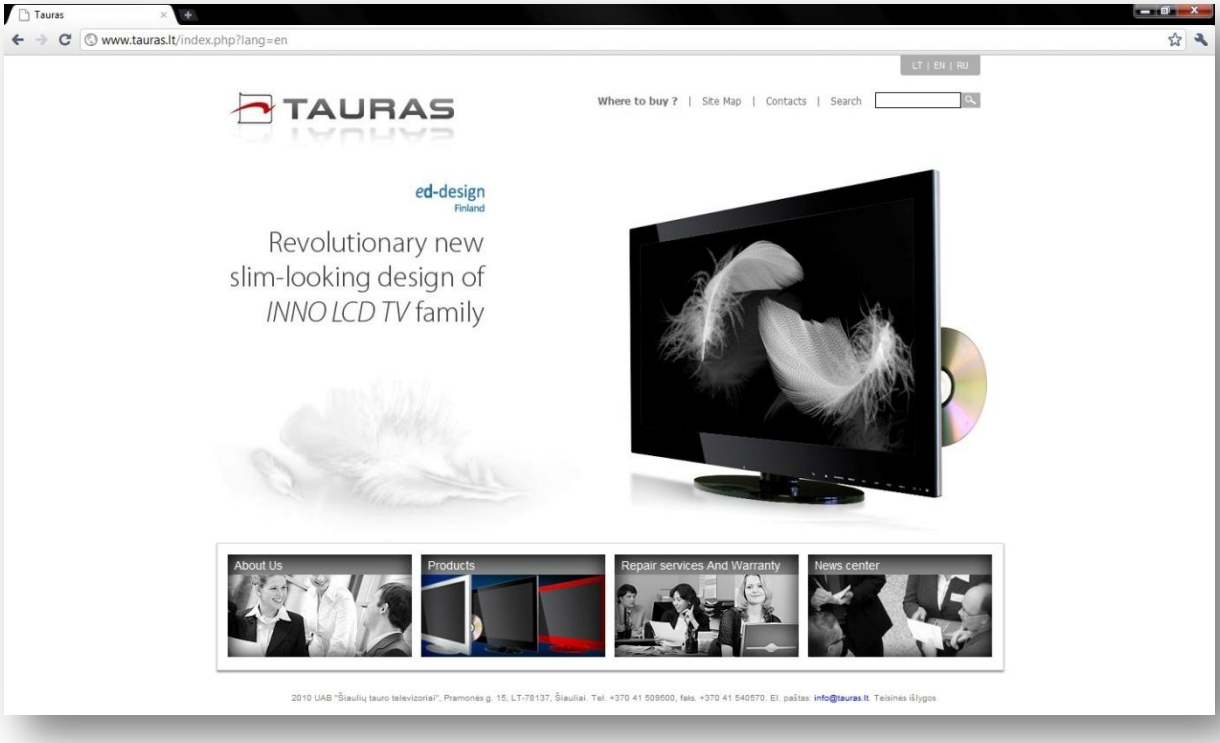
Variance of regression	Residual variance
8724238,922	1018809,145

F stat	8,563172963
F crit.	7,708647421
Relevance	F stat. > F crit.

