



Building Competitive Advantage?

**The Internet's Impact on the Value System:
A Study of the South Australian Wine Industry.**

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Contents

List of Figures	I
List of Tables	II
Declaration.....	III
Acknowledgments.....	IV
Abstract.....	V
 <i>Chapter 1 – Overview</i>	 <i>1</i>
1.1 Introduction.....	1
1.2 Research Question.....	1
1.3 Research Purpose.....	2
1.4 Justification and Rationale of Research.....	2
1.5 Method.....	5
1.6 Outline of Thesis.....	6
1.7 Summary.....	7
 <i>Chapter 2 - The Internet.....</i>	 <i>8</i>
2.1 Introduction.....	8
2.2 Development of the Internet.....	8
2.2.1 Prior to 1990	8

2.2.2	<i>Commercialisation and Growth from 1990</i>	9
2.3	<i>Features of the Internet Relevant to this Research</i>	12
2.3.1	<i>Key Components.....</i>	12
2.3.2	<i>A Business Tool</i>	13
2.4	<i>Summary.....</i>	14
Chapter 3 - The Wine Industry – Context of Research		15
3.1	<i>Introduction.....</i>	15
3.2	<i>The Global Wine Industry</i>	15
3.2.1	<i>Current Situation.....</i>	16
3.3	<i>The Australian Wine Industry</i>	17
3.3.1	<i>Australia’s Short to Medium Term Challenges.....</i>	19
3.4	<i>South Australia’s Wine Industry</i>	20
3.4.1	<i>Economic Importance of the South Australian Wine Industry.....</i>	21
3.5	<i>The South Australian Wine Business – An Overview.....</i>	21
3.6	<i>The Research Context.....</i>	26
3.7	<i>Summary.....</i>	28
Chapter 4 - Literature Review		30
4.1	<i>Introduction.....</i>	30
4.2	<i>Key Concepts.....</i>	30
4.2.1	<i>The Structure of Competition.....</i>	30
4.2.2	<i>Competitive Advantage</i>	32
4.2.3	<i>Value Chain.....</i>	37
4.2.4	<i>Internet Use.....</i>	44

4.3	<i>Literature Overview</i>	45
4.3.1	<i>How to examine such an emerging school of thought?</i>	62
4.4	<i>The Internet and Competitive Forces</i>	62
4.5	<i>The Internet and Competitive Advantage</i>	66
4.5.1	<i>Time Compression</i>	66
4.5.2	<i>Relationships</i>	67
4.5.3	<i>Continuous Improvement</i>	70
4.5.4	<i>Core Competencies</i>	71
4.6	<i>Marketing Use of the Internet</i>	73
4.6.1	<i>Information Use</i>	73
4.6.2	<i>Business Process Use</i>	77
4.6.3	<i>Revenue Generation</i>	81
4.6.4	<i>Financial Transactions</i>	85
4.7	<i>Research Framework</i>	87
4.8	<i>Summary</i>	89
Chapter 5 - Research Method		90
5.1	<i>Introduction</i>	90
5.2	<i>Purpose of this research</i>	91
5.3	<i>Preliminary Interviews</i>	92
5.4	<i>Research Hypotheses</i>	102
5.5	<i>Methodology</i>	106
5.5.1	<i>Possible Approaches – Relative Strengths and Weaknesses</i>	107
5.5.2	<i>Data Collection</i>	110

5.5.3 Population	111
5.5.4 The Research Construct	112
5.5.5 Measurement Variables.....	113
5.5.6 Pilot Survey.....	115
5.5.7 Data Analysis and Testing	118
5.6 Summary.....	120
Chapter 6 - Results	121
6.1 Introduction.....	121
6.2 Non-Response.....	121
6.3 Internal Consistency.....	124
6.3.1 Internet Use.....	125
6.3.2 Competitive Benefit.....	126
6.4 Response.....	128
6.5 Respondent Profile.	129
6.5.1 Length of time connected to the internet	130
6.5.2 Web Sites	130
6.5.3 Online Payments	132
6.5.4 Online Ordering	133
6.5.5 Interactivity among firms in the South Australian Wine Industry.....	134
6.6 Internet Use.....	136
6.7 Competitive Benefits from Internet Use	140
6.8 The Relationship between Internet Use and Competitive Benefit.....	144
6.8.1 Internet Use and Competitive Benefit – Pearson Correlations.....	145

6.8.2	<i>Internet Use and Competitive Benefit – Regression Models.....</i>	148
6.9	<i>Time as a factor on Internet Use and Competitive Benefits gained.....</i>	151
6.10	<i>Status of the Research Hypotheses.....</i>	153
6.11	<i>Summary.....</i>	159
Chapter 7 - Conclusion.....		160
7.1	<i>Introduction.....</i>	160
7.2	<i>Limitations.....</i>	160
7.3	<i>Status of the Research Problem</i>	163
7.4	<i>Implications of this Research.....</i>	166
7.4.1	<i>A Suggested Framework for Planning in Relation to the Research Problem.....</i>	169
7.5	<i>Further Research.....</i>	171
7.6	<i>Summary.....</i>	173
7.7	<i>Concluding Remarks</i>	173
REFERENCE LIST		175
Appendices.....		190
<i>Appendix I Interview Forms</i>		
<i>Appendix II Survey Forms – Winery, Distributor, Trade, Supplier</i>		
<i>Appendix III Original Survey Forms – Winery, Distributor, Trade, Supplier</i>		

I

List of Figures

Fig.2.1	The Internet	-	12
Fig.3.1	The Wine Industry – A Product Flow	-	22
Fig.4.1	Forces Governing an Industry	-	31
Fig.4.2	Competitive Benefits	-	36
Fig.4.3	The Generic Value Chain	-	39
Fig.4.4	The Value System	-	43
Fig.4.5	Internet Use Types	-	45
Fig.4.6	Research Framework	-	88
Fig.6.1	Internet Use and Competitive benefits Regression Model		144
Fig.6.2	Individual Internet Use Categories Competitive Benefit Regression Model	-	148
Fig.6.3	Activity and Benefit Model	-	149
Fig.7.1	Proposed Planning Framework for Integrating the Internet Into Marketing Activity	-	169

II

List of Tables

Table 3.1	The Global Wine Market	-	16
Table 5.1	Population	-	112
Table 6.1	T-Test of Means for Non-Response	-	123
Table 6.2	Cronbach's Alpha Results for 'Internet Use' Scales	-	126
Table 6.3	Cronbach's Alpha Results for 'Competitive Benefits' Scales	-	127
Table 6.4	Survey Response	-	129
Table 6.5	Length of Time with Internet Connection	-	130
Table 6.6	Websites – Incidence and Length of Time	-	131
Table 6.7	Online Payments – Incidence and Length of Time	-	132
Table 6.8	Order through Web – Incidence and Time Connected		133
Table 6.9	Order through Email – Incidence and Time Connected		134
Table 6.10	Interaction within the South Australian Wine Industry		136
Table 6.11	South Australian Wine Industry Internet Use	-	137
Table 6.12	Competitive benefits from Internet Use	-	141
Table 6.13	Nominal Data on Competitive Benefits	-	142
Table 6.14	Competitive Advantage Gained through Using the Internet for Marketing	-	143
Table 6.15	Internet Use and Competitive Benefit Pearson Relationships	-	146
Table 7.1	Activities for Internet Use for Marketing Purposes	-	163
Table 7.2	Competitive Benefits Realised Through Internet Use-		165

III

Declaration

I certify that this work does not incorporate without acknowledgement any material previously submitted for a degree or a diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.

Steven Goodman

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I give consent to this copy of my thesis, when deposited in the University Library, being available for loan and photocopying.

IV

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Abstract

This research investigates use of the internet for marketing purposes amongst firms within the South Australian Wine Industry. The thesis explores the benefits that are created through this internet use. The relationship between internet use for marketing and the benefits realised is then measured using multiple regression analysis. This research is intended to have a strong practical orientation and to identify a lucid, practical framework that firms can use to integrate the internet into their overall marketing activity.

Much of the academic literature on internet marketing centres around descriptions of the medium itself and hypothetical discussion of what the internet 'could' deliver for business. This research examines the *actual* internet use for marketing purposes by firms. The approach taken offers practical insight and highlights what may be stages of internet adoption for marketing activity. The activity based approach of internet marketing is extended in the investigation of Competitive Benefit. The notion of Competitive Benefit presented here may go some way to assisting firms come to terms with the rather abstract nature of Competitive Advantage. Furthermore, it seeks to develop a framework for practical use of the internet for marketing purposes. It also illustrates the commercial benefits that arise from this new area of business strategy and marketing.

The research is a cross-sectional study of the South Australian Wine Industry, with the scope to extend into longitudinal research. The literature review provided the background for initial interviews used to investigate internet use and the benefits realised. The knowledge developed in this exploration drove the design of the survey instrument. Data was then collected through a self-administered mail survey of 800 firms, including (i) wineries, (ii) distributors, (iii) trade customers and (iv) suppliers. Examining these four groups as a value system enabled measurement of the use of the internet to administer and coordinate marketing activity.

Hypotheses were tested which identified four stages of internet adoption for marketing activity. It was found that time was *not* related to the extent of internet use nor to the creation of Competitive Benefits for the firm. In fact, *it is the way* the internet is used that generates Competitive Benefit. In the internet enabled economy, the framework presented may represent a planning model for business activity as well as a basis for further research. Separate use of the internet is likely to be just a brief evolutionary step in the conduct of business and implementation of marketing activity. Its full competitive value will steadily emerge from full integration with the business as a whole.

Chapter 1 – Overview

1.1 Introduction

This chapter presents the research question that is the focus of the thesis. It then briefly describes the purpose, rationale and method. The chapter then gives an outline of the thesis, chapter by chapter to give an overview of how this research is organised and presented.

1.2 Research Problem and Questions

How are firms within the South Australian Wine Industry using the internet for marketing purposes, what benefits are created through this use and what is the relationship between internet use for marketing and the benefits realised?

The specific research questions of this research are –

1. How are businesses in the South Australian Wine Industry using the internet for marketing purposes?
2. What benefits are realised for these firms through their use of the internet for marketing purposes?
3. What is the relationship between usage of the internet for marketing purposes by firms in the South Australian Wine Industry and competitive benefits realised?
4. Can a practical framework for integration of use of the internet into marketing activities in the industry be established (and defended)?

1.3 Research Purpose

This research is intended to have a strong practical orientation. The purpose of this research is to identify a lucid, practical framework that firms can use to integrate the internet into their overall marketing activity. The method used in this research is driven by the purpose of the research. Zaltman (1997) and Zinkham et al (1990) suggest feasibility is ultimately a success factor in ensuring marketing research contributes to the development of knowledge for marketing practitioners and academics alike. Shah et al (1994) stated that research in the marketing discipline has to be useful in order to be of any value. This research seeks to develop a precise construct for competitive advantage, typically an abstract concept. Furthermore it seeks to develop a framework for practical use of the internet for marketing purposes as well as assisting further research into this new area of business strategy and marketing; to gain the commercial benefits that arise from technology adoption.

1.4 Justification and Rationale of Research

Business is still grappling with how to use the internet as a profitable business tool. Earlier research by this researcher (Goodman 2000) proposed that use of the internet for marketing purposes could be categorised into four; (i) Information use, (ii) Business Process Use, (iii) Revenue Generation Use and (iv) Financial Transaction Use. As will be discussed in Chapter 4, these categories can be used to identify activities that are representative of the coordination and administration efforts that interlink one firm with other firms in its value system. These categories are not mutually exclusive, in fact they may be viewed as mutually supportive. Chapter 4 will discuss how, as four integrated

stages of adopting the use of the internet for marketing activities, there is a need for this interconnected and overlapping relationship between these four categories.

Therefore this research seeks firstly to explore the proposition of these four categories of internet marketing and secondly to examine if they are representative of the actual degree of internet adoption by the firm. As activities of logistics and purchasing are drivers of the value chain, activities representing these links are needed to examine the impacts on value through increased benefits. Li and Whalley (2002) note that existing categories of activity have failed to capture the network of relationships that are vital. Goodman's (2000) categories may offer a viable tool to identify these vital activities and propose a conceptual framework for use of the internet for marketing activities within the value system.

Hamill and Gregory (1997) use Communication, Information and Promotion whilst both Bhatt and Emdad (2001) and Darby et al (2003) use the traditional 4Ps of marketing to examine IT. As will be discussed in Chapter 4, Hamill and Gregory's (1997) three groups are more functional than activity based. This research seeks to identify the activities that result in benefits within the value system of the South Australian Wine industry Value System; as such 'functionality' offers little. The importance of this concept of value and value system is discussed in Chapter 4.2 as definitions of key concepts. The use of the 4Ps is not considered in viewing internet marketing, although Darby et al (2003) use this approach, they also state that traditional concepts of marketing are no longer adequate in the new economy. The 4Ps are undoubtedly one of the more

‘traditional’ and by their own admission, inadequate ways to view the new operating environment that firms now face. This research then seeks to measure the beneficial impact of using the internet in each of these four categories. It seeks to add to the emerging body of literature on internet marketing and e-commerce technology adoption by business. It therefore has scholarly significance.

Research in the context of the South Australian wine industry embraces nearly a quarter of Australia's wineries (WID 2002, p.19) producing over 50% of Australia's wine output (WID 2002, p.11). This production is a large export earner for the state, representing approximately \$850 million in export revenue per annum (WID, 2002, pp.15-16). In Australia, total production has outstripped domestic demand by 30 percent and output has continued to grow at 3 times the rate of domestic consumption (WID 1999, 2000, 2001; 2002) since 1997; the industry therefore will continue to be exposed to global market forces. The Internet offers one opportunity to build competitive benefits that may increase the level of global competitiveness of firms within the South Australian Wine Industry; as such it has significant practical and commercial significance. This study examines the level of Internet adoption and its impact on the global competitiveness of the South Australian Wine Industry. As such it has significant policy implications for education, training and Internet service provision, for government and the various associations within the industry.

The South Australian Wine Industry is used as a sample group for several reasons. Firstly it is a highly regulated industry, so census data can be readily and accurately,

identified. This assists in determining how representative of actual firm behaviour the research findings are. Secondly, the researcher has prior experience and practical knowledge of the South Australian Wine Industry as a consultant and author. The researcher operates a Wine Marketing Consultancy and has written regularly in the leading industry journal on the issues of Wine Marketing, Marketing Management and Internet Marketing. This assisted in the design of the research to ensure its practical aims were met; furthermore it assisted in the response rate of the survey instrument. Thirdly there is the need for this industry to increase its competitiveness. As will be discussed in Chapter 3, the industry will increasingly be faced with the need to increase exports and is struggling to come to terms with the adoption of a 'business' and 'marketing' as opposed to the 'cottage industry/hobby' focus. So this research also has practical significance.

1.5 Method

The research is a cross-sectional study of the South Australian Wine Industry. The area of the research and its commercial, practical nature, provide the scope for future studies to extend into longitudinal research. It was conducted using the hypothetico-deductive testing approach (Cooper & Schindler 1998; Sekaran 1992). The literature review provided the background for initial interviews that were used to investigate the factors of internet use and the benefits realised. The knowledge developed in this exploration drove the design of the survey instrument. Data was collected through a self-administered mail survey. This research used SPSS (v11.0) to analyse the data and test the hypotheses. Data were subjected to analysis using Cronbach's coefficient α within the pre-selected categories (Internet use and Benefits Received) to measure internal consistency (Bagozzi

1994, pp17-18; Gerbing & Anderson 1988). Pallant (2001, p.85) positions the use of Cronbach's coefficient alpha in this manner as a way of testing 'the degree to which the items that make up the scale 'hang together'...(and) measure the same thing'.

1.6 Outline of Thesis

This thesis outlines what the internet is (Chapter Two). In order to keep a rudimentary focus on the technology available for marketing, it discusses the internet's development from an early military application through to the public domain of today. The key components are discussed (the World Wide Web and Email) so that the internet can be understood simply as a business tool. To set the context of the research, Chapter Three gives an overview of the wine industry, firstly in a global snapshot, before then briefly describing the Australian Wine Industry and going on to describe the South Australian Wine Industry in terms of size, economic importance and key components.

Chapter Four presents the literature review. Firstly with a description of where the emerging school of thought on internet use by business currently is and then discussing the problems associated with examining such an emerging school of literature. Key concepts of competitive advantage (Kanter 1990; Porter 1979, 1985; Prahalad and Hamel 1990) and internet use (Goodman 2000) are described and then used to organise the literature. This includes theoretical examination of how the internet may possibly be used to build competitive advantage. Chapter 5 outlines the justification and purpose of this research and then the steps taken to relate the theoretical discussions of Chapter Four to the real world. It is at this time the notion of competitive benefit emerges as a possible way to give the abstract concept of competitive advantage more practical content and

actually measure the beneficial impacts of internet use for marketing purposes. The research hypotheses are presented before outlining the possible approaches available to design the research. The selected method is presented and the data collection and analysis is discussed. The development of the research construct includes the selection of measurement variables and the pilot survey.

Chapter Six begins with outlining the steps taken to highlight any possible non-response bias as well as the testing involved to ensure internal consistency. This includes the testing undertaken to confirm the activities associated with Goodman's (2000) four categories of internet use as well as the specific measures of competitive benefit. The response is then presented, firstly in terms of the profile of the response group and then in terms of the hypotheses. Chapter Seven presents the limitations of this research and the status of the research question and hypotheses after the data analysis before discussing the theoretical and practical implications of this research. A possible framework is presented that may enable firms to plan how to adopt the internet for marketing purposes and gain benefits. Areas suitable for further research are highlighted before concluding remarks close the thesis.

1.7 Summary

This chapter presented the research question and gave an overview of the purpose, justification and rationale of the research. A brief overview was presented of the research method used before describing the structure of this thesis.

Chapter 2 - The Internet

2.1 Introduction

Although the internet caught the public's attention in the early-to-mid 1990s it is in fact nearly 40 years old. (Hamill 1997; Paul 1996) Terms such as the internet, World Wide Web (WWW) are often, mistakenly, used interchangeably and the 'catch phrases' of eCommerce, eBusiness and mCommerce (mobile) often cloud what is essentially a very straightforward concept. Examining briefly the development of the internet and its key tools it makes it easier to recognise how firms may use this 'new' medium. This also goes some way to presenting a much simpler concept, which in turn may begin to dispel myths and the mystique that have tended to slow down established business' adoption of this potentially revolutionary tool.

2.2 Development of the Internet

2.2.1 Prior to 1990

Towards the end of the 1960s, fear of nuclear attack and the growing use of computers necessitated a means of ensuring the loss of one computer system did not render the larger system useless. The Advanced Defence Research Project Agency developed Transmission Control Protocol/Internet Protocol (TCP/IP), a method for different computer systems to communicate with one another. TCP/IP is still 'the internet's communication protocol' (Lymer et al 1997, p146) and it resulted in the creation of

ARPAnet, a network of military and strategic research computers that could continue operating through a nuclear attack (Hamill 1997; Lymer et al 1996; Paul 1996).

The late 1970s and early 1980s saw a proliferation in the number of institutions connected to the network. In the 1980s the National Science Foundation in the United States (US) used ARPAnet technology in the creation of NSFnet, a link between university campuses and research institutions (Hamill 1997). Despite this growth, the network was still beyond the financial reach (and technological capacity) of most firms and individuals; it was largely a tool for government departments and educational institutions (Ainscough & Lockett 1996). Reductions in government funding in the late 1980s brought on the outsourcing of many internet related functions to commercial agencies (Poon & Jevons 1997).

The internet was not just beyond the financial reach of most firms and individuals, the system was driven by a complex system that involved numerous text based messages and commands. This involved a great deal of learning and further practical use to master (Ainscough & Lockett 1996; Davenport 1996). While the internet offered much it remained a tool for academics and scientists (Poon & Jevons 1997).

2.2.2 Commercialisation and Growth from 1990

At the start of the 1990s entry criteria to the network were relaxed allowing non-government and non-educational institutions to access the internet (Poon & Jevons 1997). The public began to take some interest, most notably the computing communities as

personal computers became more commonplace, and some commercial firms became involved with electronic mail (Hamill 1997; Verity 1994). This led to full commercialization of the internet in 1991 (Hamill 1997; Poon & Jevons 1997; Stevens & Howson 1997). Important to note is that although the internet was fully commercialized at this time, the internet was not, and still is not, owned by any one firm.

Although commercialised, the internet was still driven by numerous text-based commands, thus limiting its use in the wider community. The biggest turning point in the use of the internet amongst 'mainstream' society and business came in 1993 with the launch of the World Wide Web (WWW or simply 'the Web') (Poon & Jevons 1997; Verity 1994). Dr Tim Berners-Lee, using the Internet as supporting infrastructure, introduced the notion of 'hyperlinks'; (Capron 1998, p10) by simply using a mouse to point to a link on one site, and 'clicking', a user could move to another site anywhere in the world (Davenport 1996; Verity 1994). The 'birth' of the WWW created an internet environment that was much simpler to use than previously. Compounding the ease of use was the introduction of 'web browser' software by Marc Andreessen (Capron 1998, p.A-10). Browser software took the Internet from a text-based command driven system to a Graphical User Interface (GUI) environment. Users no longer had to learn numerous text-based instructions; the environment resembled the widely used Macintosh and Windows operating environments (Lymer et al 1997; Poon & Jevons 1997).

Within two years (1993-1995) the Internet became essentially what it is today – a network of computer networks (Hamill 1997, p.302). Cheap and easy to access, simple

to use (with a little practice), email and the WWW was quickly adopted by millions of individuals and firms (Bennett 1997; Poon & Jevons 1997; Poon and Swatman 1997). Estimating the number of people using the internet is difficult, essentially it is an educated 'guessing game' (Bennett 1997; Morgan 1996). Early forecasts have proven to be conservative, although at the time they were often dismissed as industry fuelled hype. In 1996 forecasts of internet usage in the year 2000 averaged around 100 million (Paul 1996, p.2), but by late 1999 actual usage had doubled the estimates and reached 200 million with forecasts of 330 million users before 2002. (Global Reach 1999; Web Quarterly 1998)

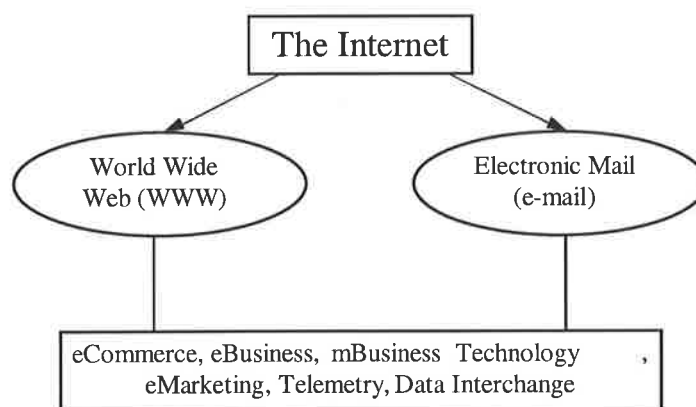
Online revenue also grew at exponential rates (Davenport 1996; Poon & Jevons 1997), from \$US20 million in 1994 to \$US400 million in 1995 to \$US8 billion in 1998 (Quelch & Klein 1996, p.61; The Australian 11/8/1999, p.44) As the focus of online promotion and commerce moved from business to consumer (b2c) markets to larger business to business (b2b) markets, forecasts for 2002 were revised from \$US300 million to \$US1.3 trillion expected in 2003 (Lane 1998, p.267; The Australian 11/8/99, p.44), although after the 2000 bubble burst these forecasts were revised downward. Auld (2001) forecasts though that email newsletter sponsorship will exceed \$US30 billion in 2003. Clearly by the end of the internet's first commercial decade it had become very much a part of the process of commercial exchange.

2.3 Features of the Internet Relevant to this Research

2.3.1 Key Components

As discussed above, the internet is simply a network of computer networks. This being the case the bounds for its use and interpretation are potentially limitless. There are a myriad of services and resources available to use the internet, from mobile phone technology to e-mail and the WWW. The components most commonly used are E-mail (e-mail) and the WWW (Lymer et al 1996, p.146), which are both applications of the internet and form the basis for this research (Fig.2.1). Hamill (1997) discusses bulletin boards and discussion groups as central to the internet concept, however with innovations since 1997 these are no longer separate categories, they have developed into applications typically delivered in the WWW environment.

Figure 2.1 The Internet



2.3.2 A Business Tool

In defining the internet as the use of e-mail and the WWW, this research will examine the adoption, use and impact of what is still an emerging business tool. Many 'dot-com' (internet only) firms closed, were liquidated or sold, as they have been unable to attract the funding they required to sustain business operations. The internet was seen as a tool for integrating existing business operations and for increased ease of coordination and administration (Hamill & Gregory 1997; Hoffmann & Novak 1996; Quelch & Klein 1996), lowering costs and even allowing some marketing effort that was not previously possible or profitable (Ainscough & Lockett 1996; Hoffmann & Novak 1996; Paul 1996).