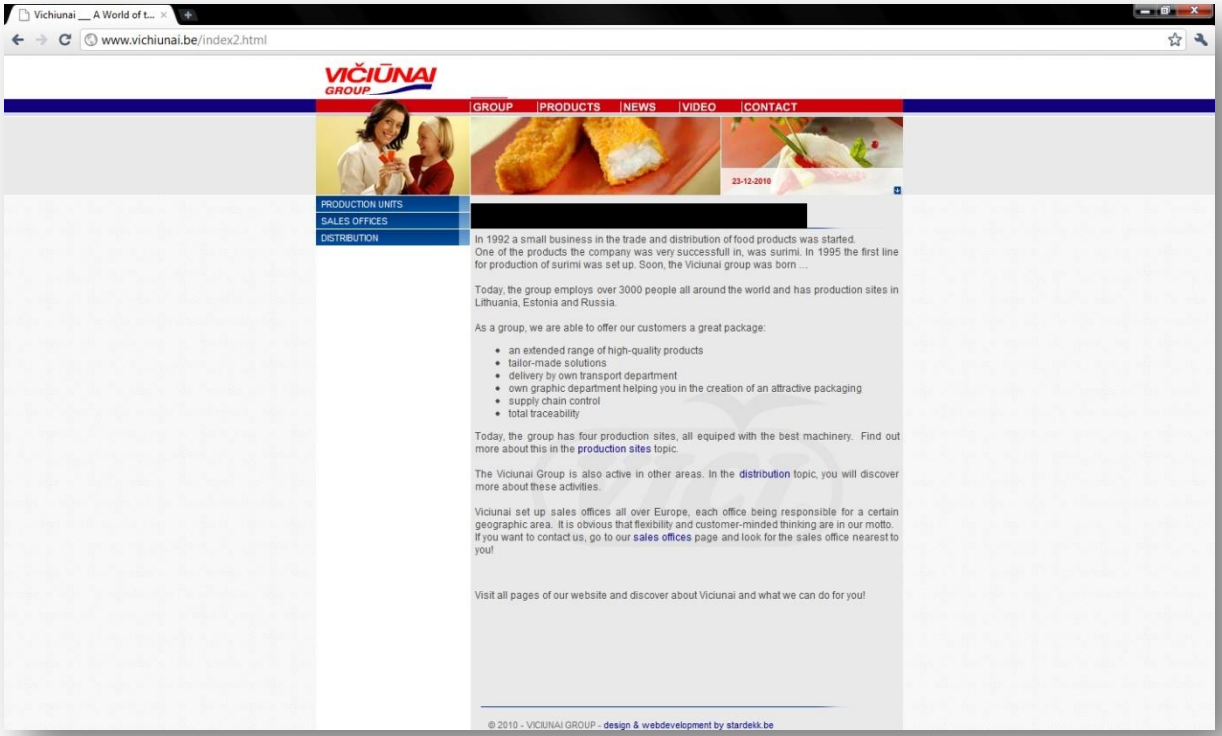
Appendix 11 – Relevance of regression analysis 2



Appendix 12 – Corporate web page: Snaigė



Appendix 13 – Corporate web page: Tauras



Appendix 14 – Corporate web page: Vici

Appendix 15 – Survey data used for correlation analysis

	Internet surfing capabilities	Rely on newsletters	Rely on corporate web sites	Rely on blogs	Rely on e-commerce
1	3	2	1	2	1
2	4	2	3	3	3
3	1	3	2	3	1
4	5	2	3	3	3
5	2	3	2	3	3
6	5	2	3	2	3
7	3	3	2	3	3
8	3	2	1	3	1
9	4	2	2	2	3
10	3	2	2	3	1
11	4	2	2	2	3
12	4	3	3	3	3
13	4	2	2	2	3
14	5	3	2	2	3
15	5	2	3	3	3
16	3	2	2	3	1
17	3	3	2	3	1
18	5	2	2	2	3
19	4	2	3	3	3
20	1	2	1	3	1
21	3	2	3	3	3
22	4	2	2	2	1
23	2	2	1	3	1
24	3	2	2	3	3
25	3	2	2	2	1
26	4	2	2	2	3
27	3	3	1	3	1
28	4	3	2	3	3
29	5	2	2	2	3
30	2	3	1	3	1
31	3	1	1	1	1
32	4	2	3	2	3
33	5	1	3	1	3
34	3	3	3	3	3
35	4	2	3	2	3
36	4	2	3	3	3
37	5	2	3	2	3
38	4	2	2	2	3
39	1	3	1	3	1
40	3	2	1	2	1
41	3	2	1	2	1
42	4	2	3	3	3
43	5	2	2	2	3
44	5	2	3	2	3
45	3	3	2	3	3
46	5	2	2	2	1
47	5	2	3	2	3
48	3	2	1	2	1
49	4	2	3	2	3
50	5	2	3	2	3
51	4	3	2	2	3
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65	5	2	2	2	3
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74	4	2	3	2	1
75	4	2	2	2	3
76	5	2	2	2	3
77	5	2	1	1	3
78	1	2	1	3	1
79	3	2	3	3	3
80	3	2	1	3	1
81	4	2	3	2	3
82	4	3	2	3	3
83	3	2	2	3	3
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86	3	3	2	3	1
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136	5	2	2	2	3
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