The internet, as proposed in Fig.2.1 enables many activities to be undertaken including (i) full electronic commerce (eCommerce), the selling of products using online shop fronts and payment systems, (ii) electronic business, (eBusiness), the integration of Internet applications to business process, (iii) mobile internet access and service delivery (mBusiness), to enable web browsing, information delivery and email access on the move anywhere in the world, (iv) telemetry, the measurement and control of machinery or mechanics from a distance; monitoring soil moisture and nutrient levels in order to turn on irrigation or deliver fertilizers and (v) data interchange, prior to internet delivery known as electronic data interchange (EDI), was cost efficient for its time, but is cost prohibitive in terms of infrastructure and training demands; albeit more secure.

This research focuses on the fact that, today, the internet is employed by non-information technology (IT) oriented firms. This allows for investigation of how the internet is being

used in a 'traditional', non-IT industry that is itself only just beginning to adopt a marketing orientation (Goodman 2000a). Since the 'dot-com' stock market bubble burst in 2000 the global business economy began to reassess how the internet will impact on business practices.

2.4 Summary

The internet has many applications and uses. In defining its business use as the World Wide Web and electronic mail it is possible to examine how the firms, small and large are integrating internet technology into the way they do business. The internet represents a cheap, easy to use business tool that may offer competitive advantages. This lies in how it is used within the value chain and the larger value system. This thesis will examine *actual* business adoption of internet technology, in the form that actually delivers benefits to firm operations. This will be done in order to then develop and propose a framework for strategic business planning in the Internet enabled environment. It will then have contributed some knowledge, practical and scholarly, to the development of the internet as a business tool.

Chapter 3 - The Wine Industry – Context of Research

3.1 Introduction

This chapter provides pertinent facts relevant to the context and justification of this research. It provides descriptive data outlining the current state of the industry on global, Australian and the South Australian levels. It identifies challenges the Australian industry faces and the economic importance of the South Australian industry. Finally, it includes a description of all the processes involved in the flow between the primary producer and the end consumer.

3.2 The Global Wine Industry

The global wine industry is divided into 'Old World Producers' (OWP) and 'New World Producers' (NWP) (Tolley 2000). Based largely on the notion of 'tradition versus technology' the OWP comprise countries such as France, Italy, Spain, Germany and Portugal, whilst the NWP comprise Australia, the United States of America, Chile, South Africa and Argentina (AWMC 1999, p.73). In order to secure access to European Union (EU) markets many NWP countries have accepted OWPs claims to geographical names, label design (Gardner 2000) and even accepted the world 'split' into OWP and NWP. The NWPs have used the term 'new' to their advantage actively pushing innovation, quality standards and marketing to establish a credible position on the world stage (AWMC 1999; Batt & Wilson 2000; Madigan 2000; Smart 2001).

3.2.1 Current Situation

Table 3.1 shows that the three largest producers in the OWP nations account for 54.7% of the world's wine production, 64.2% of world exports and 35.6% of world consumption. This sizeable share of production and export is of significant importance to the three countries. In the period 1997-2000, world grape production increased from 59.2 million tonnes to 62.4 million tonnes, an increase of 5.4%. In the same period global wine production increased from 26.4 megalitres to 27.5 megalitres an increase of 4.1%. Although global grape and wine production grew in this period, world consumption dropped 0.4 megalitres from 22.3 megalitres to 21.9 megalitres, meaning there is more than 5 megalitres less wine consumed each year than is actually produced (WID 2000, p.21; WID 2002, p.27). France passed Italy in 1999 to become the World's number one wine producer and exporter (WID 2000, p.27) whilst Australia passed South Africa to become the world's seventh largest wine producer and fifth largest wine exporter (WID 2000; WID 2002).

Table 3.1 The Global Wine Market

Global Producer Rank	Country	Wine Production (ML)	Share of World Production (%)	Share of World Exports (%)	Share of World Consumption (%)
1	France	5,754	20.9	23.3	15.0
2	Italy	5,162	18.8	27.5	14.0
3	Spain	4,113	15.0	13.4	6.6
4	USA	2,210	8.0	4.6	9.8
5	Argentina	1,254	4.6	<2.1	5.8
6	Germany	985	3.6	3.9	8.9
7	Australia	859	3.1	4.4	<2.5
8	South Africa	695	2.4	2.1	<2.5
9	Portugal	669	2.4	3.2	<2.5
10	Chile	667	2.4	4.2	<2.5

Source: WID 2002, Tables 25-28 using extracted figures from G.Dutruc-Rossett 'Report on World Vitiviniculture' presented at the OIV Conference in Adelaide 12 October 2001. Data for 2000.

This decrease in world consumption in recent years combined with production growth as vineyards under planting 'coming on line' in the USA, Australia, South Africa and Chile (NWPs) poses a potential problem with oversupply in the 2-5 year term (AWMC 1999, p.70; Heijbroek 1999; WID 2000, p.21; WID 2002, pp 6-16). Sam Tolley, (Tolley 2000, p.96) the General Manager of the Australian Wine and Brandy Corporation (AWBC) points out that it is time for cooperation among and between OWPs and NWPs in order to grow the total global wine market. From this simple overview it is clear that NWPs, in the case of this research South Australian wineries, face significant obstacles to entry into European markets in addition to shrinking global wine consumption. Although Australia's exports are growing, the global market is getting smaller, with production already outstripping consumption by some 23%. This highlights the need to increase the efficiency and effectiveness of the wine marketing effort. This gives a possible practical role for the outcomes of this research.

3.3 The Australian Wine Industry

Australia is the 'world's seventh largest wine producing country' but produces just 3.1% of the world's wine output (WID 2002, p.27). This figure has however grown rapidly in the ten years since 1989. Since that time Australia's exports have grown from 40 megalitres to 375 megalitres and risen in value from \$A2.90 per litre to \$A4.70 per litre in 1999 (WID 1999, 2000, p14, 2002, p.15). This reflects Australia's brand-building efforts to position 'Brand Australia' (AWMC 1999, pp.70-78; Tolley 2001) as a brand of

premium quality. Australian wines have grown in stature through a combination of promotion by the various wine industry associations, such as Australian Wine and Brandy Corporation (AWBC), Australian Wine Export Council (AWEC), the Australian Winemaker's Federation (AWF) and various regional associations such as the South Australian Wine and Brandy Industry Association (SAWBIA) and continuous success in the various European wine shows. Success in these shows has seen Australian wine winning up to 30% of the medals and trophies on offer, often double or treble the French score – such results have gained world attention for Australia's claim to world-class product (AWI 1999, p.5). It also reflects the drop in the value of the Australian dollar since 1995 (Austin 2001). Although this is of benefit to all Australian export industries, none have fared as well as the wine industry (AWI 1999, p.9).

The 'industry in Australia is dominated by four wine groups – Southcorp Wines, BRL Hardy, Orlando Wyndham and Mildara Blass' which account for 70% of the national wine output and export revenue. Of over 1200 wineries, the top 20 account for 90% of branded wine output (WID 2000, p.19; WID 1999, p.15). Total production already outstrips domestic demand by over 30% and is growing at three times the rate of domestic consumption (WID 1999; WID 2002). Exports must continue to grow rapidly to avoid overproduction (Stanford & Strachan 1999; Travers 1999); this has significant economic ramifications as the wine industry contributes \$A600 tax revenue and employs over 66,000 Australians, many in regional areas (AWI 1999, p.1; White 2001).

3.3.1 Australia's Short to Medium Term Challenges

Australian winemaking and viticultural skills are said to follow world's best practice – in many quarters they are regarded as cutting edge (AWI 1999). Training on technical issues receives a significant portion of Federal Government funding, State Government attention and tertiary institution focus. However the industry now faces the different challenge of developing successful marketing. Marketing of the industry is crucial and has led to the Winemakers Federation of Australia (WFA) commissioning a detailed descriptive paper entitled 'The Marketing Decade' (WFA 2001).

In the decade 1989-1999 Australia's exports grew strongly, as discussed above. Sourcing investment funding, government export assistance and finding willing export partners was relatively straightforward as the market boomed and the Australian dollar fell in value. Australia now finds itself in a fairly straightforward position; production will continue to increase by 30-35% per annum as the vineyards planted 4-5 years ago come 'online' and increase their output. This growth is much greater than the growth in domestic consumption (around 2%) so exports must grow if the industry is to avoid oversupply. As Australia's share of the world market increases it becomes, (i) exposed to counter-maneuvering from competitors, (ii) more exposed to global competition as the 'Brand Australia' (AWMC 1999) becomes less 'boutique', (iii) more prone to imitation of its tactics by other NWP's and even OWP's seeking to protect remaining market share and (iv) exposed to foreign exchange rate problems if the Australian dollar increases in value. For these reasons the Australian Wine Industry must continue to raise its business efficiency and differentiate its brands.

The challenge of the next decade for the Australian wine industry then is two-fold, (i) increase the efficiency and effectiveness of its business operations, and (ii) increase its market orientation and the effectiveness of its marketing activity. This provides the context for this research into the impact of the Internet on the value chains and various value systems within the South Australian wine industry and what competitive advantages Internet use can develop. The South Australian wine industry represents over 50% of Australia's wine output (WID 2000, 2001, 2002) so is largely representative of the national industry. Research into the South Australian industry therefore serves the industry as a whole.

3.4 South Australia's Wine Industry

South Australia has the largest area of land under vineyard with 41.9% of Australia's vineyard area (WID 2002, p.6). Although the share of total area has been marginally eroded over the past several years, South Australia still accounts for 41.7% of the new vine plantings (WID 2002, p.6). The state is the largest producer of grapes with ideal climatic conditions producing 48.2% of the national wine grape total and 50.6% of Australia's total wine production (WID 2002, p.7).

3.4.1 Economic Importance of the South Australian Wine Industry

The Australian wine industry passed the \$1 billion year-to-year export mark in August of 1999; South Australia comprised 70% of exports by volume and 64.5% by value (Wine 1999). In 1999 South Australia bottled '1.24 million bottles of wine each day, of which 505,000 (were) exported' (Wine 1999, p.3). In 2001 South Australia's total wine exports year on year passed the \$1 billion mark (Littlely 2001) making wine one of the state's leading commodity exports. Exports alone generate \$2.7 million dollars revenue each day (Wine 1999, p.3) making the industry economically vital to the South Australian economy (Austin 2001). Demand for South Australian wine exceeds supply by 6% (Wine 1999, p.3), which provides the impetus for expansion of crops, processing facilities and brands to market. In order to maintain the momentum of growth and achieve sustainable higher sales it is vital the South Australian industry improves its business efficiency and coordination along the supply chain.

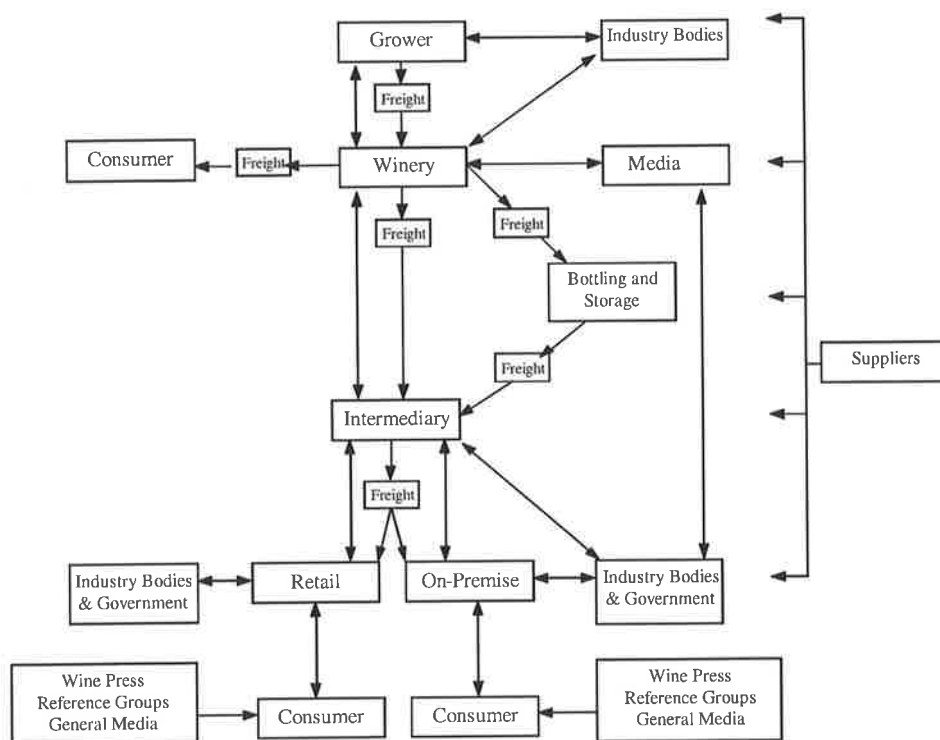
3.5 The South Australian Wine Business – An Overview

The Australian Wine Industry comprises a five-tier distribution system taking 'manufactured' products to market after the processing of primary produce.

1. Grower
2. Winery
3. Distributor
4. Retail and On-Premise (Restaurants etc)
5. Consumer

In 1999, Australia took \$600 million of grapes and converted this to \$6 billion of wine (AWI 1999). Fig 3.1 presents a diagrammatic representation of the industry as a flow of goods and services through a chain to final consumer markets, it also details non-core stakeholders in the flow such as the media, government and the various industry bodies. Identifying the Wine Industry's process enables the identification of the various value chains and value systems for data collection and analysis, furthermore it is presented here to give an overview of the industry, drawing only on the most relevant facets rather than a detailed analysis and description of the industry. The wine industry is the context for the research, not the research itself.

Figure 3.1 The Wine Industry – A Product Flow



The five core tiers of the wine industry are shown in Fig. 3.1 as (i) grower, (ii) winery, (iii) intermediary (iv) retail outlets, comprising retail and on-premise (restaurants and public dining-rooms where the wine is consumed 'on the premises') and (v) consumers. Most wineries grow their own fruit, but are also reliant on buying from other growers to supplement their varieties, production levels or quality (Beverland & Lockshin 2000; Gilinsky et al 2000; WID 2000, p.18). Medium size wineries may have to deal with over 170 different growers (The Advertiser March 17, 2001 p.28), increasing the coordination, communication and administration required to gather data on the progress of crops, quality and production levels.

An increasing number of grape-growers in the New World Wine Regions (outside of Europe) have begun to produce a wine under their own label. Australia sees a new winery born every 72 hours (WID 2002, p.19), but the establishment of a winery often only signifies the granting of a producers licence and not the development of supporting infrastructure. Furthermore there is an increasing number of growers who use other wineries' facilities to produce their own label – putting strain on the total industry infrastructure levels as production and demand grow (WID 2000, p.18). It also has resulted in a significant rise in the product breadth available from the wine industry; that is many more brands and sub-brands on the shelf needing to position and sustain return on investments through profitable activity (Batt & Dean 2000; Lockshin et al 2000).

The intermediaries (Fig.3.1) operate in several forms with the most significant difference being whether they engage in domestic or international (export) activity. The second differentiator is the type of sales activity; whether they are a sales distributor or

wholesaler (WID 2000, pp.415-434). Agencies may operate exclusively, or wholesale to other distributors in both the domestic and export arenas, contributing to a lengthy supply chain (LeLacheur 2000). The intermediary may have full rights to sale, or operate with agreements to sell only to 'on-premise' or retail outlets. Intermediaries typically represent a portfolio of different wineries, regions and countries of origin (WID 2000, pp.415-434) which gives rise to potential conflicts with principal's objectives. Communication with principals is vital but often a shortcoming as the intermediary may have 25 or more principals (wineries) to represent (Goodman 2000; WID 2000, pp.415-434). Efforts to build the brand are often thwarted by restrictive practices in exclusive dealings and downstream customer limitations; attempts at integrated marketing communication require significant coordination, cooperation and administration; this most often renders the process either unprofitable or impossible.

The fifth core-tier of the wine industry is the consumer. The consumer market takes several forms. Consumers may purchase direct from the winery or receive communication direct from the winery and yet purchase from retail and/or on-premise channels or as in the majority of cases they have no communication with the winery at all. Peer reference groups heavily influence the purchase and consumption of wine as a product (Lockshin et al; AWMC 1999); the consumer may receive newsletters from a winery or visit its cellar door, and pass on information to others in their reference group to influence the purchase decision at retail or on-premise channels (Hall 2000; Lockshin 1999). This indicates the merit of integrated marketing communication to differentiate and position the brand to the consumer market. Communication with consumers is struck

by the problems discussed above with integrating behaviour and communication along the supply chain.

Secondary tiers exist at various stages of the wine industry process. The transport infrastructure is typically provided by suppliers external to the firm at all of the various stages, including (i) carting grapes from growers to the winery, (ii) freighting bulk wine to intermediaries, customers and bottling facilities, (iii) carrying bottled product to intermediaries, consumers and (iv) from intermediaries to retail and on-premise channels. The movement of goods between stages of production often entails movement outside the firm (Lockshin 2000, p.85); as such, the problem of coordination, communication and administration is further exacerbated on a micro-level within the production process.

In most cases third party suppliers carry out integral parts of the production process; harvesting, crushing, bottling, labeling and packaging into cartons is most often done outside of the firm (Lockshin 2000, pp85-86) as only the largest of groups can engage in this activity profitably. Firms that develop this infrastructure then sell their production capacity to other wineries. This is the case of Vinpac, South Australia that is owned by Mildara-Blass (one of the 'Big 4' Australian wine groups) that has a major share of the South Australian bottling market. This also compounds problems with coordination, communication and administration.

The industry is heavily regulated at all levels; growers must be registered with various boards for disease control and pest management. The activity of the winery, intermediary, retail and on-premise channels is relatively controlled in most markets.

This control includes registration, formal reporting and full licensing by government and registration with the various industry bodies. This entails further communication, especially with regards information on research, legislative changes and quality assurance. The final secondary-tier suppliers (fig 3.1) are the media who receive and request information and communication direct from the winery and then provide it to government, industry bodies, retail, on-premise and consumer markets. As the majority of the wineries are small to medium enterprises (SMEs) (WID 2001) so this activity adds to the problem of brand building using the necessary IMC strategies; wineries do not have the time, resources or skills to implement effective media management systems (Goodman 2000, 2000a).

3.6 The Research Context

The wine industry was selected for this research for a number of reasons. The nature of the industry in Australia presented several desirable characteristics. First, the South Australian Wine Industry has a very defined supply chain from primary producers to end consumers, in both domestic and international activity. As this research seeks to examine the impact of the internet on the value system, a clearly defined supply chain is essential to identify different echelons of the value system and the activities and interactions with upstream and downstream firms. The industry is highly structured and the separate tiers have clearly defined boundaries where primary activity and responsibility begins and ends. Second, the South Australian Wine Industry is highly regulated and licensing or registration applies to most groups, thus identifying the population. This assists in the

research design to identify the population to be surveyed, assists in gathering contact details for survey research. It is also beneficial to access publicly available data showing sales and production figures to identify competitive pressure and short-mid term marketing situations. This in itself also helps to clearly identify the different echelons within the South Australian Wine Industry.

The third reason the South Australian Wine Industry was selected for this research is that, as discussed, 20 out of over 1200 wineries account for over 90% of Australia's wine output (WID 2000, p.19; WID 1999, p.15) and the majority of South Australia's wineries are small to medium enterprises (SMEs) with high levels of interdependence on upstream and downstream echelons of the industry. This is likely to present problems with communication, extra-firm coordination and administration. SME wineries rely on other echelons of the wine industry value system to perform functions that in other industries are likely to be conducted using the firm's own resources. This provides the opportunity for this research to examine the role of the internet in the activities linking one firm (as its own value chain) with upstream and downstream firms (as part of a value system). This is discussed further in the next chapter, the literature review. Fourth, as discussed in this chapter, the South Australian, and Australian, wine industry output is expected to continue growing on average by around 30-30% per annum over the short to mid term, with domestic consumption growing at around 2%. This, along with a global wine industry facing potential oversupply, has led to an aggressive push by the various industry organizations, government and players within the wine industry to improve the levels of marketing and business efficiency with a view to increasing the Australian and

hence South Australia, wine industry's competitive position on a world market and continuing to export sales. This leads to the final reason for selecting the South Australian Wine Industry. There is an acknowledgment that Australia's commitment to innovation and technology within the wine industry has assisted in growing the industry as successfully as it has (AWI 1999). There is a need to continue to utilize technology and innovation to further growth and minimize the risk of potential oversupply (Stanford and Strachan 1999; Travers 1999). The use of the internet among the value systems of the South Australian Wine industry value systems represents the uptake of technology and innovation for the marketing challenge that is highlighted in 'The Marketing Decade' (WFA 2001). For these reasons, the South Australian Wine Industry offers this research a context in which the activities and interaction that different echelons of the value system may have, along with the benefits that may be generated from using the internet for such activities and interactions. Furthermore, there is scope for this research to contribute to assisting the industry through providing some insight as to how it may be able to deal with some of its challenges in the mid to long term.

3.7 Summary

The wine industry has a structured, formal process and adds significant value in the processing of raw materials into finished product. It is comprised significantly of SMEs, leading to potential problems with communication. Parties external to the firm carry out coordination and administration and many functions vital to the firm's activity at its stage of the production process. This further exacerbates the potential problems with coordination and communication. South Australia's wine industry is the major player in

the Australian wine industry and it represents significant economic importance to the South Australian economy. Although market demand is stimulating rapid expansion, in the long run the South Australian industry will need to improve business efficiency and marketing effectiveness to sustain higher levels of production and growth. As such this research has practical implications for the South Australian (and Australian) wine industry. In addition to contributing to the pool of academic knowledge in the areas of internet adoption, internet marketing and strategy, the proposition of a potential practical framework is a key motivator for this research.

Chapter 4 - Literature Review

4.1 Introduction

This chapter seeks to present a review of the research and business literature relating to internet use. It offers an overview of the nature of this literature on internet marketing, summarises key literature in the area, including the methods, variables and key findings before discussing the problems of reviewing such new knowledge before outlining the research approach taken here. The review is organized to meet the objectives of this research. Key concepts include the nature of internet competition, competitive advantage, value chains and four categories of use of the internet. These concepts are defined and then used to discuss the literature before outlining its relevance to this research context and proposing a research framework.

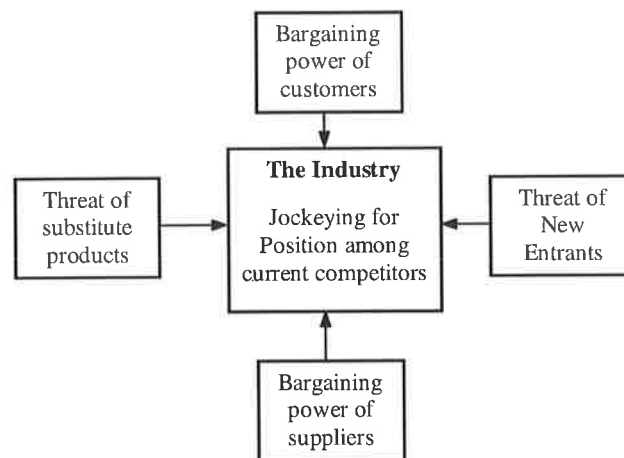
4.2 Key Concepts

4.2.1 The Structure of Competition

Porter (1979, pp.280-281) proposes that the level and nature of competition in an industry is largely dependent on its underlying economic structure. An 'industry', according to Porter (1979, p.280) consists of the 'established combatants...customers, suppliers, potential entrants and substitute products'. These industry components act as competitive forces and work continuously to compete away above normal profits (Moore 1992, p.43). Figure 4.1 illustrates Porter's 'Five Forces' model of competition. In investigating the impact of the internet on the value chains of the South Australian wine industry, it will be

necessary to identify its impact, if any, on the nature of competition within the sector to ascertain how competition is affected and therefore how the various value chains have been affected.

Figure 4.1 Forces Governing Competition in an Industry (Porter 1979, p.280)



Porter (1979) proposes that the influence of customers and suppliers work in similar, if opposite, ways on the firm. If suppliers are more powerful than buyers, they can raise prices or lower quality. If buyers hold significant power they can demand price reductions and/or increased quality from suppliers. Suppliers assume great influence (i) if they are few in number, (ii) if the firm is likely to incur large switching costs, (iii) if close and reasonable substitutes are not available or (iv) if the industry is not a large customer group to the supplier (Moore 1992, pp.45-56; Porter 1979, pp.282-285).

Moore (1992, p.45) and Porter, (1979, pp.285-286) suggest a buyer group is likely to be a powerful influence on an industry if; (i) the product is relatively standard, and undifferentiated, (ii) the buyer is likely to find a substitute product fairly easily and

cheaply, (iii) the buyer does not save money buying the product (including total cost of money, time, energy and psychic costs - Kotler et al 1996, p.43), or (iv) the buyer faces low switching costs. Barriers to entry, such as start-up capital requirements, legislation, experience curves and learning costs, access to distribution and economies of scale, indicate the magnitude of the threat of new entry into an industry (Kay 1992; Moore 1992; Porter 1979). The threat of substitutes indicates the position and influence of buyers and suppliers, if substitutes are easily available they influence the shape of competition. The final 'force' influencing competition is the intensity of competitive rivalry among existing competitors in the industry; if there are few firms and profitable demand levels the competition will be low, alternatively if there are many firms competition will be more intense.

4.2.2 Competitive Advantage

'Competitive advantage grows fundamentally from the value a firm is able to create for its buyers that exceeds the firm's cost of creating it' (Porter 1985, p.3). Competitive advantage then is the firm's ability to provide buyers with superior value (Kay 1993). Traditionally this was seen to arise in two ways; (i) 'offering lower prices than competitors for equivalent benefits' or (ii) ensuring the benefits offered are unique and thus offset a higher price (Porter 1985, p.3). Such a view defines what a competitive advantage is but not necessarily how to develop one. This problem is compounded with the advent of the internet-enabled environment, namely the belief that the internet itself will create competitive advantage. As Porter (2001, p.63) points out, this belief is

dangerous and has led to many of the bad decisions managers have made in relation to investment and 'strategy'. Importantly, Porter (2001, p.65) makes the point that it is the 'uses' of the internet that ultimately create economic value. This research needs to examine the activities for which the internet is being used and attempt to identify the benefits that arise from such use.

Porter's (2001) work addresses his earlier work on industry structure, competitive advantage and competition as it relates the internet to the original concepts. The paper uses no specific empirical evidence but highlights the *possible* influences of the internet on the '5-Forces' that shape competition within an industry. Porter (2001, p.63) expresses the view that in order to examine the impact of the internet on strategy we need to return to the fundamentals. He clearly points out that the internet does not reinvent (strategy, competitive advantage and or competition), but certainly has an impact. One of the key challenges in this 'new' internet-enabled environment is the need to develop a clearer view of the world we must operate in and to see the internet for what it is, 'a powerful set of tools' (Porter 2001, p.64). As few firms have been able to generate any sustainable advantages from internet use, we must discount the firm's experience so far with the use of the internet and return to the fundamentals in order to see 'who will capture the economic benefits of this enabling technology' (Porter 2001).

One of the 'greatest paradoxes of the internet is that its very benefits' – information being widely available and ease of doing business- 'also make it more difficult for companies to capture those benefits as profits' (Porter 2001, p.66). Most likely to succeed will be the

firms that integrate the internet and traditional ways of competing and doing business; firms need to use the internet as a complement to traditional activity (Porter 2001, p.64 & 78). This research needs to examine the integration between use of the internet and traditional marketing activities, as this integration of use and activity may, in fact, benefit each other (Porter 2001, p.76). The internet is an open platform, companies can tap into its benefits (Porter 201, p.71), but firms still need to set themselves apart. Porter (1996) proposes that firms should have a well-constructed set of activities that are interwoven across its environment (upstream and downstream customers). Ultimately it is not just the selection of activities but also how they are carried out that is important. Activities and how they are carried out are the basic building blocks of competitive advantage (Porter 1996, p.62).

Firms can use activities in two ways to improve their competitive position according to Porter's (2001 revisit of his concepts of competition, competitive advantage and the advent of the internet for business. Firms can either establish a set of activities that do things the same as others, but do them better (operational effectiveness) or work on doing things differently and delivering a unique type of value to its customers (Porter 2001, p.70). In relation to this research, this 'unique value' may be best viewed in terms of benefits of internet use. Porter (2001) repeatedly positions the notion of 'benefit' from internet use, from capturing possible economic benefits to the benefits of combining internet and traditional approaches. Examining benefits may assist in examining the internet and its impact on competition through moving away from traditional ways of looking at competitive advantage.

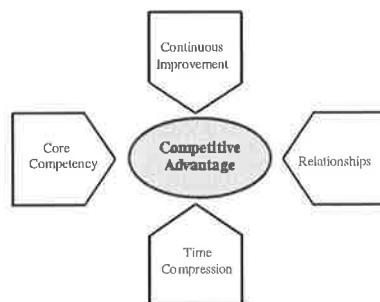
'In a volatile, intensively competitive world' says Kanter (1990, p.7) companies need to move away from 'only using the (Porter's 1985) generic strategies to build competitive advantage and incorporate specific actions across the business organisation and processes'. Prahalad and Hamel (1990, p.54) propose that in order to ensure long term competitiveness and thus competitive advantage, a firm must produce at 'lower costs and more speedily than its competitors'. The firm is a collective of learning, which if employed correctly will enable the firm and its business units to develop competitive advantages. This collective of learning, or 'core competence' (Prahalad & Hamel 1990) is what enables a firm to most effectively organize and direct effort and coordinate the value activities. Kanter (1990) supports Prahalad and Hamel's (1990) view of core competency.

Kanter (1990, p.7) proposes there are four bases of 'sustainable competitive advantage that guide the actions of successful companies'; (i) core competency (ii) time compression, (iii) continuous improvement and (iv) relationships. Kanter's (1990) concept of how to compete was proposed before the internet enabled environment existed commercially, but nonetheless offers insight into business activity in this new environment. Porter (2001) calls for the reexamination of earlier work on Competitive Advantage to assess the strategic influence of the internet, in some way, the use of Kanter's (1990) work to underpin this research heeds this call. Examining these earlier issues in the context of the internet-enabled environment may present significant insight into business strategy in this radically altered business environment – and suggest how

traditional businesses can benefit fully from what the internet-enabled environment offers.

This notion of 'benefit' as opposed to 'advantage' may contribute to a better understanding of the outcomes needed from internet marketing activity. If the activities of using the internet for marketing purposes are the drivers that ultimately create economic value (Porter 2001), then the outcomes from such use may be viewed as the 'competitive' benefits the firm receives. For the purpose of this research the concept of competitive benefit (Fig 4.2) development is drawn from Prahalad and Hamel (1990) and Kanter's (1990) work on competitive advantage. Porter's (1985) 'generic strategies' are, in using this framework, seen somewhat more as objectives rather than strategies. The four factors included here may be subject to identification, measurement and analysis., this will necessitate preliminary data collection to build this area of the survey instrument. As will be discussed in the following section, value is equal to benefits less costs (Chernatony et al 2000; Dumond 1996; Zeithaml 1988). Competitive Benefits then may be viewed as the strategic design of activities to result in benefits in order to effect the value equation of the firm's offering.

Figure 4.2 Competitive Benefits (from Kanter 1990 and Prahalad & Hamel 1990)



4.2.3 Value Chain

Much of the literature concerning the value chain concentrates on transaction theory and notions of planning and control. This research uses the notion of the value system as a concept with a holistic view of 'value adding' throughout the wine industry channel; as a broader view of the entirety of the value adding from raw material to consumer. This section addresses the notion of value, before discussing the notion of the value chain. The features of the value chain are discussed as well as the limitations and need for this research to examine a broader view of an industries activities. This section concludes with the introduction of the value system as an interconnected set of activities and benefits that cross individual firm boundaries in moving raw materials to the consumer as finished goods.

In order to understand the concept of the 'value system' used in this research it is necessary to discuss the idea of value from which it is built. Dumond (1996) proposes that the best definition of value is to consider that value created in business is equal to the customer benefits less the customer sacrifices in obtaining the benefits, a notion supported by Zeithaml (1988) and Chernotony et al (2000). This notion of value is at the heart of the marketing exchange process. When two parties exchange, value is created whereby each party receives more utility than they had before the exchange took place (Kotler 2001). The extent of value is 'determined by the utility combination of benefits delivered less the total costs of acquiring the delivered benefits' (Walter & Lancaster 2000). This utility, or value, is created through identifying and understanding customer benefits (Walters & Lancaster 2000). The idea of designing how value can be 'added'

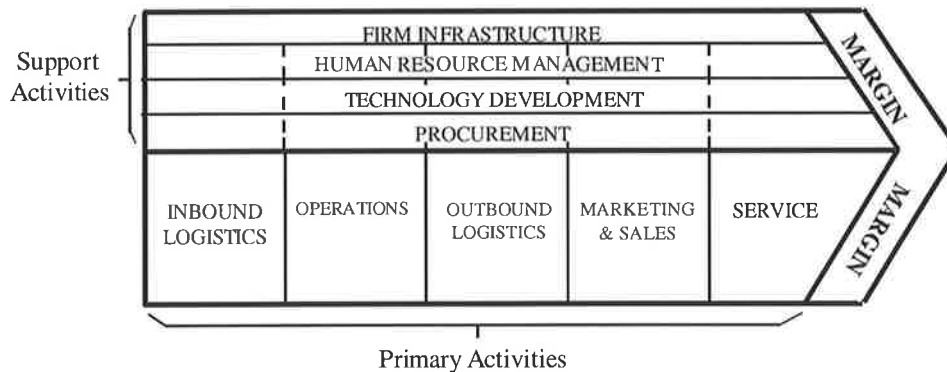
has been widely discussed as a strategy for developing competitive advantage, although the term 'added value' is losing its meaning through a lack of an agreed definition (Chernatony et al 2000). Value based management needs to consider the 'activities of the whole' including internal, interactions with suppliers and customers (Dumond 1996), especially to identify the activities that are involved in creating customer value (Chernatony et al 2000). The notion of benefit is intrinsically linked with value. As such, when considering competitive position this research must address the notion of 'benefits' (Day & Wensley 1988) and how the activities within the wine industry can use the internet to create benefits that are so inherent in the 'value' concept.

Porter (1985) proposes the value chain concept as a tool for identifying the activities of the firm that are 'strategically relevant' (Moore 1992, p.51). The firm creates value for its buyers; this value is created across the many functional areas and disciplines of the firm; as such a holistic view of the firm is necessary (Moore 1992; Porter 1985). The value chain is a concept that seeks to combine all sources of value creation by the firm in linear and integrated manner; using this activity-based approach helps identify all functions with a value creation focus. The value chain is based on activities rather than functions, as it is in activities that the firm creates value in its product (Moore 1992; Porter 1985). The activities involved in logistics and purchasing, are then, the drivers of the firm's value chain (Walters & Lancaster 2000).

In identifying the activities of the firm, the value chain is used to identify where costs occur and where value is created, 'to find current and potential sources of differentiation

with the ultimate aim being able to perform activities more cheaply or better' than competitors; thus creating a competitive advantage (Moore 1992, p.51). Porter (1985, p.37) postulates there are nine value activities in the generic value chain (Fig 4.3), five of which are Primary Activities and four are Secondary Activities that span across the Primary Activities. The value chain (Fig 3.1) is based on the assumption that 'every firm is a collection of activities that are performed to design, produce, market, deliver and support its product' (Porter 1985, p.36). The value chain is the basic tool for understanding the influence of the internet on companies (Porter 2001, p.74); it is not simply an analytical tool, but also a tool for facilitating activity (Walters & Lancaster 2000, p.61).

Figure 4.3 The Generic Value Chain (Porter 1985, p.37)



Value chain management is 'the 'Holy Grail' for today's most progressive and innovative companies' (Trombly 2000) and through the use of e-commerce within the value chain, customers can gain benefits (Bhatt & Emdad 2001). These benefits are typically through, (i) lower inventory levels, (ii) higher customer satisfaction and (iii) decreased time to market (Trombly (2000). Important for this research, it is 'imperative that business

integrate the virtual value chain activities with physical value chain activities' (Bhatt and Emdad 2001). This research needs to identify marketing activities that are representative of the interlinked series of activities using the internet that support activity in the physical world. The firm's value chain does not stand in isolation, it is part of a larger set of activities carried out by other members of the channel (Brown 1997), and in the digital age, we must rethink how value is delivered using a view that incorporates the entirety of the channel (Aldrich 1998). The use of the word 'chain' is limiting as it suggests linear relationships in which only two parties are engaged at any time (McLaren et al (2002), which means taking a view that emphasizes the 'relationship management between activities' within the firm and with other organisations (Walters & Lancaster (2000p.160). Priem et al (1997) suggest that it is the interrelationships among the value activities both within and outside the firm that influence each value activities' role in cost, a view supported by Bhatt and Emdad (2001) who emphasise that the value created through the use of e-commerce is partly determined by the extent to which value chain activities are interconnected with suppliers, manufacturers and customers.

There is a need to examine 'value chain alternatives' in order for marketing to begin to work with the notion of value creation to ensure outcomes that are mutually beneficial to customers and stakeholders (Walters & Lancaster 1999). The firm's value chain is a tool to disaggregate *a* business into strategically relevant activities'; the firm's value chain must be considered as part of a 'larger stream of activities carried out by other members of the channel' (Walters & Lancaster 2000, p.160). A firm's value chain may be peculiar to it, but it is not independent of other firms. The firm is joined to the value chains of

other firms, both upstream (in supplier's firms) and downstream (in channel value chains and buyer value chains); there is a need to examine the 'relationship management between activities in the value chain' (Walters & Lancaster 2000, p.160). This research needs to identify and examine the marketing activities, including coordination and administration, between various firms in the channel from production to consumer. Walters and Lancaster (2000) discuss that the modern value chain may be better considered when viewed as a business system. Value chains themselves are seen to be evolving in the new economy. Li and Whalley (2002) use the example of the telecommunications industry and suggest that a broader view is needed of the interrelationships within an industry as the existing set of activities do not capture the network of relationships between companies.

The successful firm needs to configure a tailored value chain taking into account the set of activities required to produce and deliver a product to the marketplace and in doing so, to offer unique value (Porter 2001, p.72). Managing value creation is something that must extend beyond the company and through to customers and suppliers (Trombly 2000). This will entail looking at the value chains of firms upstream and downstream and developing an interlocked set of activities that, ultimately, are harder for competitors to replicate (Porter 1996, p.73). The activities must provide benefits that work to ensure each individual stakeholder's relevant needs are met through engaging with the other members of the system (Walters & Lancaster 2000).

Competitive advantage may be generated through the use of IT if there are barriers that make such use hard to replicate (Clemons & Row 1991, p.277). The firm must ensure what it sets up is highly integrative with other value chains and that its activities fit together as a self-reinforcing system. There is little patent protection for information systems (Clemons & Row 1991), but through this approach of integration of individual value chain activities throughout the value system, it is likely to be hard to replicate. This has implications for the approach needed in this research, it is important that use of the internet for marketing takes a 'holistic, less compartmentalized view of the marketplace' (Robins 2000); in this case this signals the need to look at the system of interconnected value chains.

These interdependent value chains are referred to as the value system (Porter 1985), which may be thought of as a sector or industry value chain as opposed to the value chain of the individual firm. Priem et al (1997) position Porter's (1985) value system as the activities required to move from raw materials to finished goods in the hands of consumers. To examine value we must look at the organisation and the processes that are designed to create value (Chernatony et al 2000). The concept of Porter's (1985) 'value system' (Fig 4.4) as opposed to his individual firm value chain is a critical concept in examining the impact of the internet on the value chains within a particular industry and exploring the competitive benefits that may develop. In this system approach, a competitor will have to replicate the whole system in order to reproduce and offer the same benefits. An industry wide value chain is often too broad as it 'may obscure important sources of competitive advantage' (Porter 1985, p.36). Instead it is necessary to

examine the activities through which individual firm value chains interact with their respective value systems, for the value chain is actually a business system that creates end-user satisfaction (Walters & Lancaster 2000).

Figure 4.4 The Value System (Porter 1985, p.35)



Hoey (1998) suggests that in the internet-enabled environment, an organization's value chain may be defined as the collection of activities that produce, market, deliver and support its products or services. When viewed this way, the value chain is the 'value creating system in which members work together to create value (Walters & Lancaster 2000). The firm must produce resources internally or acquire them from its environment; access to a greater channel can be viewed as a resource that the firm can use to compete (Clemons & Row 1991). In order to work with these resources, the firm must begin to identify how it fits into the greater picture (Aldrich 1998) and how it can work with the resources of a value system to improve its competitive position. Strategy itself may be viewed as the use of the value creating system in which members work together to create value (Walters & Lancaster 2000), with value being the residual of benefits less costs (Chernatony et al 2000; Dumond 1996; Zeithaml 1988). If activities and linkages are managed and coordinated better, then costs may be reduced. If the benefits of exchange are increased then the value generated becomes greater than would otherwise be. As Porter (1996) notes that a firm with a highly interlinked set of activities will see its

strategy and implementation difficult to replicate, the value system linkages themselves may well offer uniqueness if they result in a better fit to customer needs (Priem et al 1997).

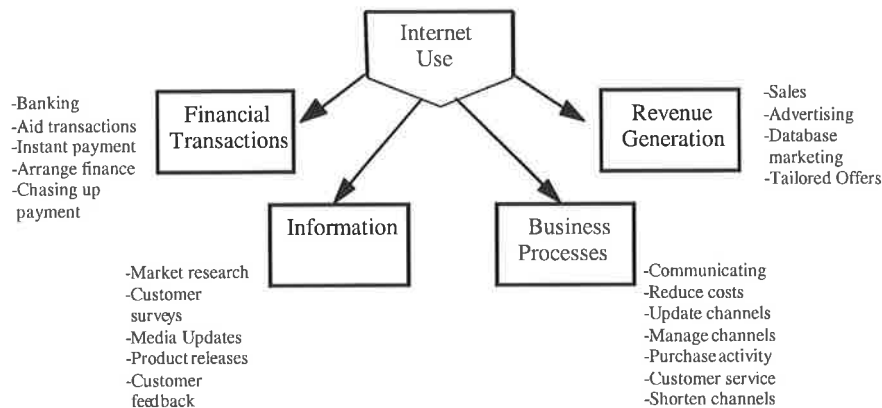
The research design will need to examine a system of the South Australian wine industry that is representative of the interaction of the value chain of a typical firm with its value system. It will need to examine the interactions of the activities involved and the benefits generated through use of the internet. In taking this approach, a framework may be identified that is representative of the activities and benefits relevant to firms in planning to do things better or differently to others as Porter (2001) indicates is necessary to be successful. In the long run 'integrated value chains can save money thanks to lower transaction costs at each of the links of the chain (Trombly 2000). This view of simultaneously addressing both sides of the value equation, costs and benefits is similar to the proposition made by Alderson (1965) that the pursuit of low cost and differentiation are both compatible and synergistic.

4.2.4 Internet Use

The concept of the value chain and value system as described above has an activity focus. It is necessary for this research to utilize a concept of internet marketing that also has an activity focus. Goodman (2000) proposes that internet use for marketing can be categorized into four activity-based categories, (fig. 4.5) namely (i) Financial Transactions, (ii) Information, (iii) Business Processes and (iv) Revenue Generation.

Using this concept to examine and organise the literature may enable the development of a framework for internet marketing use within the value system.

Figure 4.5 Internet Use Types (Goodman 2000)



Such a framework may facilitate effective use of the internet for profitable business activity as the firm deals with those upstream and downstream in the value system. It utilizes a simpler view of the internet and its use in the business environment. The internet is regarded as comprising (i) the world wide web and (ii) e-mail. Internet marketing then, is any use of the internet to support, directly or indirectly, the firm's marketing objectives. By viewing internet marketing in this manner it is easily integrated into existing business activity.

4.3 Literature Overview

Much of the early academic literature is of a descriptive, largely anecdotal nature (Mathur et al 1998). As the internet emerged as a tool for business, a shift to empirical research

began. The dot-com sector bubble burst of 2000 took away some of the impetus of this growing area. This section presents a summary of the literature relevant to the use of the internet for marketing activities, including the identification of methods, variables and findings. As a new tool for business and a relatively new area for academic research, a school of thought on the commercial value of internet marketing is still emerging. Judgments hinge on the writer's opinion as to what 'marketing' encompasses; is it merely promotional activity or does marketing include coordination, management and relationships as well as communication and distribution activities?

The technology share-price plummet of early 2000 means that for some time, internet stand-alone companies have received little market support and as a result 'internet only companies' (pure play), may not prove to offer a sustainable business model. Gulati and Garino (2000, p.108) suggest it is better to pursue a mix of 'clicks and mortar'; that is to combine internet activity with existing, traditional or offline, business and overlook the fear of cannibalization. This view is consistent with the definition of internet marketing given above. It is practical to view the internet as a tool for business to integrate with more 'conventional' activity, although the resulting blend of strategy and tactics may be very different from the conventional business environment. The internet is an enabling medium that can be used to develop business strategy rather more than revolutionise the way business is carried out. Prescott and Van Slyke (1997, p.124) point out that internet technology is 'part of a cluster, rather than a stand-alone innovation', and yet much of the internet literature so far has a focus on 'pure-play' enterprise rather than its integration with existing business practices, marketing theory and strategy. Nonetheless businesses

are beginning to pursue this integration. For example, Amazon.com has bought warehouses and Fosters Brewing at one stage bought wineplanet.com.au to capture the Wineplanet customer database even though they closed down the online operations. Academic thought lags behind business practice in this rapidly developing area. This section highlights some of the methods, variables and findings of academic research relevant to this thesis.

Certainly the internet impacts on the marketing mix. After discussing the key features of the internet and the risks of using 'E-Marketing', Robins (2000) goes on to present an 'E-Marketing Mix' that reflects the nature of this new medium and the shift of focus necessary to ensure it is well used. This suggests that a lot of comment on internet marketing is actually descriptive of the medium itself, not business activity or strategy. This paper (Robins 2000) examines the changes taking place in marketing practice that are driven by the advent of electronic marketing. Real world examples, such as IBM, Sony, Pacific Dunlop and General Electric, are used to highlight the conceptual framework that is presented. Robins (2000) discusses the key features of using the internet for marketing. Starting with the speed of response, examples are used that highlight increased levels of output without accompanying increases in cost. The personal nature of using the internet for marketing activities is another key feature; internet communications can be personalized and 1:1 marketing conducted. The interactive nature of this communication is the third key feature of internet marketing, and Robins (2000) points out that although this is a technical feature, it offers marketing practice an emerging, dynamic approach to selling. Marketers can also potentially

benefit from the fourth feature of the internet, namely the way it can be used to customise offerings, communications messages and offers, with such customization really representing 'mass customisation'. (Robins 2000).

The potential risks of e-marketing are highlighted through the discussion (Robins 2000) of the much held belief that the internet will bring emphasis to purely price based competition. This can lead to the reduction of the status of all products to commodity goods as buyers can speedily compare prices either manually or using shopping 'robots' (Robins 2000, p.258). This potentially makes marketing much harder for non-innovative and non-competitive firm. Of more concern is the potential problem innovative firms may face in attempts to recoup development expenditures in a market that enables rapid dispersion of 'copy-cat' products (Robins 2000). This highlights the global reach nature of the internet and the importance of global level support for the protection of trademarks, copyright and intellectual property (Robins 2000, p.259).

The internet seems to be able to significantly reduce administrative costs, which poses a risk to those who generate economic profit from the administering and coordination of business activity. Robins (2000) notes that this presents buyers or sellers the ability to easily administer 'collective' offerings or purchase power. Robins (2000) discusses how the internet can be used to increase operational efficiency that may be necessary as a move to pure price competition is forced upon sellers. This research needs to adopt an approach that is oriented to the systems ability to collectively bring goods to the marketplace. It is necessary to identify the activities along the various value chains of

the South Australian Wine Industry in an attempt to examine how this 'system' approach may be able to use the internet to increase operational efficiency. A value system approach is also necessary to identify an approach that minimises the risk of channel conflict that Robins (2000, p.262) notes is a potential problem with firms using the internet for marketing activities.

Robins (2000) discusses the issue of competitive advantage through drawing on the 'benefits' related to buyers and sellers. 'In theory, the marketing task is to focus on each of the benefits which this new medium offers buyers' and then devise ways of using them that are also of benefit to the seller. Each of the '5Cs' of electronic marketing as related to buyer benefits (communication, convenience, customisation, choice and control) is demonstrated as also providing benefits to the seller (fullness of communication, direct buyer contact, opportunity to move buyer upwards, the global reach and no time wasted on non-buyers). The highlighting of the need to examine 'benefits' from both sides of the exchange process suggests this research should examine the benefits that those within the system of interconnected value chains are looking to receive from using internet marketing. Robins (2000) uses the benefits identified from using the internet to frame his 'e-marketing mix'. Again, this highlights the need to have a 'benefit' based approach to attempt to understand how the internet may be used as a tool for marketing activities within the chain of the South Australian Wine Industry. The e-marketing mix that is emerging is centered on using the benefits of the internet to design how to implement the marketing activity of the firm. The e-marketing mix (Robins 2000) that marketers need to consider when using electronic marketing consists of:

1. Inexpensive
2. Interactive
3. Involving
4. Information Rich
5. Instantaneous
6. Intimate
7. Individual
8. Intelligent

This work (Robins 2000) presents a conceptual view of the internet post the hype of the dot-com boom. It is not geared around the use of web sites to attract the masses, generate attention and move to initial public offerings (IPOs). It draws from anecdotal evidence from the domain of popular media, rather than from empirical evidence. The key finding of this paper relevant to the research at hand is the importance of defining the benefits this new tool offers and then designing the activities that suit both the buyer and seller. Whilst this research will not specifically investigate the features, risks or marketing mix that Robins (2000) discusses, they contribute to the process of beginning to identify the activities and benefits that firms within the South Australian Wine Industry. Importantly, Robins (2000) approach to the internet related to marketers' use is similar to an emerging view that internet marketing is 'any marketing using the internet which supports the firm's marketing objectives' (Goodman 2001), a view consistent with Perrott (in Perrott & Brown 1997). Although this may appear a loose definition, it fits with Paul's (1996) view of marketing, which will be reflected in this research. A final key concept from Robins' (2000) work that influences the approach of this research, is the call for

marketers to take an increasingly 'holistic, less compartmentalized view of the marketplace'. This simple perspective underpins this literature review; in relation to identifying 'marketing' activities.

Although not internet specific, Choudhury et al's (1998) investigation of electronic markets offers some insight for this research. The research uses the aircraft industry use of Inventory Locator Service (ILS), to investigate 'market-making activities' including, '(i) identifying trading partners, (ii) selecting specific partners and (iii) executing the transaction' (Choudhury et al 1998). Of interest to this research is that the paper seeks to address two questions that are relevant in their findings to the construction of this research. Firstly, they ask, 'when do buyers use an electronic market (Choudhury et al 1998)'; to investigate the set of interlinked activities within a value system it is necessary to know what conditions buyers are likely to need in order to use the internet to do business with upstream members of their value system. The second question addressed is 'how do electronic markets affect...prices, inventory levels and the role of brokers (Choudhury et al 1998). Although this research does not seek to investigate impacts on price or inventory level, the nature of intermediaries role is of note as the Wine Industry Value System being used is reliant on intermediaries. This research (Choudhury et al 1998) may offer insight into the likely role of the internet in assisting with activities and linkages from one echelon to another.

Choudhury et al (1998) studies a single industry, much like this research. They note that the question of generalisability arises in such cases but still the research is supported as it

identifies a set of industry specific findings and activities that can then add to academic knowledge as they are integrated into broader research. A model developed in such a way needs to be subjected to further empirical validation, but 'should be a useful starting point for future studies' (Choudhury et al 1998, p.472). The airline industry has used ILS for a substantial period of time and as such differs from the context of this research. Initial interviews were conducted in order to develop an overall understanding of how people used the electronic market, when it was used and why they used it (Choudhury et al 1998). Such interviews deemed it unnecessary to include some members of the industry as they making minimal use of ILS and would not contribute to the understanding needed from the research Choudhury et al 1998); this may be similar to the exclusion of 'growers' as discussed in the next chapter under 'preliminary interviews'.

The survey instrument was developed (Choudhury et al 1998) after conducting the interviews and then administered to 120 airlines, a population that are relatively easily identifiable, as are those in the South Australian Wine Industry. No follow up was possible due to constraints of the mailing list and no non-response testing was reported. The response rate of the survey was 25%. Data gathered was based on perceptions rather than measurements. The data was analysed in relation to the three functions proposed, (i) identification, (ii) selection and (iii) execution (Choudhury et al 1998). These categories may, to some extent, be similar to the notion of Goodman's (2000) categories in terms of the aspect of 'mutually supportive'. Choudhury et al (1998) finds that buyers will not use electronic markets just because asset specificity and product complexity is low, but that they (buyers) actually make trade-off decisions between the benefits of using electronic

markets for lower prices versus the benefits of integration with suppliers such as reduced transaction execution costs and lower cost of selection. This supports the notion of investigating the value system's use of the internet for marketing activity involving coordination and administration across the linkages of individual firm value chains. The finding that sellers do not necessarily face commoditisation of the products with intensified price competition (Choudhury et al 1998) further supports the investigation of a value system and activity:benefit approach. Choudhury et al (1998, p.501) conclude with a call to develop further industry specific studies of electronic markets, particularly 'from the perspectives of different players in the value chain' in order to 'build the cumulative body of evidence necessary to...understand the dynamics of the use and consequences of electronic markets.

Grover and Ramanlal's (1999) work examines six 'commonly accepted' statements related to what effects IT networks will have on marketplaces. These 'myths' (as Grover & Ramanlal 1999 refer to them) are presented and discussed along with the relevant 'counter' arguments. Both are then related to economic examples to provide arguments for and against the belief that IT networks will result in market effectiveness. Although conceptually sound, the authors (Grover & Ramanlal 1999) note that it should not be accepted as a substitute for empirical research and the intent is stated quite clearly as driven by 'the need to broaden the scope of investigation when examining market effectiveness on the internet' (Grover & Ramanlal 1999). This provides a signal for this research that actually seeks to investigate how sellers (the value system) may be able to deliver greater benefits rather than the concentration of much of the literature into the

commoditisation of prices and reduction of transaction costs. Grover and Ramanlal (1999) point out that transaction costs can decrease sellers' ability to extract monopolistic rents but if coordination costs are high (such as replicating or replacing interlinked systems) then suppliers could increase prices knowing that buyers 'would rather pay the higher price than incur an expensive search' or switching cost.

The 'six myths of information and markets' and their counter-myths are discussed, and sound arguments given to show how the 'myths' have perhaps become what they are and then conceptual evidence to show that the counter-myth may in fact hold true. These myths include: (from Grover & Ramanlal 1999, pp.470-487)

1. 'Product customization, enabled by IT networks, would benefit buyers', with the 'counter myth' being that it would in fact allow sellers to exploit buyers.
2. 'Increased outsourcing, enabled by IT networks, would lower prices and benefit buyers', with the counter myth being that it could in fact 'reinforce the seller's monopoly by sustaining higher prices'.
3. 'Open IT network architectures lower prices and benefit buyers as dependence on supplier hierarchies is reduced', with the counter myth being that they could in fact enable 'sellers to create captive buyer networks that can sustain higher prices'.
4. 'Linking multiple market centres using IT networks would result in consolidated markets that could benefit the buyer, with the 'counter-myth'

suggesting the same 'could result in fragmented markets that benefit the supplier'.

5. 'Expanding the customer base for a product using IT networks would result in greater benefits to buyers', with a 'counter myth that in such fashion, 'suppliers could actually exploit buyers'.
6. 'A low price guarantee by suppliers in environments enabled by IT networks would result in markets that benefit the buyer', with the counter-myth that such an environment 'could result in price fixing and higher prices for the buyer'.

These six myths are shown to be possibly true, but the economic examples used in each instance show that the counter-myths are also conceptually sound. This thesis examines both the transaction type activities of linking one echelon of a value system with another whilst also investigating the benefits from using the internet for such activity. Grover and Ramanlal's (1999) research demonstrates that benefits are possible on both extremes of the buyer:seller continuum. This thesis will identify a complex set of interlinked activities amongst the firms in a value system that represents the 'seller' side of the industry. As such this research is seeking to identify empirical evidence that is more skewed towards Grover and Ramanlal's (1999) counter myth end of the continuum, that is that a complex, interlinked set of activities will benefit sellers. Rather than exploit buyers, the notion of competitive benefits introduced in this thesis also then puts this research into the context of 'value'; although sellers may gain advantage it will be through the generation of mutual benefits through marketing activity. This research is limited though as the consumer's end of the continuum is not under investigation, as such

the concept of 'benefit' driving value in the exchange ends with the echelon in front of the consumer, whether the benefits are passed on or extracted as above average profits is really then the difference between lower cost and differentiation. These though may in fact both be pursued and in fact be synergistic (Alderson 1965).

Venkatesh and Morris (2000) investigate the motivators for adoption differences between men and women. Although gender specific findings were the drivers of this research it is useful in identifying what may be needed in developing a conceptual framework for practitioner implementation. The study had 445 participants from five different organisations with a response rate of 77%. Specifically, this research (Venkatesh & Morris 2000), explores the constructs of social influence and gender in the context of technology acceptance, using variables including 'perceived usefulness', 'perceived ease of use' and 'subjective norm'. 'Subjective norm is defined as the degree to which an individual believes that people who are important to her/him think she/he could perform the behaviour in question' (Fishbein & Azjen 1975 as cited in Venkatesh & Morris 2000, p.119). Measurements were taken over a five month period, during which time participants took part in a training program (1 day) on the new system, had perceptions measured, then had perceptions measured again after one month of use and again after 3 months of use, with the 'actual usage behaviour...measured over the five month period from the time of introduction of the new technology' (Venkatesh & Morris 2000).

The research of Venkatesh and Morris (2000) shows that for successful adoption of a new technology 'perceived usefulness' is a contributing factor to men's adoption in the short

and long term and 'perceived ease of use' is more important to women. Over time, men's perception of 'ease of use was not a salient factor...at any point in time', and actually decreased with experience whereas women's perceived ease of use actually went down (Venkatesh & Morris 2000). The third variable, 'subjective norm did not influence men's decisions at any point in time', whereas women did in the early stages (Venkatesh & Morris 2000), p.129). In implementing a practical framework this suggests it will need to be both useful and easy to use. Venkatesh and Morris (2000) suggest that implementation is likely to need 'productivity aspects, process issues and testimonials from peers or superiors'. This somewhat supports the notion involved in this research of identifying practical activities related specifically to each firm's business context and the demonstration of the link with the benefits such activities and internet use may generate.

Information technology adoption is also reported in Karahanna et al (1999, p.183), which states that the process of IT 'adoption and use across time is critical to deriving the benefits'. This paper proposes that there is a series of activities that 'lead to the initial adoption and subsequent continued usage of an IT innovation' (Karahanna et al 1999, p.184). The theoretical discussion of adoption is relevant to this research in that this research may be able to examine whether Goodman's (2000) four categories of sets of activities may in fact be likely stages of adoption. Karahanna et al (1999) suggest that adoption is likely to be characterised as a 'temporal sequence of steps through which an individual passes'. In identifying activities in the literature to expand on Goodman's (2000) categories of internet use it is necessary to conceptualise the categories as being mutually supportive (temporal steps) rather than mutually exclusive categories of use.

Karahanna et al (1999) used a 'cross sectional field study' employing both interviews and questionnaires within a single organisation. This use of a single organisation is supportive of the use of one particular industry in this research; its findings will be in need of investigation in another industry but it allows knowledge to begin to be built in the area. The initial interviews were used to ensure the questionnaire included as many of the salient terms as possible and necessary (Karahanna et al 1999). This suggests an approach in this research is necessary to conduct initial interviews to develop the content and wording of the survey instrument. A response rate of 28.2% was received from the 977 responses. Non-response bias was examined by comparing the responses received after a nominated deadline as being similar to non-respondents, and then t-tests were used to compare to those received earlier (Karahanna et al 1999, p.192).

The findings of Karahanna et al (1999) suggest that once people have begun to adopt IT, their attitude and behavioral intent (i.e. intention to keep using) will be stronger than for those who have not begun to adopt the technology. This may contribute to the viability of a four-stage adoption model for using the internet for marketing purposes, if the activities are mutually supportive and lead into one another, rather than simply being 'more to do and more to adopt'. The use of a value system approach is supported by the findings (Karahanna et al 1999, p.199) in that 'social pressure from the organisational environment may be an effective mechanism to overcome initial adopter inertia in adopting IT'. Effectively this finding can be seen to relate to the 'peer pressure' influence encouraging adoption of activities involving the internet. If an upstream or

downstream customer is using the set of activities then it may encourage the non-using firm to adopt. This notion is further supported by the findings that 'interpersonal networks also appear to be very important in the case of potential adopters' (Karahanna et al 1999). As discussed in Chapter 3, most of the South Australian Wine industry is comprised of SMEs employing just a handful of people conducting specialised activity, reliant on other system members. Given a highly interdependent value system, the SMEs are likely to have high levels of interpersonal networks with upstream and downstream customers. To offer a practical framework, this research needs to demonstrate the benefits from adopting the internet for marketing activities as this research (Karahanna et al 1999) noted that perceived usefulness is a key issue.

Currah (2002) investigates the move from pure-play e-commerce strategies to multi-channel approaches using qualitative research in the Canadian retail sector. Face to face interviews were conducted with six 'multi-channel' retailers in Toronto, with multi-channel representing the notion that these retailers used both web and physical stores (Currah 2002). Personal networking and face-to-face meetings were used to build rapport and were more effective than Currah's (2002) earlier methods used of emails, faxes and telephone calls. The data collection was undertaken using a semi-structured interview format, and the discussion was 'skewed towards a particular aspect of the research depending upon the expertise of the respondent' (Currah 2002). This approach of collecting data suggest a similar approach may be undertaken in initial interviews in this research to relate the knowledge gained from the literature to the context of the wine industry. The use of the internet was being integrated into physical retail operations, with

some stores actually having internet kiosks set up with their own stores; customers could use this to browse catalogs, order out of stock items and discover special offers and promotions (Currah 2002). Web based processes can be used to facilitate logistical functions, order processing as well as the consumer search and selection roles (Currah 2002). The research demonstrated that the internet could be used as a tool to organise business activity and offering. This research (Currah 2002, pp.1430-1431) notes that the integration of the web and physical location of the internet is being combined with the need for physical business presence in such a way that reduces the threat of disintermediation. This supports the investigation of the impact of the internet using a system style approach through the chain from manufacture to consumer. Currah (2002) concludes by noting that it is unlikely the web is a revolution in retailing, but more likely an evolutionary path through integration.

Hamill (1997) and Hamill & Gregory's (1997) research on internet marketing, based on widely accepted research and descriptive literature (Benjamin & Wigand 1995; Hoffman & Novak 1996; Poon & Jevons 1997; Poon & Swatman 1996; Quelch & Klein 1996), presents a framework of internet use for marketing. Their description offers three categories of marketing use for the internet as (i) communications, (ii) market intelligence and (iii) marketing and sales promotion. These three categories were then investigated using a mail survey to 500 Scottish firms, with a response rate of 20%. Although this categorization is well suited to describe firm activity it is possibly too narrow to stimulate the adoption of internet marketing since it leaves little scope for transactions. Further to this, Hamill and Gregory's (1997) framework does not offer

scope to provide a possible explanation of stages of adoption of the internet for marketing activities. It is much more framed around what the various facets of the internet can be used for, as opposed to Goodman's (2000) four categories that are activities of use. 'Communication' as a category is so broad as to encompass most day-to-day marketing activity. The categories presented in Hamill (1997) and Hamill and Gregory (1997) are broad operational functions for which the internet can be of assistance. As discussed in the section preceding this, the value system is an interlinked set of activities designed to create value. Hamill and Gregory's (1997) three types of use does not offer sufficient scope to develop a set of activities that represent the interaction of various members of a value system, whereas the four categories of internet use proposed by Goodman (2000) have a practical activity focus and may be more suited to the objectives of this research.

The research (Hamill & Gregory 1997) found the main barrier to SMEs adopting the internet was 'lack of knowledge', with 73% of non-connected SMEs stating this as the reason for not having an internet connection. The 'information use' of the internet was highest for reasons such as, 'customer information' followed by 'market growth', 'market size' and 'competitor information'. As can be seen in these findings, the categories are more reasons to use the internet than activities and don't offer the scope to demonstrate a practical framework for adoption and use of the internet for marketing activity. The method used by Hamill and Gregory (1997) offers this research support for the approach used in investigating categories proposed before undertaking data collection. The initial categories were proposed before undertaking empirical research, in much the same way

this research is investigating Goodman's (2000) four categories of internet use for marketing activities.

4.3.1 How to examine such an emerging school of thought?

The literature available on internet marketing presents some problems. Much is new and largely speculative. Business applications and the market environment are changing so quickly that it is necessary to use existing well-developed concepts to examine the literature. This research is investigating the impact of the internet on the value chains within the South Australian wine industry. It is therefore appropriate to examine the literature using several established concepts; including (i) Porter's (1979) structure and nature of competition (The Five Forces), (ii) Kanter's (1990) notion of competitive advantage and Porter's (1985) work on value chains. Goodman's (2000) categories of internet use (Information, Business Process, Revenue generation and Financial Transactions) are then used to categorize the largely descriptive literature. This integrates the internet literature into an established marketing and strategy framework facilitating the development of a research framework for internet marketing. This offers a practical perspective by which to organize this literature and propose a framework for further research.

4.4 The Internet and Competitive Forces

Porter (1979, p.281) discusses the threat of new entrants given the barriers to entering an industry – such entry barriers are somewhat diminished in the internet enabled

environment, especially for the smaller firm (Brannback 1997). Further, access to traditional distribution channels may no longer be as relevant, the need for economies of scale is diminished and start-up capital requirements are often less (Ainscough & Luckett 1996; Bennett 1997; Davenport 1996; Hamill 1997; McFarlane 1984; Porter 1979, pp.282-283; Samiee 1998; Sola 1996). New online entrants using internet marketing such as Amazon.com, (www.amazon.com), Travel.com (www.travel.com.au) and e-Trade (www.etrade.com.au) bypassed 'traditional' barriers to entry into the book retailing and share broking industries.

The 'borderless' nature of the internet can provide any firm 'with a low cost gateway to global markets'. (Doyle 1995; Hamill 1997, p.306) A competitor or a small, new entrant (Hamill & Gregory 1997, p.9) can offer their product and communication facilities online. As well as speeding up transaction processing, this can encourage suppliers and buyers to change firms. (Bloch et al, p.13). Switching costs incurred in changing suppliers can be reduced by offsetting the cost of changing suppliers with the future savings of doing business online. A firm can position their online product into overseas markets providing buyers with a total cost based incentive to switch from a local offline supplier.

The 'influence' of substitute products can ultimately lead to industry crossovers. Firm's can move more easily (due to reduced barriers to entry) from one industry to another, as they find the needs of other customers that their product can satisfy (Brannback 1997; Sola 1996). The combination of substitute prices and the extent of information available

to buyers can effectively bring new firms into an industry, greatly affecting the competitive advantages of existing firms in that industry. (Porter 1979, p.287) The internet provides a great amount of information, and as such can dramatically affect the influence of substitutes. Firms can use the internet to position their product as a substitute in markets not previously accessible. The information made available enables consumers to seek out alternative products for their needs (Kotler et al 1996). The nature and extent of information available using the internet and the speed, reach and low cost of communication bring closer the state of 'perfect information', and thus the internet may alter the nature of competition in an industry.

The internet enables low-cost, speedy communications via e-mail and other related facilities to anywhere in the world. Communication is one of the difficulties facing firms that the internet can overcome (Ashill et al 1997; Brown and Henderson 1997, p.602; Hamill & Gregory 1997; Morgan 1996; Quelch & Klein 1996). The firm can gather information from suppliers, agents, customers, discussion groups and the company web site that costs less and is more accurate and up to date than prior methods (Hamill & Gregory 1997, p.14; Hoffmann & Novak 1996). Without internet access this feedback relied on slow and costly telephone, mail and personal visit methods. The accuracy and immediacy of electronic feedback (Hoffmann & Novak 1996, p.7) can greatly assist the building of competitive advantage in the initial planning stages.

To build competitive advantage in the current (and future) internet enabled business environment entails a significant shift in thinking (Brannback 1997; Doyle 1995;

Hoffman & Novak 1996; Morgan 1996; Wehling 1996). Carrying out an industry analysis now entails an assessment of the industry in terms of current and potential internet impacts (Sola 1996). Small and medium firms now have access to information and distribution that was once restricted to large firms. (Bartran et al 1997; Poon & Swatman 1997, p.385; Quelch and Klein 1996, p.70) A competitor or a small, new entrant (Hamill & Gregory 1997, p.9) can offer their product and communication facilities online. This can encourage suppliers and buyers to change firms. (Bloch et al, p.13)

If the internet has 'change(d) the way...(firms) do business' (Verity 1994, p.80), then it is safe to assume that the nature of competition (Porter 1979, p.280) has changed in all industries. It makes sense for all firms to undertake an industry analysis that incorporates internet based business applications. This can identify strategic moves to protect established competitive advantages or create new ones. Carrying out an industry analysis with a view to incorporating the internet can be the first step in identifying industries that are attractive to enter. It can identify what barriers to entry have potentially changed and how to minimise the threat of new entrants. The literature shows the internet may prove to be a factor that changes the nature of competition in industries as it has characteristics and uses that relate to each one of Porter's (1979) five forces of competition; especially the diminished need for distribution channels and the limitless amount of information available. This directly effects the position of suppliers, buyers, threat of substitutes and new entrant.

4.5 The Internet and Competitive Advantage

4.5.1 Time Compression

Kanter's (1990, pp.7-8) concept of time compression comes to the fore with the capabilities and possibilities the internet offers firms and customers. The notion of time-compression is an issue for which the internet allows vastly different concepts of the 'total product'. Time taken to search, compare and even consume is much less than previously available before use of the internet for these activities. Czinkota and Ronkainen (1997, p.836) note that in the next decade shifts in information technology will lead to quicker production and product delivery. Twenty-four hours a day seven days a week (24/7) the internet delivers information and communication, dramatically compressing time and effectively creating a new environment (Morgan 1996, p.758). Using the internet, a firm 10,000km away can deliver a time saving over an offline firm around the corner from the customer as business can be conducted from the desktop of the customer.

Internet based networks enable a firm to process sales proposals and orders much quicker and cheaper than conventional networks, (Burrett 1999; Verity 1994, p.7) as well as enabling a customer to save time by directly entering orders into the firm's computer (McFarlane 1984, p.98). E-mail allows written communication from one side of the globe to the other in a matter of seconds, allowing a customer service representative to formulate an immediate response and reply back (VanWyck 1999). Firms can post frequently asked questions (FAQs) and answers on their web site, saving the customer time and the firm time and money (Morgan 1996, p.768). Shopping via the internet can

compress time dramatically; digital product sales produce near instantaneous purchase and delivery no matter what countries the firm and customer are in (Bloch et al 1996, p.5). Both firms and buyers seek and value the benefits of reducing the time taken to complete an activity. Grocery shopping services via the internet have reduced some shopping times to one-fifth of the traditional time taken. (Stevens & Howson 1997, p.213) For this timesaving, some customers are willing to pay a monthly fee in addition to the cost of delivery (Benjamin & Wigand 1995, p.70; Bloch et al 1997, p.5). Competitive advantage will be achieved when benefits such as these are able to generate above average profits.

The literature positions the internet as having features and uses which can lead to time-savings, in both search and consumption activity. There is little direct measure or other empirical data to support this. The literature relies largely on anecdotal evidence of larger multi-national companies to propose how the internet may affect time-compression.

4.5.2 Relationships

Kanter (1990, p.8) proposes building relationships as a key activity to build competitive advantage, a view supported by Kay (1992, p.64). Rather than looking at the efficiency of the value chain, Kanter (1990) and Kay (1992) look at the 'interaction aspect'; the focus is not necessarily the efficiency of individual operations so much as the willingness of customers to engage in repeat business. To accomplish this, the firm needs to build

relationships along its value chain, internally as well as with its customers and suppliers. A firm's objective 'is to create relationships with customers which support future profits and growth' (Doyle 1995, p.7). The internet can impact significantly on a firm's value chain as it provides a new medium for interaction (Burrett 1999; Lymer 1995, p.159). The potential exists for the firm to engage in real time dialogue with its customers and suppliers, (Ashill et al 1997, p.896) building relationships through 'genuine 1:1 marketing' (Hymers 1996, p.363). Close firm/buyer relationships are possible using the internet regardless of distance involved, building an integrated value chain from production to consumption.

To engage in electronic commerce a customer must supply some personal information, such as an e-mail address (Stevens & Howson 1997, p.215). The firm can use this information to send e-mails to customers, thanking them for their business, inviting them back, telling them what is new and providing discounts as a thank you. Amazon.com has created a 'virtual community' of people interested in books and reading or even just with an interest in following certain topical themes. The website offers to send customers e-mails that highlight relevant new title releases. It also provides on-line customer reviews, as well as strategically placed editorially generated 'consumer' reviews of books and suggested related titles (Bloch et al 1996, p.8; Poon & Jevons 1997, p.32; Stevens & Howson 1997, p.215). Amazon uses the internet to build relationships with and among people in order to sell books. Rockport allows a customer to tailor what they see on the Web Site by selecting a profile of rugged, relaxed or refined, depending on the type of leisure activity the customer prefers and how they describe themselves (Quelch & Klein

1996, p.72). This builds a relationship by allowing the company to have an exact fit to the customer's preference, making it the 'customer's product range'. The firm can send e-mails on new product releases the customer is interested in not others as well as discounts for being 'special customers'.

Firms can build relationships using the internet that increase the switching costs and raise barriers to entry by other firms. Travel.com allows corporate clients to access their back office systems, make travel bookings and complete payments (Lyons 1999, p.11). Whilst presenting a dramatic time saving, the customer is brought into a strong relationship with the suppliers business system. Time costs are incurred to learn how to use the facility and install appropriate software, to change suppliers entails re-learning and the extra time taken to use a new system. Although the internet can be described as impersonal, academic research is just starting to examine the internet's ability to build commercial relationships. Learning and establishment costs incurred in developing 'virtual firms' may turn out to represent significant switching costs and hence contribute to relationship commitment.

The literature clearly supports the notion that use of the internet in business activities can strengthen the relationships between businesses and suppliers as well as business and consumers (Hamill & Gregory 1997; Klein & Quelch 1997; Samiee 1996; Sola 1996; Verity 1994). The features and use of the internet related to the building of relationships may have some effect on the creation of barriers to entering value systems, and thus an effect on the nature of competition in an industry. However there is little empirical evidence at this stage. This research will contribute to the development of knowledge in

this area. Furthermore the research design may offer insight into the effect of these relationships on business as the competitive environment changes through internet adoption.

4.5.3 Continuous Improvement

Continuous improvement is the third notion presented by Kanter (1990). The internet offers a great deal to continuous improvement. A firm needs to attempt to ensure that it can continuously upgrade the quality and range of the products it offers, at all levels - from answering a phone quicker, resolving complaints sooner to making products better suited to needs. (Kanter 1990, pp.7-8) The internet can play a major role in this task. A firm can improve the internal levels of communication and information sharing contributing to the process of continuous improvement (Samiee 1996; Sola 1996). E-mailed newsletters and multi user discussion rooms can encourage dialogue as well as statistical information gathering and sharing, contributing to the firm's effort to continuously improve (Quelch & Klein 1996, pp.67-68). Information on customer usage of FAQ's, customer service functions and other aspects of the Web Site can be analysed to see where the firm can improve its offering and provide better information more quickly (Bloch et al 1997, p.6).

Customer service and feedback can essentially be automated online (Ainscough & Luckett 1996; Ashill et al 1997; Hymers 1996; Kiani 1998; Morgan 1996; Sola 1996); providing measurable, trackable and reliable information to continuously improve

everything about the product, including more intangible product components such as turnaround time and delivery (when co-ordinating between transport/manufacture and credit card payments). In addition e-mail and online forms give customers greater power over their voice, they know it is looked at, it is quick and easy to access (rather than having to find phone numbers, departments and staff) and it offers relative anonymity – all communication is in writing providing greater levels of accountability.

Kanter's comments on continuous improvement had little to do with the internet environment, but can be related to the impact of the firm's ability to gather up-to date information from its own value chain and broader value system. This research then, can examine the impact, if any, of the internet on the level of information the firm is able to gather. This may be related to product and service improvement, how it is used, how useful it is and whether or not it is any different from firms that do not use the internet.

4.5.4 Core Competencies

The fourth notion is that of core-competence, vital online as it is offline. A firm is reliant on how its assets and resources help it do things better than other firms. (Kay 1992, p.63) Moss Kanter (1990, p.7) regards this slightly more intangibly, as core competencies. Prahalad and Hamel (1990, p.82) propose that 'core competencies are the collective learning in the organisation', and that competitive advantage arises through the firm's capability to organise and coordinate diverse skills. Core competencies involve defining what 'business' a firm is in, rather than defining itself by product lines, (Kanter 1990, pp.7-8) which allows for targeted industry and market analysis. Kanter (1990, p.7) and

Prahalad and Hamel (1990) give the example of Honda recognising its core competency as designing and building engines, not the range of cars, motorcycles, generators and marine motors it sells, similarly Prahalad and Hamel (1990) note that Sony is in the business of miniaturisation and coordinates that knowledge across all streams of the business to produce an array of different products.

The developing notion of 'virtual firms' essentially arises as seamless coordination of value chain segments to present as 'one firm'; to increase the efficiency and effectiveness with which individual members perform their core competency rather than one firm vertically integrating several business processes or core competencies, firms can more easily communicate and coordinate activity (Hamill & Gregory 1997; Quelch & Klein 1996), which is the key to generating competitive advantage from the firms core competency (Prahalad & Hamel 1990). Kanter's (1990) notion of competitive advantage is possibly better viewed as 'competitive benefit'. Hoffmann and Novak's (1996) seminal article discusses the paradigm shift towards maintaining relationships with the internet-enabled environment rather than between buyers and sellers. This suggests it may be important for the value system to establish an internet environment with which all stakeholders can engage.

The literature is beginning to explore the notion of core competence development through the notion of the 'virtual firm/value chain/organisation' (Archer & Yuan 2000; Browne & Zhang 1999; Janssen & Sol 2000; Wang 2000; Weiber & Kollmann 1998). The South Australian Wine Industry, the context of this research, exhibits high levels of

specialization by the various firms in the value system of the wine business. As outlined in Chapter 3, this involves a deal of communication and coordination both within and external to the firm. This research will examine how the internet may assist, if at all, in the adoption of core-competency development within the value system at industry level. This research will examine the competitive advantages that may develop through building a 'internet-enabled value chain environment' using time compression, core competency and continuous improvement ideas to create a seamless relationship between each value chain member and the environment as individual firms carry out their core competency activity as part of the value system.

4.6 Marketing Use of the Internet

The value chain has an activity focus as discussed above; it is necessary therefore to organize the literature in such a manner as to relate internet marketing to business activity. Goodman's (2000) four categories are activity driven; as such they enable this organisation of the literature to suggest a research framework to suit to the objectives of this research.

4.6.1 Information Use

Haynes et al (1997, p.231) state that the most important use of the internet amongst participants in a mail-survey was as a tool for 'obtaining and disseminating information' and Bennett (1996, p.335) concludes that the greatest assistance the firm gets from the internet is as an information-gathering tool. This use of the internet is commonly

accepted (Ainscough & Lockett 1996; Benjamin & Wigand 1996; Hamill & Gregory 1997; Hamill 1997; Hoffman & Novak 1996; Paul 1996; Samiee 1998) as the most 'fundamental' use of the internet. Ashill et al (1996, p.193) offer a view relevant to this research; suggesting the internet is at its most useful when used as an information exchange along the value chain. The internet provides for a shift in one-way information flows, to two-way information exchange, on to 1:1 dialogue between suppliers and customers (Kiani 1998).

Rowley (1996, p31) discusses internet information use such as discussion groups, bulletin board and mail servers (Rowley 1996; Sandelands 1997). These can be established to update participants or 'subscribers' automatically. The firm could enable all who subscribe to have information emailed to them. The 'commentator' (of the firm's product) simply emails an address and the mail server forwards it on to each subscribing member. As the information is 'unedited' it enables the firm to build the credibility of the information, which Sandelands (1997) suggests is vital as much information on the internet is deemed to be unreliable. Traditional marketing variables such as quality and perception are then drivers of the positive or negative brand impact of the information conveyed. Marketing personnel can use this approach to post comments, become 'subject matter experts' (Heinen 1996) and influence the group.

Using email groups the marketer has 'immediate access to hundreds (perhaps thousands) of people...to listen (to) or address questions, opinion and concerns' (Sandelands 1997). Sampson (1998, p.72) regards this highly and also points out that as well as having 'more

opportunities to actively solicit feedback' it is at much lower cost than traditional methods. This feedback is also more up to date than could ever be expected using traditional resources (Hamill & Gregory 1997; Hoffman & Novak 1996). Discussion groups can be more formally used as email consumer panels, online surveys and even focus groups (Montoya-Weiss et al 1998). As email and online forms give anonymity the likelihood of 'focus group biased' behaviour is less likely (Montoya-Weiss et al 1998), which given peer behaviour often associated with wine, is desirable to avoid influenced responses.

Using the internet to disseminate information to customers can match the effect of a sales team and dramatically cut down 'human' time needed to carry out activity (Heinen 1996). In addition the interactive, dynamic format of email can increase results over 'verbal' information. Hoey (1998) found that for such a cheap cost, information can be supplied to the supply chain and consumers using email and that this medium has much more influence in decision making than other written or verbal information. Herbig and Hale (1997) stress the need for creativity in disseminating information especially considering that electronic information can have great visual impact. Although email alone has great information capabilities (van Wyck 1999), most firms establish a web site (Ainscough & Luckett 1996; Bennett 1997; Hamill 1997; Hamill & Gregory 1997). A web site needs to have a solid integrated marketing communications (IMC) approach because users are only likely to be encouraged to purchase if the information is easy to access, useful, clear and concise (White 1997).

Web sites present simple tools to both distribute and gather information (Hamill & Gregory 1997). Many firms are using them to conduct market research and examine competitor offerings (Goodman 2000; Haynes 1997) fully using the seemingly endless resources available (Hamill 1997; Hamill & Gregory 1997). The information available for research is so vast that the practical problem is selecting web site addresses, reliable sources and doing so in a timely manner. Heinen (1996) describes the chaotic nature of the internet's architecture leading to problems with sourcing information, as does Sandelands (1997) and Rowley (1996) points out the biggest problem with the internet is retrieving what you want.

Mathur et al (1998) conclude the World Wide Web *is* an information distribution system and as such all firms should actively use it in their business activity. As a medium, the information is rich, dynamic and visual (Herbig and Hale 1997). As an information source it has greater influence on decision making than any other medium (Hoey 1998) When integrating the internet into marketing practice, though, it is essential to move beyond Information and engineer the fundamental processes in the business (Sandelands 1997, p.11), to use the internet to work with and automate information flows; this is one of the challenge facing marketers in the twenty-first century (Culkin et al 1999, p.6).

It is possible to suggest a relationship may exist between using the internet to gather and distribute information and the creation of competitive benefit, especially in the areas of time-compression, through gathering and distributing information much quicker (Hamill & Gregory 1997) as well as relationships, through increased communication and sharing

across business lines (Quelch & Klein 1996) and continuous improvement. A hypothesis will be developed to enable testing for this possible relationship (See Chapter 5).

4.6.2 Business Process Use

Although information transfer is one of the greatest uses of the internet, it is how the information can be used that gives greatest scope for firms to move beyond traditional constraints. Establishing business processes using the internet that automate information dissemination may provide opportunities to increase the effectiveness and efficiency of business communications and coordination (Ainscough & Luckett 1996; Ashill et al 1997; Hymers 1996; Kiani 1998; Morgan 1996; Poon & Swatman 1997; Sola 1996). Ultimately the internet offers the opportunity to 'change the way you do business' (Verity 1994), Quelch and Klein (1996) conclude that using the internet for automating business activities will redefine business processes themselves, creating new opportunities for innovative firms.

The internet offers firms an extremely inexpensive way of communicating, (Ashill et al 1997; Brown & Henderson 1997). From personal emails to agents the other side of the world to sending bulk emails to thousands of downstream customers offering product details and purchase incentives, the internet is a tool for coordinating value chain activity from the producer to the final consumer (Hamill & Gregory 1997; Morgan 1996; Moncrief & Cravens 1999; Quelch & Klein 1996). Both Morgan (1996) and Rowley (1996) position the internet as a tool to provide sales support to consumers and trade customers through the use of online catalogues and searchable databases for problem

solving. This level of sales support is so important it may well be viewed as redefining the distribution functions of intermediaries (Rowley 1996, p.35). Sandelands (1997) agrees with this view in the discussion of online support for agents and distributors, whilst Ghosh (1998) suggest this level of service can be the same as the service levels provided by a 'human' sales force. More simply, using the internet for business processes enables existing sales staff to 'focus more on the customer' (Moncrief & Cravens 1999).

Integrating the internet into business process can redefine the provision of customer support. Automating databases of problems with solutions and establishing web pages with frequently asked questions (FAQs) could save the customer considerable time, while the firm saves money and personnel resources (Heinen 1996; Sampson 1998). Heinen (1996) gives the examples of Sun Microsystems saving over US\$1 million simply by compiling the most commonly asked questions and answers to problems and posting them as FAQs and Robins (2000, pp.250) notes that IBM were able to offer high precision, high speed customer service cutting days off turnaround times. A business can centre its operations on a web site and carry out its activities much less expensively, appearing larger and more capable than it is without incurring higher costs (Herbig & Hale 1997). In fact the coordination costs may drop through automation (Benjamin & Wigand 1995) as web-centred operations can be much less labour intensive once established (Haynes et al 1997) and provide greater levels of communication with customers (Palumbo & Herbig 1998; Rowley 1996), ultimately enhancing activity between distribution channels (Palumbo & Herbig 1998, p 255).

Although redefining business processes and establishing internet based operation requires capital investment, Gulati and Garino (2000, p.109) believe it is much cheaper to reorganize business processes and reach customers (trade and consumer) via the internet, that is, much more efficient in taking and processing orders via the internet than to continue using traditional businesses processes. Robins (2000, p.253) points out that Pacific Dunlop dramatically decreased its order turn around time to within one hour using internet based business processes without increasing costs. It is necessary to develop IMC plans and responses along with logistical coordination and trigger mechanisms (Hoey 1998; Palumbo & Herbig 1998). Customer enquiries can be responded to automatically (Sampson 1998), and orders automatically processed through notifying freight companies to come and pick up the product from the firm if the internet has been engaged through well-implemented business process use.

A web site centred operation shifts the responsibility for action to the user. Customers become the data entry personnel for orders, research and complaint resolution (Heinen 1996). Thus, it may even be more efficient to enable winery staff at the cellar door to process orders through the company web site, where they have access to customer history, inventory levels and can prompt demand for associated products (Gulati & Garino 2000), than in more traditional ways. Internet enabled processing can eliminate double handling of order processing as the system can be established so that all business processes are activated after entering details into the order system just once. Heinen (1996) regards this as having the additional benefit of encouraging cultural change in the

organization towards greater efficiency and effectiveness as it encourages communication, accountability and streamlining of business processes.

Developing business activity around the internet to include online catalogues and email delivery of product information can greatly reduce costs, Heinen (1996) reported that firms can save 25% on costs of printed material and reduce cycle times by 62%. Storing and accessing past purchase information increases both effectiveness and cost-savings using automated relationship marketing. Robins (2000, p.254) uses the example of hotels using guest information such as the length of previous stays, to carry out such activity. The customer can have tailored communication delivered at negligible cost to the firm that fits their specific purchase behaviour and style, thereby increasing the rate of success. Postal, printing and associated costs involved with database marketing are almost eliminated if business processes are designed around internet use (Palumbo & Herbig 1998, p.260). In following up post-purchase activity using automated business processes (Robins 2000, p.255) the firm is designing its activities to incorporate the full buying process (Kotler et al 2001)

With the benefits to be had from designing business processes so as to incorporate and take advantage of the internet, firms may well be willing to pay for their customers to get online with them (Heinen 1996). This may lead to revenue from well-implemented and designed information and business processes. The literature suggests a relationship exists between integrating the internet into business process and the creation of competitive advantage, especially in the areas of relationships, core-competency (through the creation

of a seamless value system) and time-compression. A hypothesis will be developed to enable testing whether this relationship does exist (See Chapter 5)

4.6.3 Revenue Generation

Whilst much of the internet hyperbole of the past has concentrated upon the expectations of huge revenue earnings, most pioneer internet marketers achieved little but 'red ink' from their online ventures (Rowley 1996, p.26; van Wyck 1999a). Using the internet for revenue generation need not however be directly related to internet sales (Gilbert et al 1999, p.21). 'Companies who use the internet, not only for advertising, but for email and customer order(s), increase their hours of business', as well as the total market and potential revenues (Paul 1996, p.30). Although the smallest firm can use the internet to achieve sales to anywhere in the world (Hamill 1997; Hoffman & Novak 1996; Quelch & Klein 1996; Morgan 1996; Paul 1995), the internet is better regarded as a tool for promoting products and thereby generating revenue through *all* channels of distribution, traditional and online (Samiee 1998). Surveys (Heinen 1996, p.7) found that, as early as 1996 (some four years before the technology sector 'bubble' burst) less than one third of companies that have a Web site expected to sell anything on it.

In its simplest form, the internet can be used to generate revenue through the involvement of company personnel to engage discussion groups and chat rooms. Marketing personnel can contribute to various bulletin boards, chat rooms and discussion groups and leave remarks on the their company offers, or more anonymously as 'you should try this', thereby stimulating demand for the company product and steering traffic through all

available distribution channels (Palumbo & Herbig 1998). At this level the firm need not even have a web site just a connection to the internet; indeed by using public access internet kiosks, cafes, etc. the firm need not even have an internet connection.

Advertising on the internet offers the firm the opportunity to target its market by more precise means due to the electronic nature and measurability of online advertising. An advertiser can purchase a 'word' on a search engine so that when the internet user types in that particular word the search results are headed with an advertisement for the wine brand belonging to the firm that bought the 'word' (Haynes et al 1997; Heinen 1996). For example, if the consumer types 'Australian wine' into the search field on www.altavista.com, they may automatically be given an advertisement for Lindemans if the owner, Southcorp, has bought those words on the Altavista search engine. Such advertising becomes micro-targeted and highly efficient (Kiani 1998). The consumer need not necessarily 'click through' to the web site as the brand advertisement potentially builds the brand; the consumer may, nonetheless, purchase the product on their next visit to a retailer. Aldridge et al (1997) propose the internet should be used to generate revenue by attracting attention and interest to products and then driving demand through existing channels. Gulati and Garino (2000, p.8) suggest that the internet should create demand so that when a consumer has selected the item they like they can buy it wherever they want to.

Email offers many opportunities for revenue generation; in fact Rowley (1996) and van Wyck (1999) suggest the firm can engage in selling online through using email alone.

Using traditional database management techniques, or 'new economy' Customer Relationship Management (CRM) software, the firm can use the information it gathers through research and various business processes to implement internet based relationship marketing (Kiani 1998; Moncrief & Cravens 1999) more cheaply than previously possible. Aldridge et al (1997) suggest using a tailored magazine or email newsletter to stimulate demand and generate revenue. Heinen (1996) notes the cost is marginal for marketing to additional customers once the infrastructure is established. That cost is a fixed cost which does not increase as it increases revenue. Using Robins' (2000) hotel example, the firm can gather and use data on past guests to automatically email incentives around their birthday, or other tailored needs; this is the effective use of the internet to disseminate information, using internet driven business processes with the aim of generating revenue.

A web address (URL) can be promoted passively through signature blocks automatically inserted on every staff members outgoing emails (Palumbo & Herbig 1996) or actively in conjunction with other advertising to provide extra detail and optimize the attention given to it by the target audience (Moncrief & Cravens 1999; Peattie & Peters 1997). A television or press advertisement can carry tag or headlines containing the URL and incentives to visit, once there the consumer demand for the product can be stimulated with rich content (Hoey 1998) provided by well developed IMC strategy throughout the entire site. Even the most basic site will usually contain more information than a 30 second television commercial or quarter page press advertisement and enable the customer to register details to join further relationship marketing activities conducted by

the firm to generate revenue. The internet lends itself to all advertising purposes (Paul 1996, p.31).

The web site should contain searchable and simple to use catalogues (Rowley 1996) and extended product information to cater for the various target market segments. Gulati and Garino (2000) discuss retailers giving consumer access to Web sites through internet kiosks located in-store. The electronic nature of the internet enables all advertising effectiveness to be measured, opening possibilities for increased efficiency and effectiveness (Kiani 1998; Paul 1996). It appears that although the internet offers a great deal to promotion, and thus revenue potential, it offers far less in terms of generating direct sales (Rowley 1996, p.35; 1998; 1999, p.516). It is evident in the literature that eCommerce is much more than online sales. The internet can be used to generate revenue for all channel members, rather than resulting in a replacement, or dis-intermediation effect. Generating revenue need not even rely on having a Web site, although the richness and '24/7' nature of the web does offer much to the firm's revenue stream although not necessarily using internet enabled financial transactions.

Using the internet for generating revenue, as reflected in the literature, may be dependant on internet use for gathering and distributing information and integrating internet use into business processes. Rather than actually generating direct sales via an online site, the internet needs to be assessed in relation to the internet contribution to total revenue. A return on investment approach may be suitable to compare it with other advertising mediums, although this is not always an effective way to measure advertising (Belch &

Belch 2001). This research will examine the relationship between use of the internet for generating revenue and overall competitive benefit. The literature suggests that such use will reduce the time taken to engage in business activity, as well as time and efficiency savings in terms of reduced search costs for buyers. Furthermore, it may increase the intimacy of relationships between members of the various value systems.

4.6.4 Financial Transactions

The fourth category of internet use in marketing is that of financial transactions. Quelch & Klein (1996) note that using online payments, a firm of any size can do business with a customer anywhere in the world, twenty four hours a day, seven days a week. Financial transaction use of the internet enables payments and settlements of account with ease (Morgan 1996), and (security issues aside) encourages people to do business with you when they come to your Web site (Heinen 1996). A credit card enables payment when an order is placed (Heinen 1996) and is a reliable instrument for commerce (Palumbo & Herbig 1998). Newer developments for online financial transactions, such as 'Impex' by Westpac Bank in Australia seek to automate the issue and acceptance of online letters of credit and associated export sales documentation, thereby facilitating use of the internet in international trade.

Business use of the internet to process financial transactions offers many benefits. Order processing via the internet is well under half the cost of transacting the same order via traditional catalogues (Gulati & Garino 2000, p.109). It is not just cheaper for the firm

accepting the order though; Palumbo & Herbig (1998) note that it is cheaper to take and place orders, thereby offering cost savings to customers who business with a firm that is using the internet for financial transactions.

The internet does not have to embrace payments online to facilitate financial transactions (Rowley 1999, p.516). Haynes et al (1997) found that thirty percent of businesses using the internet used it to source finance and capital investments, a notion supported by Sathye (1999, p.324) who refers to transactional banking as 'buying financial products, or services online' Customers can browse a brochure, but process payment via facsimile, telephone or post and still receive receipts, invoices and various other purchase and transaction information online. Herbig and Hale (1997) found that convincing customers of the safety of paying online is often difficult yet vital to operations. However firms can use the internet for financial transactions without requiring online payments. One such is www.winepages.com.au (accessed 10 May 2001), a directory style Web site that lists supplier details. This site allows businesses to register their company online but the tax invoice is automatically generated via email addressed to the registered firm for payment using traditional cheque facilities via post. Once payment is received the financial transaction is completed when www.winepages.com.au record the payment as received online and the registered company goes live. This enables financial transaction use of the internet without online payment concerns. The financial transaction is documented using the internet but the payment and payment processing uses traditional means.

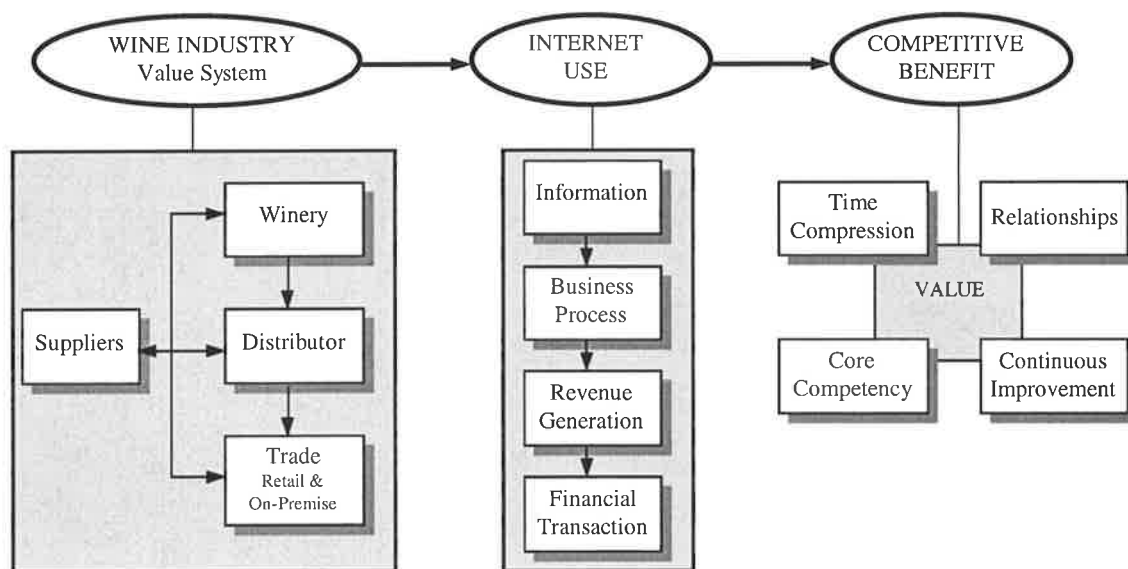
Strategic business processes can incorporate use of the internet for financial transactions to complete customer payment without the customer using the web site interface. Rowley (1996) points out that the firms internal staff can use the Web site to process customer payment when taking credit card details via facsimile, email, telephone or even in person. Ensuring the internet is used for financial transactions offers both the customer and the firm key benefits, but this does not necessarily have to entail use of online payments. The literature comprehensively agrees that payments using online transfers are much quicker than traditional options, and should thus result in time-compression for buyer-supplier transactions. The systems established might incur learning costs, which might then become barriers to entry through switching costs once relationships are established.

4.7 Research Framework

Internet marketing in this research is taken to include the development and implementation of the marketing mix (price, product, promotion and distribution); that is the full range of conventional activities. Existing use of the internet for marketing as discussed in the literature is reviewed using Goodman's (2000) four categories. These are not mutually exclusive. In many cases they are mutually supportive. As these categories are proposed, Information Use will be the first types of activities adopted, leading Business Processes, which may in turn then be used for Revenue Generating activities, that, if fully integrated, will support Financial Transaction use. Investigation may in fact show they are more effective when the degree of integration of the internet

into marketing activity is greater. Fig. 4.6 offers a diagrammatic representation of the possible relationship between the keys concepts outlined in this chapter. The Wine Industry Value System is used to examine the interactions and activities carried out between members of different echelons of the South Australian Wine Industry. The sample group in this research, the South Australian Wine Industry, uses the internet for activities that may readily be grouped using Goodman's (2000) four use types. The literature suggests that competitive benefits may be developed as continuous flows in all of these ways. In this research, data will be collected to examine these relationships. The four categories of use may be regarded as representing the different levels of internet adoption; the research will also examine this proposition.

Figure 4.6 Research Framework



The literature on Information uses and Business Process uses of the internet focus on time and money savings. Given that so many firms have invested vast amounts of money and time into establishing internet operations, the internet should perhaps be viewed as a

tool for cost reduction through improved efficiency and effectiveness. Failure to integrate the internet with all four-use types would mean foregoing some of the benefit the internet has to offer. Examining the impact on the value chain and the competitive advantages that may be developed can highlight the benefits lost through lower degrees of adoption and integration. This thesis will investigate the competitive advantages that may arise from each and all of the various usage levels of the internet.

4.8 Summary

The literature on internet marketing is still in its infancy. To organize the largely descriptive literature available on internet marketing, this summary has used the key concepts of, (i) the nature of competition (Porter 1979) and Competitive Benefits (adapted from Moss Kanter 1990 and Prahalad and Hamel 1990). Then Goodman's (2000) four categories of internet marketing were introduced to refine and structure the literature review. After examining the literature these categories were seen to reflect the degree to which the internet was integrated into the firm's activities. In many cases seen in the literature, it is possible that internet use of one category may drive benefits realized in other categories. It can be hypothesized that there is some relationship between use of the internet for marketing purposes and the development of competitive advantage. The next chapter proposes the research hypotheses that will be tested in this thesis

Chapter 5 - Research Method

5.1 Introduction

This chapter begins with justification of the research; its intended contribution to academic knowledge and its commercial significance. This chapter then outlines the steps taken to relate the literature to the research context, namely an overview of the pilot study conducted through preliminary interviews that enabled the research hypotheses to be developed for testing. The chapter then sets out to describe the methodological considerations taken into account. It discusses the problem of examining such an emerging school of thought, highlighting the two most relevant approaches along with their respective advantages and disadvantages. This chapter then details the selected research method. This includes:

1. The process for data collection
2. The population for this study
3. The measurement variables developed from the literature and pilot study
4. The research instrument in terms of questionnaire design
5. The pilot survey of the research instrument and associated modifications
6. An outline of the data analysis and testing carried out for possible non-response bias and hypotheses testing.

5.2 Purpose of this research

As discussed earlier, the internet is a new tool for business and has yet to be consistently used for profitable commercial activity. This research is intended to have a strong practical orientation. The South Australian Wine Industry is increasingly exposed to global competition and faces the need to improve productivity and develop more effective marketing in order to sustain current levels of growth. The purpose of this research is to identify a lucid, practical framework that firms within the South Australian Wine Industry can use to integrate the internet into their marketing activity. The method used in this research is driven by the purpose and objectives of the research as much as by academic convention. Zaltman (1997) and Zinkham et al (1990) suggest this feasibility is ultimately a success factor in ensuring marketing research contributes to the development of knowledge for marketing practitioners and academics alike. Weick (1989, p.516) cites Lindblom (1987) in stating that much new theory is trivial because the process is driven by methodological structures that favour validity rather than value. Although this comment is extreme it highlights the importance of selecting appropriate method for the purpose of this type of research. Shah et al (1994) stated that research in the marketing discipline has to be useful in order to be of any value. This seeks to develop a framework for practical use of the internet for marketing purposes as well as assisting further research into this new area of business strategy and marketing; to gain the commercial benefits that arise from technology adoption.

5.3 Preliminary Inter views

Examining the academic literature provided insight into how the internet may be used for marketing and the role it may play in the development of competitive benefits. The literature provided a broad view across a number of industry sectors, different tiers of industry, upstream and downstream suppliers, all with different business activities and different internet use. As activity is different across tiers and industries the literature provided many frameworks to look at the South Australian Wine Industry. As previously stated, the value chain and internet marketing analysis are activity based; this necessitates developing measurable variables based on activities within the sample group. It became evident early on that it was necessary to investigate activity usage within the South Australian Wine Industry before designing the research and survey instrument.

This necessitated preliminary interviews as part of the method design with a number of businesses across the various sectors of the South Australian Wine Industry. Interviews were conducted with seventeen managers within the South Australian Wine Industry, over a three-month period. The interviews ranged in time from 75 to 90 minutes with most interviews taking place at the business premises of those being interviewed, while the remainder were conducted in various cafés over coffee either after meeting the interviewee at their place of business or pre-arranging to meet at a venue.

These consisted of:

1. Grape growers (two interviews) – whose primary activity was to grow and sell grapes under contract to a winery. In both cases, a negligible amount of grapes were retained for production into wine that was not intended for public sale.
2. Wineries (four interviews) – the wineries interviewed were also growers in their own right but produced commercial quantities of wine for public sale under their own label. In two of the four cases the marketing manager was interviewed whereas the other two involved the owner.
3. Distributors (two interviews) – the sales managers were interviewed from two separate distribution companies. One serviced only the South Australian marketplace whilst the second had a national operation.
4. Retail (four interviews) – three store managers were interviewed along with one owner, all from separate stores. Two were part of a national chain, one independent and the other part of a national buying and marketing group.
5. Media (two interviews) – one writer was a freelancer who wrote for a number of local and national publications whilst the other is the editor of a national wine magazine.
6. Suppliers (three interviews) – one freight and logistics company with national operations and a wine industry focus, one firm that

supplies labels and printing services and one mechanical engineering firm.

Using the knowledge gained from the literature review, a structure for conducting the interviews was developed (Appendix I). As this was preliminary data investigation the interviews were conducted informally and each interview built on previous interviews (Zikmund 1997). Whetten (1989, p.499) regards this as the time to let logic replace data as the basis for evaluation. The information collected was not intended to be subjected to data analysis and testing, it was intended to generate sufficient contextual knowledge for the survey instrument to be designed (Zinkham et al 1990).

Interviews were conducted using the questions shown in Appendix I to guide discussion. Respondents were asked questions initially to ascertain what type of firms within the wine industry those interviewed interacted with and how often. Initial questions were asked pertaining to the internet experience and understanding of the interviewee. Discussion then moved to the problems encountered in dealing with other firms in the wine industry value system, to attempt to identify the activities and problem involved as the firm from one echelon of the value system interacts with a firm at different echelon of the value system. Interviewees were asked if they used the internet (including email) with others inside or outside their firm. General discussion was then engaged to identify what types of activities the internet was used for, at this point prompts were used as needed using examples of activities other interviewees had raised. This was a major part of the interview and sought to have interviewees identify and describe the activities for which they used the internet with upstream and downstream echelons of the wine

industry value system. As this thesis is examining the impact of the internet on the value system of the South Australian Wine Industry this was a key part of the process. Activities needed to be identified at this stage which involved activities for which the internet was used that entailed coordination, administration and interaction between the value chain (Porter 1985) of one firm at one echelon of the value system with the value chain of other firms, at both upstream and downstream echelons of the South Australian Wine industry Value System.

A similar approach was also used to ascertain the perceived benefits from using the internet in the manner discussed. This approach sought to identify benefits that firms at one echelon of the value system perceive to generate through their use of the internet in dealing with different echelons of the marketing channel, both upstream and downstream. Questions were asked concerning the extent to which other firms in the wine industry used the internet and what benefits could be generated if others in the wine industry value system used the internet more in the course of their business activities. General opinions were then solicited from each interviewee as to the likely role of the internet in their business, job and the wine industry at a national and international level. What follows is an overview of the interview discussions.

Firms within the wine industry are heavily reliant on third parties to perform value chain function; growers, wineries and distributors are small in terms of numbers of staff and are reliant on other firms to perform their specialised function. Wineries may use third party suppliers for vineyard management, crushing and processing, winemaking and storage

facilities, bottling product, warehousing, distribution and even marketing itself. This highlights the need to examine at an industry level the impact of the internet and the benefits it generates. As Porter (1985) points out that there is no such industry value chain, it is important to examine the various echelon of the industry and identify the activities and interaction of one firms value chain with those of its upstream and downstream value system members. The level of interaction within the industry was high, with all echelons dealing with most of the other echelons on at least a monthly basis. The notable exception was the interaction of all levels with 'growers'.

The types of problems encountered was fairly general across the board with most reporting issues such as 'not enough time in the day', 'can't get hold of people when I need to', 'the cost of mobiles (telephones)' and 'too much to do all the time'. Other problems identified included the need to continuously interact with others in the value system to 'keep the relationship going', 'make sure people are doing the right thing', keep on getting our name in front of people', making sure our suppliers keep us informed of specials, new products and how wines are traveling' and 'making sure the orders keep coming through'. The most common them to be raised included the problems of continuously coordinating activity with others. Interviewees noted that they were heavily reliant on others for their success (this was not a theme with suppliers or media). Issues were raised throughout each of the interviews at different stages that they were 'a small part of a big wheel' and that the key problem was in making sure they did what they needed to for other echelons and that other echelons did what they (the firm) need them to do to support their objectives. This again highlighted the need to examine the wine

industry as a value system through the activities that are involved in dealing with firms at both upstream and downstream echelon levels.

Discussion on the activities the internet is used for in dealing within their own firm as well as in dealing with other firms the value system often required the use of examples in order to stimulate discussion. This was not as relied upon in the 'media' or supplier' groups. Growers showed little use of the internet for any activities, which was reflective possibly of the limited business activities in general; they had little business activity other than the production of grapes and supply to a winery under contract once each year. Common across interviews was general conversation on activities related to sending and gathering information from other echelons of the value system, upstream and downstream. This is key in developing the scale for 'information use'. Activities included sending and receiving wine notes, new release information, checking competition in the marketplace, seeing competitor promotions and undertaking marketing research. Interviewees were then asked what use activities they had for the internet that had become 'routine or replaced other systems or processes'. Again, 'growers' had little response in this area. Wineries, distributors, trade and suppliers commented on the use of email to have monthly updates on performance, sales, market movements and activity of other value system members. One winery commented on the usefulness of email to 'maintain relationships and motivate the (20+) salespeople in the field'. Other comments included the use of the website and email to answer questions on availability, to process orders, order in stock (wine) and other supplies and generally to provide some customer

service functions, from answering questions to having frequently asked questions on the web site (from recipes for food matching to curing olives).

When asking questions as to the use of the internet to generate revenue, interviewees responded with little comment. The line then taken was to ask about promotional activities. Newsletters with the ability to print off order forms were common, with few reports of having sales take place online. Distributors and wineries reported using email and websites to promote where wines were available to purchase or taste. One trade respondent commented on his use of email to 'tell customers what wines are on for free tasting over the coming month – plus flog off a few specials as well'. Few reported use of the internet to promote price based offers. Wineries used the internet to offer back vintages of wine to existing customers and make offers of 'premixed dozens' at bundled prices. Distributors commented on the use of email to keep their own staff as well as trade customers up to date with what wines were on offer, and promotional offers, food matching, availability of limited release wines and promotional support available.

Similar to revenue generation questions, little unsolicited response was received for the activities used for financial transactions using the internet. The exception was that each respondent reported using the internet for banking. Questions to clarify this resulted in gathering responses such as 'use it to pay our suppliers' and 'our distributor pays our invoices using internet banking'. Further discussion resulted in reports of interviewees using email and the website to send and receive tax invoices, although these were not necessarily paid online. Wineries and trade groups had established web sites with

transactional capabilities but these were a very low percentage of their total sales, with both reporting 'not much', 'a bit' and 'I guess it'll end up being more as time goes on'.

Discussion on the benefits from using the internet for marketing was a combination of the benefits that 'have' been generated and those that 'could' if others in the value system used the internet, either at all, more or better. The most common comments related to saving time or using time better. 'Rather than being bothered all day by my phone I can get my work done and then answer emails when it suits me' was one comment, a view expressed by most of the interviewees, along with comments of 'I know I'll get a response within 24 hours, whereas I can play phone tag for a week' and 'it makes doing things easier'. Most commented on the impact using the internet had in relation to having to deal with members of their own value system in different markets, interstate and overseas, as well as streamlining the distribution channel through using online freight and logistics tracking. One winery and two trade interviewees commented on their use of the internet to sell product to consumers they wouldn't normally be able to service profitably but using the internet for taking an order, processing payment and arranging shipment was now 'painless and only takes a minute to pick and pack the order'. General comments were received that related to business being cheaper in some aspects such as gathering feedback from marketplaces related to quality, vintage comparisons and consumer trends. Although there was little evidence of benefits received so far, several interviewees commented how much more repeat business could be done 'if others (echelons in the value system) could all use the internet more efficiently and have the logistics and paperwork done electronically'. On further exploration of this comment and

others similar the information appeared to be pertaining to 'making it easier to do business with you then more people will choose to do business with you'. This discussion of internet use benefits from using the internet provided insight that could be used to develop the scales for the four areas of Internet Use and Competitive Benefit' under investigation. Importantly the interviews highlighted the need to focus on activities that involved interaction with upstream and downstream members of the wine industry value system and the benefits that may arise from such use that improve the competitive position of the firm'.

After conducting the interviews, the survey instrument was designed to capture data for closer analysis and to test the research hypotheses. The literature review provided insight into activities for internet use and likely competitive benefits; the interviews gave a context to this insight and provided examples of use and benefit relevant to the wine industry value system. The research framework was used to organise the comments on internet use and competitive benefits to identify phrases and questions for the survey instrument. This is also discussed in 'measurement of variables'. The knowledge built up during these discussions was used in conjunction with the literature review to develop hypotheses, select the method for the research and design the survey instrument. This ensured the purpose of the research drove research design (Churchill 1979; Cooper & Schindler 1998; Zikmund 1997), rather than using factor analysis for exploratory research (Iacobucci 1994, p279). This process conforms to Sekaran's (1992, p.28) seven step Hypothetico-Deductive Method;

1. Observation - Researcher's prior experience and initial research
2. Preliminary information gathering – Chapter Two, Three and Four.
3. Theory Formulation – Qualitative interviews
4. Hypothesising – This chapter
5. Further scientific data collection – This chapter
6. Data Analysis – Chapter Six
7. Deductions – Chapter Six

It became evident at this stage of selecting and organising the knowledge into the research design that there was little benefit to be gained from including the 'growers' section of the South Australian Wine Industry in the sample group. All other interviewees had almost no contact with growers except at the time grapes were entering the harvest period. Growers in turn had little use for the internet and in fact showed little business orientation; this was evident from the interviews with wineries as well as growers. Most wineries are growers themselves (WID 2001); but they are more likely to have a business orientation and to use the internet. Further, there is no governing body representing growers or a need for them to hold licenses. For the purpose of the research the cost of reaching growers would have been high both financially and in time, outweighing any benefit from including them. So it was decided to exclude the 'growers' from the sample group for the following reasons:

- (i) Their lack of business orientation was likely to bias the response
- (ii) There were few measurement variables to develop a construct for measuring their behaviour

- (iii) Their lack of communication with any other sector of the South Australian Wine Industry precluded them from being a representative sample of a 'virtual' value chain or value system.
- (iv) There was no means of identifying 'Growers' as a population since they were not required to hold a licence and had no representative association with extensive membership.

Growers therefore were represented in the results through the responses of the 'winery' group as wineries are also growers.

5.4 Research Hypotheses

The literature review and preliminary data gathering within the South Australian Wine Industry enabled the hypotheses to be developed for testing to meet the objectives of this research.

The more the firm has integrated the internet into its operations, the more it will have use for the internet along a continuum of the four use categories; starting with information use and progressing, business process use to revenue generation use and then financial transaction use. As such, the responses for each of the four groups will be significantly statistically different

H1 Internet use for marketing activity has four categories that are representative of the degree of internet adoption for marketing activity by the firm

The South Australian Wine Industry is a non-core IT industry and as such there will be few instances of full adoption of the internet for marketing activities. As a Value System there will be a decreasing amount of usage along the continuum of adoption categories hypothesized in H1; this is to say that within its use of the internet for marketing activity, the South Australian Wine Industry will have decreasing amounts of use of the internet for marketing activities progressing from highest use for Information Use then Business Process, Revenue Generation and lowest use of Financial Transactions. This flows on from H1, in that within the use of the internet for marketing activity, the responses for each of the four categories will be statistically significant different. H2 goes on from this in that as a newly internet adopting industry, these categories will have an order to their statistically different mean scores for each of the four scales.

H2 Use of the internet for marketing will be along a decreasing continuum of the four internet marketing categories, with highest use for Information, and then decreasing use for business Process, Revenue Generation and lowest use for Financial Transactions.

Using the internet for marketing will generate Competitive Benefits to the firm. This will be examined for Internet Use as a whole, and then the relationships will be examined between each of the four categories of internet use for marketing activities and each of the four facets of Competitive Benefit. This results in a hypothesis at the broader level that is separated into four sub-hypothesis that examine the four categories of internet use

for marketing activity and their relationship with each of the four facets of Competitive Benefit. Thus:

H3 Using the internet for marketing assists in the development of competitive Benefits, specifically:

H3 (i) Information use of the internet for marketing gives rise to competitive benefits through:

- (a) Time Compression
- (b) Relationships
- (c) Core Competency
- (d) Continuous Improvement

H3 (ii) Business Process use of the internet for marketing gives rise to competitive benefits through:

- (a) Time Compression
- (b) Relationships
- (c) Core Competency
- (e) Continuous Improvement

H3 (iii) Revenue Generation use of the internet for marketing gives rise to competitive benefits through:

- (a) Time Compression
- (b) Relationships

- (c) Core Competency
- (d) Continuous Improvement

H3 (iv) Financial Transaction use of the internet for marketing gives rise to competitive benefits through:

- (a) Time Compression
- (b) Relationships
- (c) Core Competency
- (d) Continuous Improvement

Time, as a moderating variable, will interact with the independent variable of Internet Use for marketing activity to influence the dependant variable of Competitive Benefits generated from use of the internet. As such, the length of time the firm has had an internet connection will influence the extent of use of the internet in each of the four categories of Internet Use for marketing activities. In addition, the length of time the firm has had an internet connection will also influence the Competitive Benefits the firm has generated through using the internet for marketing activities.

H4 The length of time the firm has had an internet connection will be a moderating factor in affecting the relationship between the firm's use of the internet for marketing activities and the Competitive Benefits realised through such use.

H4 uses the length of time with an internet connection to investigate time as a moderating variable. Time can also be gauged using the amount of time a firm has had a web site. The length of time the firm has had a web site is likely to influence the extent of use of the internet in each of the four categories of Internet Use for marketing activities. The interaction between these two variables will influence the Competitive Benefits the firm has generated through using the internet for marketing activities.

H5 The greater the length of time the firm has had a web site the stronger will be the positive effect of the firm's use of the internet for marketing activities on the realization of Competitive Benefits

5.5 Methodology

This research examines the application of a very recent business tool to which there is yet to be an established method for conducting research. The research has drawn on the internet research method of Hamill and Gregory's (1997) mail survey of business use of the internet for marketing amongst 500 SMEs in the United Kingdom. As such the methodology for this research entailed a bottom up approach embracing the fundamental methods of business research – case studies (qualitative) and mail survey (quantitative) – and various methods of measurement and analysis to ensure reliability and validity. As previously stated, the methodology undertaken in this research was driven by its purpose. Shah et al (1994, p.127) point out that too often new marketing research offers incremental impact and that knowledge development at the doctoral level should be

innovative and practical – even if provocative. Whilst solid methods must underwrite all academic research it must support the purpose, not drive the research. The purpose of this research is to identify a lucid practical framework that firms within the South Australian Wine Industry can use to integrate the internet further into their marketing activity.

5.5.1 Possible Approaches – Relative Strengths and Weaknesses

As the research centres on benefits gained from internet use, using the internet to gather data was discounted in the first instance because of the likelihood of self-selection bias (Zikmund 1997). Those viewing the internet positively were more likely to access the internet to complete the form. Internet based methods do not attract a representative sample of the population (White 1997). The primary choice was the selection of a case study approach gathering qualitative data through interviews, or, using a mail survey to gather quantitative data. Both approaches are common in marketing research (Churchill 1995; Cooper and Schindler 1998; Zikmund 1997) and both presented possible methods for this research.

A case study, qualitative approach would have enabled the researcher to establish a ‘hypothetical’ value system from the primary production stage, through processing, distribution and retail, with possible extensions to consumer selection and consumption behaviour. Research design using this method enables the researcher to gather data in all pertinent areas of the research construct as well as allowing data collection to be refined

and probed to develop maximum knowledge (Sekaran 1992; Zikmund 1997). Borman et al (1986) suggests that a problem underlying market research findings from this method lies with validity, as the results are not generalisable. Borman et al (1986) goes further to conclude that the case study approach for marketing research results in the researcher constructing an unreal and invalid world that represents only itself and therefore adds no real knowledge to the research outcomes. Generalisability is one of the critical success factors for research validity (Sekaran 1992), Mook (1988) comments that many experiments in which samples are constructed and selected by the researcher are simply not generalisable.

Of significant importance to the research method selection process here was the high level of research bias evident to the researcher in gathering data in the initial data gathering interviews. The abstract concepts involved in this research and the recency of the internet as a business tool necessitated the researcher explaining and asking multiple questions to elicit useable responses. To uncover uses it was sometimes necessary to use leading questions and suggestions, especially in terms of proposing hypothetical uses to see what benefits might be derived. Although this then allowed the interviewee to frame the concept with their experience it was researcher biased. This was deemed to be acceptable in the preliminary data collection to build the knowledge, relevance and interest to the sample group (Kanuk & Berenson 1975) and develop the research design, but posed a concern for the validity of the research if this method was expanded beyond the preliminary stage (Churchill 1979).

Mail surveys are capable of reaching many potential respondents in a short period of time (Cooper & Schindler 1998; Sekaran 1992), which assists reliability and validity through weight of numbers and the cross section of the population reached. This method has little researcher bias as the sample group complete the survey instrument themselves (Sekaran 1992). As the internet is a new tool for marketing it was deemed necessary to reach a large number of respondents (Hamill & Gregory 1997) to ensure validity of the research. This approach enabled this research to reach a large cross section of the South Australian Wine Industry, which was necessary to meet the aims and purpose of this research.

The primary problem with mail surveys relevant to this research is the inability of the researcher to clarify data as it is gathered. The respondent completes the survey instrument and has no-one on hand to ask questions to which they may need answers in order to respond accurately (Churchill 1979; Cooper & Schindler 1998; Zikmund 1997). This impact is minimised in this research through the use of the initial interviews to develop the knowledge to design the survey instrument relevant to business managers within the sample group. Furthermore the researchers contact details were contained within the survey instrument with an offer of contact if needed. Although mail surveys are criticized for being broad rather than deep (Churchill 1995, p.180), in such an emerging business area this broad approach was selected to enable an industry wide view to meet the purpose of the study and identify a framework for further research.

Response rates are lower with mail surveys than case studies (Zikmund 1997; Cooper & Schindler 1998). To increase the response rate a stamped, self-addressed envelope was

included, along with a letter of introduction that explained the research and emphasised the short time required to complete the survey instrument (Cooper & Schindler 1998; Kanuk & Berenson 1975; Zikmund 1997). An incentive was also included to increase the response rate. At the top of the first page all respondents were advised of the chance to win one of three prizes of a days free marketing consulting for their business. This draw took place after the analysis of results and was carried out by the researcher.

The research is a cross-sectional study of the South Australian Wine Industry in which the data was collected using a mail survey. The area of the research and its commercial, practical nature, provide the scope for future studies to extend into longitudinal research. It was conducted using the hypothetico-deductive testing approach (Cooper & Schindler 1998; Sekaran 1992).

5.5.2 Data Collection

Data were collected through a self-administered mail survey. The unit of analysis, that is the level of aggregation of data analysis, was firstly individual and then aggregated to group level. The individuals were managers within the South Australian Wine Industry; the data were then aggregated into groups representing the various tiers within the South Australian Wine Industry, including wineries (primary production and manufacturing), distributors (intermediaries), the retail sector (retail licensees and on-premise, namely restaurants and hotels) and suppliers. The data gathered from each individual were treated as an individual data source in initial analysis and then aggregated to groups

representative of their tier within the South Australian Wine Industry thus providing an investigation at more than one level (Zikmund 1997).

5.5.3 Population

The wine industry in Australia is tightly regulated as it involves the sale of alcohol. All parties in South Australia that profit from the sale of wine must hold the appropriate licence (SAWBIA 1999, pers. comm). This makes the census in 3 of the 4 groups (wineries, distributors and retail) clearly visible, as they are publicly available through a number of sources. Wine industry suppliers are listed in the Wine Industry Directory (WID), a 'yellow-pages' style directory considered to be the industry standard (Macgregor 1998). Although WID (1999) lists 736 suppliers this only includes 'traditional' wine industry suppliers, largely of technical services and products. It does not include more general business supplies as would be included in, for example, the Yellow Pages directory of business-to-business suppliers; as such WIDs (1999) supplier listings could not be deemed to be a census of this group.

This research used databases obtained from WID (1999) that consist of a census of all wineries in South Australia, a census of all distributors in South Australia and a population of Suppliers. Every winery and distributor received the mail survey, whilst 312 of the 736 suppliers were included. For the retail group, a database was obtained from the Australian Hotels Association that listed every licensed premise (retail and on-premise) in South Australia. Two hundred of these were included through stratified sampling to ensure postcodes were represented evenly in the sample. This was essential

to ensure a mix of inner city, suburban and country licence holders were represented in proportion to the census (Zikmund 1997). This approach to selecting a proportionate stratified sample of the retail group ensures greater statistical efficiency (Cooper & Schindler 1998, p.239). It also enables the population mean to be calculated simply by calculating the mean of all sample cases (Cooper & Schindler 1998, p.239). Table 5.1 details the groups included in the survey, along with total census population and the method for selecting the research population.

Table 5.1 Population

Group	Census	Included	How Included
Wineries	261	261	Census
Distributor	27	27	Census
Retail/On-Premise	4156	200	Random Stratified
Supplier	Unknown	312	Random
Total		800	

5.5.4 The Research Design

As discussed earlier, the research design used pre-selected categories to measure activity and benefits using Goodman's (2000) four categories of internet use for marketing and four categories of benefits to measure competitive benefits developed using Kanter's (1990) and Prahalad and Hamel's (1990) work on competitive advantage. The categories were used to develop the survey instrument shown in final form at Appendix II. The pre-selection of these categories was justified after the literature review and initial interviews suggested it was necessary to establish multi-item measures (Churchill 1979; Gerbing & Anderson 1988). Churchill (1979) notes that although time consuming, marketers are much better served using this approach. He goes on to state that marketing could

eliminate many of its problems with varying definitions and abstract concepts if more constructs were developed in this way. This research construct attempts to clarify the concepts of competitive benefit and provide a practical view of internet marketing.

Multichotomous scales using multiple indicators (Ghauri et al 1995) were used throughout the survey for three reasons. Firstly it reduces the instructions the respondent needs to be given in order to complete the questionnaire (Churchill 1995). The abstract nature of the concept under investigation and the confusion seen in the preliminary interviews necessitated keeping the survey very clear and minimising instructions in order for the respondent to complete the questionnaire accurately. Secondly the use of multichotomous scales secures a great deal of information 'from the respondent in a short period of time' (Churchill 1995, p.420). Thirdly, in a multichotomous question multiple indicators used this way to capture a construct offer a more valid and reliable measure of the concepts under investigation (Ghauri et al 1995). No disguised questions (Zikmund 1997) were used for two reasons, (i) the abstract nature of the concepts being used and (ii) the recency of internet use for marketing in the South Australian Wine Industry and difficulty interviewees had answering showed the need for plain, straightforward language related to activities and benefits.\

5.5.5 Measurement Variables

Measurement is the assignment of numbers to empirical properties (Ghauri et al 1995, p.42). From the literature review and initial interviews it was possible to develop the construct. The interviews responses were tabulated into groups using Goodman's (2000)

four categories of internet use and the four drivers of competitive benefit (Prahalad and Hamel 1990; Kanter 1990) discussed in Chapter 4. Whetten (1989) points out that it is better to err in favour of including too many factors in the design stage. These were then examined to ensure each activity usage and benefit from use was represented in each group and such terminology was understandable to potential respondents whilst not unduly biasing the responses. A small number of activities had to be specifically worded for the type of respondent the survey was being sent to, as there was no way to have the response represented than to measure it in specific terms. For example: 'announce tastings or new menus' was highly relevant for Retail but had no relevance to the Distributor or Supplier groups.

Five point Likert scales were used for Internet Use and Competitive Benefit with '5' representing the positive response anchor and '1' the negative anchor. For the Internet Use for marketing purposes, the scales were headed as Often (5), Sometimes (4), no tag (3), Occasionally (2) and Never (1). From the discussions in the pilot interviews and the pilot survey these represented the appropriate headings for the sample respondents. Zikmund (1997) supports the use of four descriptors such as this on a five point Likert scale and Ghauri et al (1995) holds that this may assist the construct with less variation in response sets from the sample than would a 7-point scale.

Similarly, the questions pertaining to 'Competitive Benefits' were given indicators of 'Strongly Agree (5)' and Strongly Disagree (1)'. This decision was made after the pilot interviews and pilot survey showed respondents were most likely to answer strongly yes

or no. It was decided that the use of more than these two descriptors would make these questions cumbersome and miss the intrinsic nature of 'benefit' that each respondent held. This study maps the indicators of internet use for marketing and the benefits received from using the internet through the collection of interval scale data using multichotomous scales (Ghauri et al 1995; Stevens 1946). Although Osgood (or semantic differential) scales are suited to measures such as these, they were not selected due to the problems with generating individual bi-polar choices or phrases to accompany each measure (Zikmund 1997, pp.357-359). The use of Osgood scales would have necessitated using differential (bi-polar) responses such as, 'fast-slow, more quality-less quality' (Zikmund 1997, p.359). The abstract nature of the use and attitudes being examined were better suited to the use of Likert scales, furthermore, this research did not seek to examine bi-polar outcomes. Furthermore, it is argued that the use of Osgood scales can generate 'ordinal not interval data' (Zikmund 1997, p.359).

5.5.6 Pilot Survey

Cooper and Schindler (1998, p.77) point out that when using mail-surveys a pilot survey should be undertaken by sending out the intended questionnaire. This was to minimise the possibility that there was no terminology used that couldn't be easily understood, or questions that were ambiguous. A pilot survey was conducted using the survey to ten of the participants involved in the initial interview. Although this constituted a small pilot it was decided this help to generate a beneficial outcome as it gave rise to modifications and alterations of the survey. As the respondents in the pilot had been involved in the

initial interview stage it was possible for the researcher to follow up the survey and obtain feedback on:

1. How representative the activities were of their use of the internet
2. How relevant the activities were to the South Australian Wine Industry
3. How relevant the benefits were to the South Australian Wine Industry
4. How reflective the survey was of the discussions held in the initial interview.

Seven of the respondents pointed out they felt there were too many activities listed. At this stage the questionnaire had all the activities listed in one question (see Appendix III). Four of the seven commented that the questions seemed to be repetitive and they felt something was being hidden from them in the design of the questionnaire. As can be seen in Appendix III, the activities and benefits were contained in just two questions, using a rotation of placement for each activity and benefit (i.e. Information Use activities 1st...5th...9th).

Due to the abstract nature and 'newness' of the internet as a business and marketing tool the questions were structured in clusters to encourage the respondents to think as they were repeatedly asked questions of a similar nature. To encourage respondents to think carefully about their use of the internet the 'n/a' response option was removed. Fowler (1993, p.76) comments that the 'don't know' or 'n/a' response is often a statement that respondents are unwilling to do the work (in this case thought) required to give an accurate answer. If the 'n/a' response is appropriate the respondent can leave the

question blank and give no response (Fowler 1993, p.76; Zikmund 1997, p.357). To further minimise respondents giving a 'don't know' response, the interval scale anchors were modified from 'Very Often/Rarely' to 'Often/Sometime/blank/Occasionally/Never' in an attempt to promote more thought as to respondents internet use. It was felt this encourages respondents to look closer at their own behaviour with using this new tool. Although this could be interpreted as an adoption of an ordinal scale, the scale is in fact collecting interval data. Interval data 'not only arranges objects according to their magnitudes but also distinguishes this ordered arrangement in units of equal intervals' (Zikmund 1997, p.337). Although the scale assigns no tag to response '3' the 5 possible responses are anchored, use 2 other tags for clarification and assign numerical alternatives for respondents that use units of equal intervals. As such the internet use scales collect interval data.

Physically placing questions in the questionnaire using sections that contain all variables concerning the same category of internet use or benefit provides a more accurate measurement as it make clear repeated judgment of the concept under investigation (Zikmund 1997, p.358), offering more accurate measurement of the concepts under investigation. Discussions also showed respondents were likely to respond to an activity type once they had thought about another activity type, therefore grouping activity types in clusters using Goodman's (2000) four categories of internet use would serve to assist respondents to think more thoroughly. This was used in an attempt to encourage the respondent to analyse their behaviour and give a more accurate measure of the variables as relevant to their response. To counter the feedback from the pilot survey and

encourage more ‘thought’ among respondents, the physical layout of the survey instrument was overhauled, each cluster of questions was laid out quite separate from the others; resulting in shorter questions and a more upfront approach with little disguise.

The questionnaire in its final form then consisted of four parts:

1. Demographic – Size of the business, degree of internet connectivity and interaction with other firms in the South Australian Wine
2. Internet Use – Information, Business Processes, Revenue generation and Financial Transactions.
3. Benefits Received from Internet Use – Core Competency, Continuous Improvement, Relationships and Time Compression
4. Nominal questions on internet use and benefits. To compare with responses given in earlier sections to ascertain validity and reliability

The results were reflective of the data discussed in the initial interviews. The responses were largely representative of the activity and benefit types discussed in broad terms within each cluster as well as each specific activity and benefit. The responses showed the proposed method and survey instrument would enable this study to achieve its purpose. After the overhaul of the physical layout of the survey it was administered to the sample population.

5.5.7 Data Analysis and Testing

Similar to Gilbert et al's (1999) research on internet use for relationship marketing among hotel groups, this research used SPSS (v11.0) to analyse the data and test the hypotheses. As the 'categories' for Internet Use and Competitive Benefit were explored in the initial interview stage (building on the literature review), factor analysis was not used in its exploratory role (Iacobucci, 1994, p.279), as the 'factors' had already been identified for testing. To confirm the measurement variables used in the categories were reliable it was necessary to test the data prior to carrying out any other analysis using Cronbach's co-efficient α to test the multiple indicators for positive correlation (Bagozzi 1994, pp17-18). This is a test of internal consistency and reliability of the measures used (Bagozzi 1994, pp.17-18; Gerbing & Anderson 1988; Pallant 2001; Peterson 1994); i.e. after the literature review and initial interviews, had the items been assigned so they were in fact measuring the category? This would then enable the items to be presented (Chapter 7), grouped as activities and benefits for practical business use. This played no part in any other statistical measure. It merely sought to gain insight into whether the items used in each scale were actually all measuring the same thing (i.e. that all items used in the Information scale were, through the responses, measuring 'Information'). Pallant (2001, p.84) supports this use of Cronbach's α in establishing that the variables in each scale 'hang together...(and all) measure the same thing'. There was no other meaning generated from the use of this technique than to confirm the internal consistency and reliability of the construct. However, Bagozzi (1994, p.18) points out that 'a measure or scale is valid to the extent that it measures what it is intended to measure'. The scales were developed from initial interviews conducted within the South Australian Wine Industry and the reliability of the scales was confirmed using Cronbach's α . It was, at

this point, necessary to disregard some items from the multi-item measures, this is discussed in Chapter 6. The groupings were then confirmed to gather descriptive statistics and test the hypotheses.

5.6 Summary

This chapter outlined the research design for this study. It has outlined how the research contributes to academic knowledge and how its purpose is to contribute directly to commercial practice. Key to the implementation of this research was relating the emerging body of literature to the practical, commercial environment of the South Australian Wine Industry; this chapter then outlined the initial pilot study undertaken before the proposition of the research hypothesis and methodological considerations. These considerations were discussed before outlining the chosen method, data collection, population and the steps taken in the development of the research construct along with the measurement variables used. The chapter gave an overview of the pilot survey and the modifications made to the questionnaire before implementation. Finally the steps taken in data analysis and testing for non-response bias and hypotheses testing were outlined. The next chapter details the results from the survey, the response rate, the testing for reliability and various descriptive statistics before testing the hypothesis and discussing the findings.

Chapter 6 - Results

6.1 Introduction

This Chapter presents the data analysis, including the hypotheses tests and discusses the results. It begins with the likelihood of non-response bias and then the internal consistency of the multi-item scales used to measure each construct. The survey response is then detailed, along with an overview of the respondents' profiles, in terms of the degree of internet connectivity and the degree of interaction among the various types of firms in the South Australian Wine Industry. The chapter then presents the results with respect to internet use and competitive benefits realised. The relationship between internet use and competitive benefits is then examined using standard multiple regression. Finally, one-way analysis of variance (ANOVA) is used to examine the impact of length of time using the internet, or having a web site, on the realization of competitive benefits.

6.2 Non-Response

Due to the high likelihood of researcher bias in the preliminary interview stage some difficulty was encountered when examining for non-response bias. Instead of telephone follow up of non-respondents it was decided to investigate possible non-response bias in other ways. The responses were logged by 'date received' to allow testing between those received last with the other responses. As all mailing left on the same day those who

responded last were likely to have similar responses to those who did not respond. Kanuk & Berenson's (1975) research demonstrated that those who respond last to a mail survey demonstrate similar response to those who do not respond at all. This is also supported in Armstrong and Overton's (1977) research investigating how to estimate non-response bias in mail surveys. Clifton (2001) notes that although not universally accepted it provides practical insight into the likelihood of possible non-response bias, an approach also used by Murphy and Poist (1996).

T-tests (2-Tailed) were used to test the responses of the last 20 percent of responses received and the remainder of responses for both the independent variable of internet Use and dependant variable of Competitive Benefit. In addition, the responses were then compared at a group level; for example, those winery responses received in the last 20 percent of responses were compared to the remainder of winery responses, the same for distributors, trade and suppliers. Table 6.1 presents a summary of these test results. A significance value (Sig.2 Tailed) greater than .05 shows there is no statistical difference between the groups (Pallant 2001, p.180). As shown in Table 6.1, the distribution of responses was assumed to be equal, and no Sig. was less than the 0.05 required to be considered 'statistically different'.

Table 6.1 T-Test of Means for Non-Response – Last in Versus Rest of Response

Groups	Response Area	Sig. (2-Tailed)
Last 20% & Remainder	Internet Use	.996
	Competitive Benefit	.516
Wineries from last 20% & Remainder of Wineries	Internet Use	.665
	Competitive Benefit	.903
Distributors from last 20% & Remainder of Distributors	Internet Use	.334
	Competitive Benefit	.211
Trade from last 20% & Remainder of Trade	Internet Use	.300
	Competitive Benefit	.058
Suppliers from last 20% & Remainder of Suppliers	Internet Use	.331
	Competitive Benefit	.885

There is *no* statistical difference in the responses between the last 20% of questionnaires received and the remainder of responses. It is implied through this that those responding last are *likely* to be the same as those who do not respond at all (Armstrong & Overton 1977; Kanuk & Berenson 1975; Murphy & Poist 1996). As there is no statistical significance indicating any difference between the ‘last-in’ group and the remainder of responses, at a full value system level or individual echelon levels, it is proposed that this research is representative of the South Australian Wine Industry in that it has no statistically significant non-response bias.

6.3 Internal Consistency

To check internal consistency is one way to examine reliability. In order to use 'the classical true score model (to investigate reliability), one needs to use multiple measurements of the same theoretical concept' (Bagozzi 1994, p.17). This research uses multi-item measures for each of the concepts. 'One of the most employed measures of reliability in this sense is the use of Cronbach's α ' (Bagozzi 1994, p.17). Data were initially subjected to analysis using Cronbach's coefficient alpha (Bagozzi 1994, pp.17-18; Gerbing & Anderson 1988) within the pre-selected categories (four Internet Use types and four types of benefits received) to ensure each item was representative of the variable.

Pallant (2001) states that if Cronbach's coefficient alpha is greater than 0.7, the items making up the scale are in fact measuring the same thing, although if the item count is less than ten it may be wiser to set a different level. In this case, it was decided to accept $\alpha > 0.7$ as the benchmark for internal consistency for Internet Use (Information, Business Process, Revenue Generation and Financial Transactions) and $\alpha > 0.8$ for Competitive Benefits (Time Compression, Relationships, Core Competency and Continuous Improvement). The different benchmarks were set because Internet Use has 10 items on each of the multi-item measurement scales whereas Competitive Benefits has 8 items on

each of the multi-item scales. Therefore if the relevant $\alpha > 0.7$ or $\alpha > 0.8$ figure is exceeded then the activities and measurements used to measure the construct are in fact measuring the concept the research design intended to (Bagozzi 1994, pp.17-18; Pallant 2001, p.85).

6.3.1 Internet Use

Cronbach's alpha was used to examine the reliability of the scales used to measure 'Internet Use', the results are summarized in Table 6.2. In each case the items included to measure each variable were reliable as they exceeded $\alpha = 0.7$, 'Information Use' returned $\alpha = 0.8789$, 'Business Process Use' returned $\alpha = 0.9039$, 'Revenue Generation Use' returned $\alpha = 0.9078$ and 'Financial Transaction Use' returned $\alpha = 0.8864$, greater than the $\alpha = 0.7$ required. All four scales meet the reliability criteria, however, the deletion of two items from the Financial Transaction scale, 'undertaking credit checks' (item #7) and 'arranging finance' (item #9), result in a marginally greater coefficient alpha ($\alpha = 0.8878$ and $\alpha = 0.8887$). When these two variables were deleted it left a coefficient alpha of $\alpha = 0.8932$ and the scale developed has a greater level of reliability

Table 6.2 Cronbach's Alpha Results for 'Internet Use' Scales

Information Use $\alpha=.8789$			Business Process Use $\alpha=.9039$		
		α if item deleted			α if item deleted
Item no.	1	.8716	Item no.	1	.8953
	2	.8671		2	.8890
	3	.8596		3	.8972
	4	.8614		4	.8930
	5	.8681		5	.8916
	6	.8645		6	.8985
	7	.8655		7	.8950
	8	.8717		8	.9000
	9	.8784		9	.8921
	10	.8635		10	.8912
Revenue Generation Use $\alpha=.9078$			Financial Transaction Use $\alpha=.8864$		
		α if item deleted			α if item deleted
Item no.	1	.9013	Item no.	1	.8737
	2	.8971		2	.8630
	3	.8907		3	.8578
	4	.8909		4	.8832
	5	.8966		5	.8630
	6	.8967		6	.8620
	7	.9034		7	.8878
	8	.9045		8	.8839
	9	.9004		9	.8887
	10	.9034		10	.8810

6.3.2 Competitive Benefits

Cronbach's alpha testing used to examine the reliability of the scales used to measure 'Competitive Benefits', the results are summarized in Table 6.3. 'Time Compression' returned $\alpha=0.9308$, 'Relationships' $\alpha=0.8846$, 'Continuous Improvement' $\alpha=0.9117$ and 'Core Competency' returned $\alpha=0.9429$, all greater than the $\alpha=0.8$ required for an eight item scale, so the scales meet the reliability criteria. In the 'Core Competency' scale, the deletion of one item, 'Easier to Use Outside Firms' results in a marginally greater

coefficient alpha ($\alpha=0.9443$). The coefficient alpha value is strong with this variable included ($\alpha=0.9429$ which is greater than the required $\alpha=0.8$), so the marginal benefit (0.0014) comes at a cost of decreasing the item count below eight at only a nominal gain (Pallant 2001). As a result the decision was made to leave this item in the measurement scale, with an alpha score greater than the required validity level.

Table 6.3 Cronbach's Alpha Results for 'Competitive Benefit' Scales

Time Compression $\alpha=.9308$			Relationships $\alpha=.8846$		
		α if item deleted			α if item deleted
Item no.	1	.9265	Item no.	1	.8727
	2	.9220		2	.8818
	3	.9221		3	.8806
	4	.9236		4	.8737
	5	.9198		5	.8624
	6	.9213		6	.8597
	7	.9164		7	.8711
	8	.9214		8	.8589
Continuous Improvement $\alpha=.9117$			Core Competency $\alpha=.9429$		
		α if item deleted			α if item deleted
Item no.	1	.9075	Item no.	1	.9443
	2	.9081		2	.9381
	3	.9014		3	.9323
	4	.8927		4	.9336
	5	.8989		5	.9286
	6	.8951		6	.9325
	7	.8974		7	.9348
	8	.9008		8	.9372

6.4 Response

The survey had a total usable response of 24.25%, 194 of 800 mailed. This compares with Hamill and Gregory's (1997, p.16) response rate of 20% from a mail survey investigating Internet Use among 500 British firms and Goodman's (2000) response rate of 23.44% from a mail survey of 256 wineries also investigating Internet Use. Table 6.4 details the response amongst the various groups involved. The survey instruments had their layout changed (as shown in Appendices II and III) in an attempt to increase the response rate. The pilot feedback on the original survey form indicated that respondents were likely to find it too laborious and visually 'off-putting'. The final version of the survey instrument was broken up into distinct multi-item measures to decrease the time taken to complete the instrument. The survey was mailed with an addressed envelope included. Telephone follow-up was decided against due to the likelihood of acquiescence bias noted during the initial interviews. As an incentive to complete the survey instrument an incentive was provided of 'winning' a half-day free marketing consulting. As the author publishes in the popular industry journals and runs a wine marketing consultancy this was deemed to be of interest to potential respondents. As a final incentive, respondents were offered the opportunity to receive a free copy of the research report.

'Distributors' had the highest response rate of 33.33%, but this represents 9 responses, as the total population was only 27 licensed distributors in South Australia at the time of the mail-out. 'Wineries' had the next highest response rate of 29.50%, 77 of a total census of 261, whilst 'Suppliers' had the third highest response rate with 24.04%, 75 from 312

mailed. The 'Trade' group (Retail/On-Premise) had the lowest response rate of 16.50%, 33 from 200 mailed to a census of 4156. From the feedback gathered during the initial interviews this was largely expected because the trade segment of the wine industry was deemed to be very 'traditional' retail with low level of use of the internet. Most interviewees in the preliminary data gathering remarked that the 'trade' saw the internet as a threat and not as a tool for their use and benefit.

Table 6.4 Survey Response

Group	Census	Included	Useable Responses	Response
Wineries	261	261	77	29.50%
Distributor	27	27	9	33.33%
Retail/On-Premise	4156	200	33	16.50%
Supplier	Unknown	312	75	24.04%
Total		800	194	24.25%

6.5 Respondent Profile.

Table 6.5 to 6.9 details the internet connectivity of the respondent. The survey instrument asked nominal questions to gather data concerning the incidence of 'internet connections' (Table 6.5), existence of company 'web sites' (Table 6.6), the ability to process 'online payments' (Table 6.7, as well as rate of taking orders via web sites (Table 6.8) or email (Table 6.9). If respondents replied 'yes' they were then asked to nominate the 'year' in which they first had the relevant internet 'feature'. As this research is examining the use of the internet within the wine industry value system, respondents were asked to identify 'how often' they deal with other levels of the industry value system. Table 6.10 details these responses.

6.5.1 Length of time connected to the internet

The respondents reflect that the internet is a new tool for business, the most typical year of connection to the internet was 1998 as is shown in Table 6.5. Suppliers (4.62) and Distributors (4.67) have been connected to the internet, on average, since early 1998, whilst Wineries (3.71) have been connected, on average, since early 1999 and Trade (3.32) have been connected on average since mid-late 1999.

Table 6.5 Length of Time with Internet Connection

Length of Time	Wineries	Distributors	Trade	Suppliers	Total
1 (2001)	4	0	5	1	10
2 (2000)	9	1	6	3	19
3 (1999)	19	2	3	11	35
4 (1998)	20	2	9	15	46
5 (1997)	11	1	2	12	26
6 (1996)	5	1	1	8	15
7 (1995)	2	1	1	4	8
8 (1994)	0	1	1	4	6
<i>Missing</i>	7	0	5	17	29
Mean	3.71	4.67	3.32	4.62	4.08
SD	1.47	2.00	1.83	1.64	1.71

6.5.2 Web Sites

The incidence of web sites is an average of 60% across the South Australian Wine Industry (Table 6.6), with 116 of the 194 respondents having one. Suppliers have the highest incidence (69%) followed by Wineries (57%) and Trade (52%). Although there were only 27 Distributors in the census and 9 respondents, their low use rate of web sites (33%) is typical, a scan through the major search engines (google.com.au,

altavista.com.au, yellowpages.com.au, yahoo.com.au) showed few web sites in this sector.

Table 6.6 Web Sites – Incidence and Length of time

	Wineries	Distributors	Trade	Suppliers	Total
# with Web Sites	44 (57%)	3 (33%)	17 (52%)	52 (69%)	116 (60%)
Length of Time					
1 (2001)	7	0	8	6	21
2 (2000)	9	1	6	4	20
3 (1999)	6	1	0	12	19
4 (1998)	6	0	2	9	17
5 (1997)	5	0	0	3	8
6 (1996)	1	0	0	4	5
7 (1995)	0	1	0	1	2
8 (1994)	2	0	1	0	3
<i>Missing</i>	8	0	0	13	21
Mean	3.17	2.18	2.12	3.39	3.10
SD	1.86	1.80	1.80	1.58	1.80

Web sites are relatively new within the South Australian Wine Industry, with the length of time respondents have had one (on average) being not far behind that of actual internet connection. Those with web sites have had them, on average, since late 1999 (3.10). Similar to the length of time with internet connections, Suppliers (3.39) and Wineries (3.17) have had their web sites the longest, followed by Distributors (2.18) and Trade (2.12), both of which have only had their web sites on average since 1999.

6.5.3 Online Payments

The incidence of online payments is 40%, with 77 of the respondents having them (Table 6.7). This is higher than was expected, especially when looking at the data in Table 6.4 (ordering through web site) and subsequent revisiting demonstrated weakness of the terminology in the survey instrument. A quick telephone follow-up was undertaken with eight respondents requesting their definition of 'online payments'. 4 of the 8 respondents regarded 'eftpos' and 'electronic credit card' facilities as 'online payments', representing both Trade and Wineries respondents. As a result, the data gathered on this question is *not* reliable as an indicator of measurement of Internet based, online payment processing and is disregarded for this research.

Table 6.7 Online Payments – Incidence and Length of time

	Wineries	Distributors	Trade	Suppliers	Total
# with Online Payments	31 (40%)	1 (11%)	16 (49%)	29 (39%)	77 (40%)
Length of Time					
1 (2001)	5	0	4	4	13
2 (2000)	7	1	5	10	23
3 (1999)	7	0	3	5	15
4 (1998)	4	0	1	3	8
5 (1997)	0	0	1	1	2
6 (1996)	0	0	0	0	0
7 (1995)	0	0	0	1	1
8 (1994)	1	0	1	0	2
<i>Missing</i>	7	0	1	5	13
Mean	2.67	2	2.67	2.63	2.64
SD	1.52	0	1.88	1.41	1.54

6.5.4 Online Ordering

52 of the 194 (27%) respondents have the capability of accepting orders through their web site, as shown in Table 6.8. Wineries (23) have the highest incidence with 30%, followed by Suppliers (22) with 29%. Only 7 of the Trade respondents have this capability (21%), whilst no Distributors are capable of accepting orders through their web site. The average time firms have had this capability is since late 1999 (3.06). Wineries (3.12) and Suppliers (3.07) have both had this capability since late 1999, whilst the Trade has accepted ordering through web sites only since early 2000.

Table 6.8 Order through Web Sites – Incidence and Length of time

	Wineries	Distributors	Trade	Suppliers	Total
# order via web sites	23 (30%)	0	7 (21%)	22 (29%)	52 (27%)
Length of Time					
1 (2001)	2	0	2	1	5
2 (2000)	6	0	2	4	12
3 (1999)	3	0	0	5	8
4 (1998)	3	0	0	2	5
5 (1997)	2	0	0	1	3
6 (1996)	0	0	0	1	1
7 (1995)	0	0	0	0	0
8 (1994)	1	0	1	0	2
Missing	6	0	2	8	16
Mean	3.12	N/a	2.80	3.07	3.06
SD	1.76	N/a	2.95	1.32	1.76

Ordering via email is much more commonplace than ordering through a firm's web site, with 132 of the 194 respondents (Table 6.9) having such capability (68%). The majority of all the sectors have the capability of accepting orders via email; 78% of Distributors

(7), 73% of Wineries (56), 68% of Suppliers (51) and 55% of Trade (18). On average, the industry has had this capability since mid 1999 (3.53), a little earlier than the industry had capability of accepting orders through web site (3.06). Suppliers (3.79) have accepted orders via email since early 1999, followed by Wineries (3.41) since mid-1999. Distributors (3.09) and Trade (3.09) have accepted orders via email since late 1999.

Table 6.9 Order via Email – Incidence and Length of time

	Wineries	Distributors	Trade	Suppliers	Total
# order via email	56 (73%)	7 (78%)	18 (55%)	51 (68%)	132 (68%)
Length of Time					
1 (2001)	5	0	1	0	6
2 (2000)	8	2	6	7	23
3 (1999)	11	0	0	8	19
4 (1998)	9	1	2	8	20
5 (1997)	5	1	1	7	14
6 (1996)	2	1	0	4	7
7 (1995)	0	0	0	0	0
8 (1994)	2	0	1	0	3
<i>Missing</i>	14	2	7	17	40
Mean	3.41	3.09	3.09	3.79	3.53
SD	1.70	2.02	2.02	1.32	1.61

6.5.5 Interactivity among firms in the South Australian Wine Industry

Table 6.10 shows the mean responses for the regularity of dealing with other firms in the South Australian Wine Industry. Firms were asked to indicate the frequency with which they deal with other levels of the wine industry value system, using a scale where 7=Daily, 6=Weekly, 5=Fortnightly, 4=Monthly, 3=Quarterly, 2=Yearly and 1=Never.

On average, Distributors (5.03) deal more frequently with other firms in the South Australian Wine Industry than do Trade (4.67), Wineries (4.50) or Suppliers (3.69). Distributors deal at least weekly with Wineries (6.44), Suppliers (6.38) and Retail (6.00) and with other Distributors (5.43), On-Premise (5.50) and Consumers (5.38) at least fortnightly. Of these six groups, only 2 are the Distributor's direct customer. Wineries deal with Distributors (5.01), Consumers (5.58) and Suppliers (5.54) at least fortnightly, with only one of these being a direct customer (although consumers do purchase from 'cellar door' they typically represent only 5% of sales). The Trade sector deal daily with Consumers (7.00) and at least weekly with Suppliers (6.08) and fortnightly with Distributors (5.80), neither of which are customers. Suppliers deal most frequently with Wineries (5.46) on a fortnightly basis and other Suppliers (4.67) monthly. This data is presented to support the notion that in taking a multi-echelon approach in this research, the value system of the South Australian Wine industry is being examined. As discussed in Chapters 1,3 and 4, the value system is the chain along which value is added to products. The high degree of interactivity amongst the different echelons of the South Australian Wine Industry is expected. As discussed in Chapter 3, a high proportion of the firms in the wine industry are SME to micro-enterprise in terms of skill-sets, functions performed and number of employees; the degree of interactivity amongst the firms within the industry supports this study examining the South Australian Wine Industry as a value system'. This will be considered when examining how the internet is used within the South Australian Wine Industry and how the benefits are generated.

Table 6.10 Interactivity within the South Australian Wine Industry

Industry Group	Wineries	Distributors	Trade	Suppliers	Total
	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>	<i>Mean</i>
Growers	3.60	2.00	1.72	3.95	3.45
Wineries	4.80	6.44	3.50	5.46	4.97
Distributors	5.01	5.43	5.80	3.92	4.83
On-Premise	4.04	5.50	4.83	2.86	3.86
Retail	4.20	6.00	4.00	2.79	3.81
Consumers	5.58	5.38	7.00	2.88	4.93
Industry Associations	4.49	4.29	3.73	3.69	3.98
Media	3.24	3.88	3.55	2.98	3.22
Suppliers	5.54	6.38	6.08	4.67	5.35
Total	4.50	5.03	4.67	3.69	4.27

(NB. 7=Daily 6=Weekly 5=Fortnightly 4=Monthly 3=Quarterly 2=Yearly 1=Never)

6.6 Internet Use

This section is the start of the testing of the formal hypothesis stated in Chapter 5. Table 6.11 details the mean responses to Internet Use, from 1=Never to 5=Often. Aggregated to a Value System level (industry), Information Use (2.88) is the most frequent, followed by Business Processes (2.72) and Revenue Generation (2.18) with Financial Transactions (2.10) the least used. This loosely trends across all four groups. Information Use is the highest response use type among all three groups; Wineries (2.92), Distributors (3.73) and Suppliers (3.00). The exception is amongst the trade group where Revenue Generation (2.32) is the highest and Information Use (2.26) second highest. Similarly, the three groups that have Information Use as highest also have business processes as the second most used type of internet marketing; Wineries (2.86), Distributors (3.39) and Suppliers (2.78). The trade group has Business Processes (2.12) as the third most used type. Financial Transactions are the least type of use of internet marketing amongst three

of the groups; Distributor (2.35), Trade (2.06) and Suppliers (2.08). Wineries have slightly more Financial Transaction use (2.14) than they do for revenue generation.

Table 6.11 South Australian Wine Industry Internet Use

	Information	Business Process	Revenue Generation	Financial Transactions
Industry				
Mean	2.88	2.72	2.18	2.10
SD	1.08	1.11	1.14	1.03
Winery				
Mean	2.92	2.86	2.06	2.14
SD	1.02	1.04	1.04	1.16
Distributor				
Mean	3.73	3.39	2.81	2.35
SD	1.04	1.17	.96	0.97
Trade				
Mean	2.26	2.12	2.32	2.06
SD	1.29	1.25	1.40	0.97
Supplier				
Mean	3.00	2.78	2.16	2.08
SD	.93	1.04	1.12	0.93

To examine the differences and test for **H1** and **H2**, there are two factors that influence the dependent variable 'response' for internet use. The first factor is 'use type' (IBRF), that is the four categories of internet use for marketing activities and the second factor 'business', which uniquely identifies each respondent. This two-way ANOVA test can be used to investigate if (i) the differences in response level are attributable to 'use type' (IBRF) or (ii) the differences in response level are attributable to the individual 'business'. In this way the responses for internet use are examined in relation to the type of use to see if the mean scores for use are attributable to the type of use and then if that difference holds across individual firm responses, which it does. Note that as there are no replications, the SSQ for 'usetype*business' has to be used for error and gives an error mean square of .672. The result is highly significant ($F=40.6$, $df(3,546)$, $sig.000$). There

is a strongly significant difference in 'response' for internet use between each of the four categories of internet use for marketing at a Value System level, with a decreasing amount of use along a continuum Information-Business Process-Revenue Generation-Financial Transactions. Testing was not applied to individual group level. This research is investigating the value system (industry) level through the set of interlinked activities involved to manage the relationships between the various echelon levels of the South Australian Wine Industry. The information at individual echelon level is shown in Table 6.11 (above) for descriptive purposes only and to highlight that at specific echelon levels this decreasing pattern of use is not present.

This supports **H1**, that Goodman's (2000) use types are more indicative of stages of internet adoption for marketing (**H1**). As the pattern is decreasing through the continuum of Information-Business Process-Revenue Generation-Financial Transactions, it may be implied that the internet is not fully applied for marketing within the South Australian Wine Industry (**H2**). As the South Australian Wine Industry is a non-core IT industry this was to be expected. Further supporting this is the use at group level. The same decreasing pattern of use discussed above is seen in the Distributors and Suppliers groups. Wineries also show similar, the fact their Financial Transaction use is higher than Revenue Generation may be explained in the fact that Wineries typically generate 95% (or more) of their revenue through sales to their distributor so have little use for revenue generating activity using the internet. In the initial interviews, some proactive use of the internet was observed with wineries supporting their distribution channels by using the internet to generate revenue for downstream customers. Notably through the

use of e-newsletters and websites to promote distribution points and in-store wine-tastings. Trade customers have Revenue Generation as their highest use for internet marketing, with the other three use types conforming to the decreasing pattern of use. This may be explained in the fact that this is a retail group whose primary purpose is to generate revenue and is likely to not have such a business demand for many of the other activities.

H1 and **H2** are supported. Goodman's (2000) four categories of internet marketing are likely to be indicators of the degree of internet adoption by the firm (**H1**). The more the firm has integrated the internet into its operations, the more it has use for the internet along a continuum of the four use categories; progressing from Information Use through Business Processes Use and Revenue Generation Use to Financial Transaction Use. In this case, this is evidenced by a significant difference in the degree of use of each category, *decreasing* from Information to Business Process, then Revenue generation and Financial Transactions. This is likely to be particularly true at an industry level, although at individual firm level there may be minor variations dependant on the position within the value system. Manufacturers may have less use for Revenue Generation, although this also offers them an opportunity to market and generate revenue for the entire value system in a stakeholder approach as suggested in Goodman (2001). Firms in the South Australian Wine Industry have not fully applied the internet to marketing and have a *decreasing* amount of use for the internet across the four types of Internet Use for marketing (**H2**). This is discussed in the next chapter under implications and further research. At the retail level, whilst firms in the South Australian Wine Industry have

highest use for revenue generation, this may also be indicative of lower levels of other business activity beyond the 'traditional' retail shop selling operations.

6.7 Competitive Benefits from Internet Use

The mean responses for Competitive Benefits that arise from Internet Use are detailed in Table 6.12, firstly at an aggregated industry level and then for each industry group where 1=Strongly Disagree and 5=Strongly Agree. Competitive Benefits from Time Compression resulting from use of the internet are the greatest of the four areas; the industry returned a mean of 3.65, with all four industry groups having this as the highest benefit with Wineries showing 3.70, Distributors 3.53, Trade 3.57 and Suppliers 3.66. The Industry showed Competitive Benefits in the area of Core Competencies (2.91) as the second highest benefits and again, like Time Compression, all four industry groups had this as the second highest benefit area. Continuous Improvement (2.89) was the third highest benefit received from using the internet for marketing with three of the four industry groups having it as their third highest; Distributors (2.96), Trade (2.88) and Suppliers (2.86) whilst Wineries (2.97) had Continuous Improvement as their lowest, marginally lower than Relationships (3.01). Competitive Benefits in the area of Relationships (2.73) were the lowest benefit generated through internet marketing. With the exception of Wineries (3.01 – 3rd) the other industry groups returned this benefit type as the area they have received least benefits; Distributors (2.83), Trade (2.58) and Suppliers (2.55).

Table 6.12 Competitive Benefits from Internet Use

	Time Compression	Relationships	Core Competency	Continuous Improvement
Industry				
Mean	3.65	2.73	2.91	2.89
SD	1.03	1.02	1.03	0.99
Winery				
Mean	3.70	3.01	3.04	2.97
SD	0.86	0.83	0.90	0.83
Distributor				
Mean	3.53	2.83	3.33	2.96
SD	1.06	0.92	1.03	1.02
Trade				
Mean	3.57	2.58	2.88	2.78
SD	1.10	1.26	1.16	1.36
Supplier				
Mean	3.66	2.55	2.75	2.86
SD	1.14	1.04	1.06	0.94

Two-way ANOVA was used to test the 'responses' for each of the types of benefits at a value system level (industry). There are two factors that influence the dependent variable 'response' for Competitive Benefits. The first factor is 'type of competitive benefit' (TCCR), and the second factor 'business', which uniquely identifies each respondent. This two-way ANOVA test can be used to investigate if (i) the differences in response level are attributable to 'type of competitive benefit' (TCCR) or (ii) the differences in response level are attributable to the individual 'business'. In this way the responses for Competitive Benefit are examined in relation to the type of Competitive Benefit to see if the mean scores for response are attributable to the type of Competitive Benefit and then if that difference holds across individual firm responses, which it does. Note that as there are no replications, the SSQ for 'TCCR*business' has to be used for error and gives an error mean square of .468. The result is highly significant ($F=61.7$, degrees of freedom

3,522 sig.000). There is a strongly significant difference in 'response' for each type of Competitive Benefit. This approach enables a check as to the differences in each of the groups when examining respondents use as a whole. Although this does not infer much meaning, it is an indication of the reliability of the manner in which surveys were completed; it shows some different responses for different questions rather than a standard pattern of answers.

In support of **H3** is the data gathered in the nominal questions at the end of the survey document. Goodman (2000) noted that the wine industry was unable to grasp the '1+1=2' advantages of using the internet, that is that respondents were not likely to be able to identify for themselves the clear link between use and benefit. This is, to some extent, evident in the results of this research. Rather than measuring on a multi-item scale of benefits, this section used broader, closed questions as detailed in Table 6.13. Across all questions there is a large difference between positive and negative responses. Every question in every group has greater positive response than negative, showing support for **H3**, that using the internet for marketing does result in Competitive Benefits. At an aggregated industry level, the highest perceived benefit is in the area of Continuous Improvement (150); this is also the highest benefit area for Wineries (65) and Trade (23). The second highest benefit for the South Australian Wine Industry is in the area of Core Competency (144), followed by Time Compression (134) and Relationships (117).

Table 6.13 Nominal Data on Competitive Benefits

	Time Compression	Relationships	Core Competency	Continuous Improvement
Will the Internet	Save You Time?	Build Business Relationships?	Assist you to Work with Others?	Assist in improving what you do?
Industry				
Yes	134	117	144	150
No	48	56	36	29
Winery				
Yes	52	51	58	65
No	20	18	14	6
Distributor				
Yes	5	5	8	7
No	4	4	1	2
Trade				
Yes	23	17	20	23
No	6	10	8	5
Supplier				
Yes	54	44	58	55
No	18	24	13	16

Questions were also posed in a more ‘traditional’ approach to Competitive Advantage using Porter’s (1985) notion of least cost and differentiation. Table 6.14 shows the results from the nominal data gathered. The responses are very different to the broader questions on Competitive Benefits. Only in two areas is the positive response greater than the negative; at a Winery level for differentiation (36:32) and Trade level for Least Cost (15:13). 94 respondents felt the internet will *not* help to differentiate their brand whilst 79 thought it would. 99 responses felt the internet will *not* result in reducing costs to market and 77 felt it would. As can be seen, the data presented in Tables 6.13 and 6.14 supports **H3**, that using the internet for marketing results in the creation of Competitive Benefits. Furthermore, it highlights the difference in the view of competitive advantage from a firm’s practical viewpoint between Porter’s generic strategies and the model of Competitive Benefit developed for this research using Kanter’s (1990) and Prahalad and

Hamel's (1990) work. This is discussed further in the next chapter under further research.

Table 6.14 Competitive Advantage Gained Using the Internet for Marketing

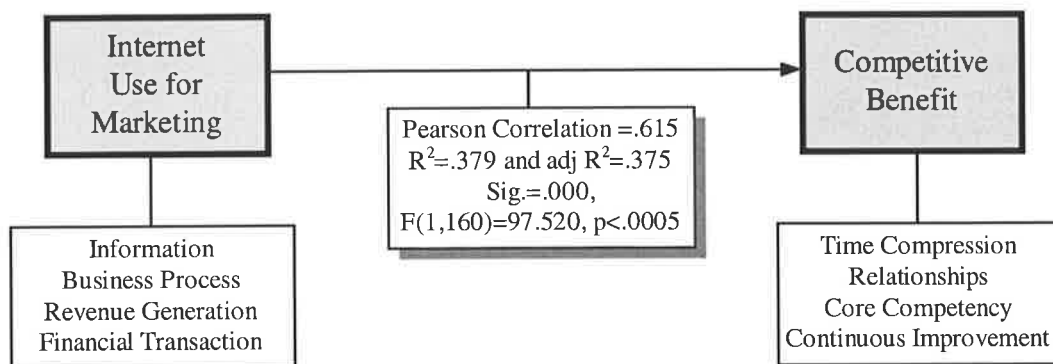
Will the Internet	Differentiate your Brand?	Reduce your Costs to Market?
Industry		
Yes	79	77
No	94	99
Winery		
Yes	36	31
No	32	38
Distributor		
Yes	4	4
No	5	5
Trade		
Yes	13	15
No	14	13
Supplier		
Yes	26	27
No	43	43

6.8 The Relationships between Internet Use and Competitive Benefit

Standard regression was used to investigate the relationship between the two basic constructs of this research, the use of the internet for marketing activity (independent variable) and the benefits that are created through using the internet (dependent variable). The results from this standard regression testing are shown in Fig. 6.1. The Pearson Correlation value gives the first indication of the strength of the relationship (Sigel 1997), in this case, a significant relationship of .615 (Pallant 2001). The model (Figure 6.1) is significant, passing the f-test at the very highly significant level ($F(1,160)=97.520$, $p<.0005$). The $\text{adj.}R^2$ is 0.375, showing that Internet Use for Marketing Activity has some explanatory power for the level of Competitive Benefits reported by the firm, and

the predictive level of the model is significant with a regression coefficient level of .615. **H3** is supported. This will be further examined below in testing H3(i)-H3(iv), the relationships between the type and extent of Internet Use for Marketing Activity and the extent of the benefits received.

Figure 6.1 Internet Use and Competitive Benefit Regression Model



6.8.1 Internet Use and Competitive Benefit – Pearson Correlations

H3 [H3(i) – H3(iv)] were tested using multiple regressions to examine the strength of the relationship between each type of Internet Use and each area of Competitive Benefits. The Pearson correlation coefficients are presented in this section, followed by the regression models in 6.8.2. Pallant (2001) states that a Pearson correlation coefficient value of ≥ 0.3 shows significant evidence of a relationship. Table 6.15 details the Pearson correlation value from the analysis of the strength of the relationships between:

1. Internet Use and Competitive Benefit (bottom right cell)
2. Internet Use and each of the four areas of Competitive Benefit (bottom row)

3. The four categories of Internet Use and Competitive Benefit (right hand column)
4. The four categories of Internet Use and each of the four areas of Competitive Benefit (remaining 16 cells)

Each of the Pearson correlations shown in Table 6.15 are shown at the $p < 0.01$ level. As discussed in 6.8, Internet Use for Marketing Activity and the creation of Competitive Benefit through using the internet have a significant relationship (.615). Internet Use for Marketing Activity has significant relationships with Competitive Benefits generated in the areas of Continuous Improvement (.568), Relationships (.537) Time Compression (.528) and with Core Competency benefits (.468). This supports **H3**, that use of the internet for marketing activity exerts an influence on each of the four types of Competitive Benefit. Each of the four categories of internet use also show a statistical relationship with generating competitive benefits through using the internet for marketing activities. Information and Business Process show significant relationships at .509 and .558 respectively, whilst Revenue Generation and Financial Transactions have significant relationships with the creation of Competitive Benefits at .433 and .340. This supports **H3 (i-iv)** that each of the four categories of internet use exerts an influence on the creation of Competitive Benefit. It also offers an indication of their relative importance for a possible planning framework

Table 6.15 Internet Use and Competitive Benefit – Pearson Correlations

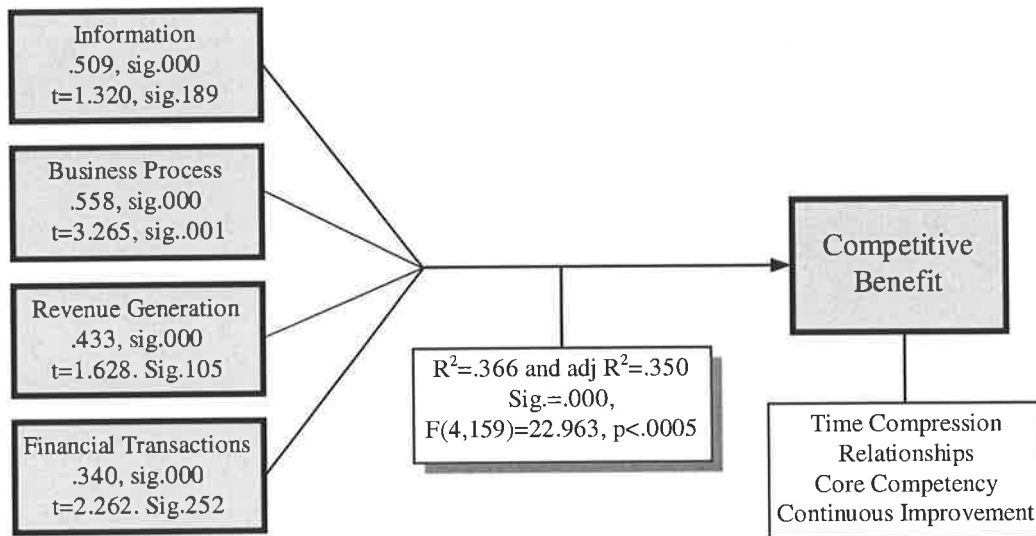
	Time Compression	Relationships	Core Competency	Continuous Improvement	Total Competitive Benefit
Information	.472	.431	.385	.441	.509
	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01
Business	.512	.482	.406	.469	.558
Process	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01
Revenue	.299	.404	.299	.471	.433
Generation	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01
Financial	.267	.348	.276	.250	.340
Transaction	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01
Total	.528	.537	.468	.568	.615
Internet Use	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01	<i>p</i> <.01

The sub-hypotheses of H3 are also examinable using the Pearson correlations in Table 6.15. **H3(i)(a-d)** are supported as Information Use of the Internet has a significant relationship with each of the four facets of Competitive Benefit; Time Compression (.472), Relationships (.431), Core Competency (.385) and Continuous Improvement (.441). **H3(ii)(a-d)** are also supported as Business Process Use of the internet exhibits a significant relationship with Time Compression (.512), Relationships (.482), Core Competency (.406) and Continuous Improvement (.469) benefits. **H3(iii)(b&d)** are supported as Revenue Generation use of the internet has a significant relationship with both Relationship (.404) and Continuous Improvement (.471) benefits. **H3(iii)(a&c)** are not supported as Revenue Generation use shows .299 for both Time Compression and Core Competency benefits, below the .300 minimum held to show at least some relationship (Pallant 2001). **H3(iv)(b)** is supported as Financial Transaction use of the internet exhibits a significant relationship with Relationship (.348) benefits. Financial Transaction use exhibits low Pearson correlation scores with Time Compression (.267),

Core Competency (.276) and Continuous Improvement (.250) benefits. **H3(iv)(a,c&d)** is *not* supported as using the internet for Financial Transaction use does not generate competitive benefits in the areas of Time Compression, Core Competency or Continuous Improvement.

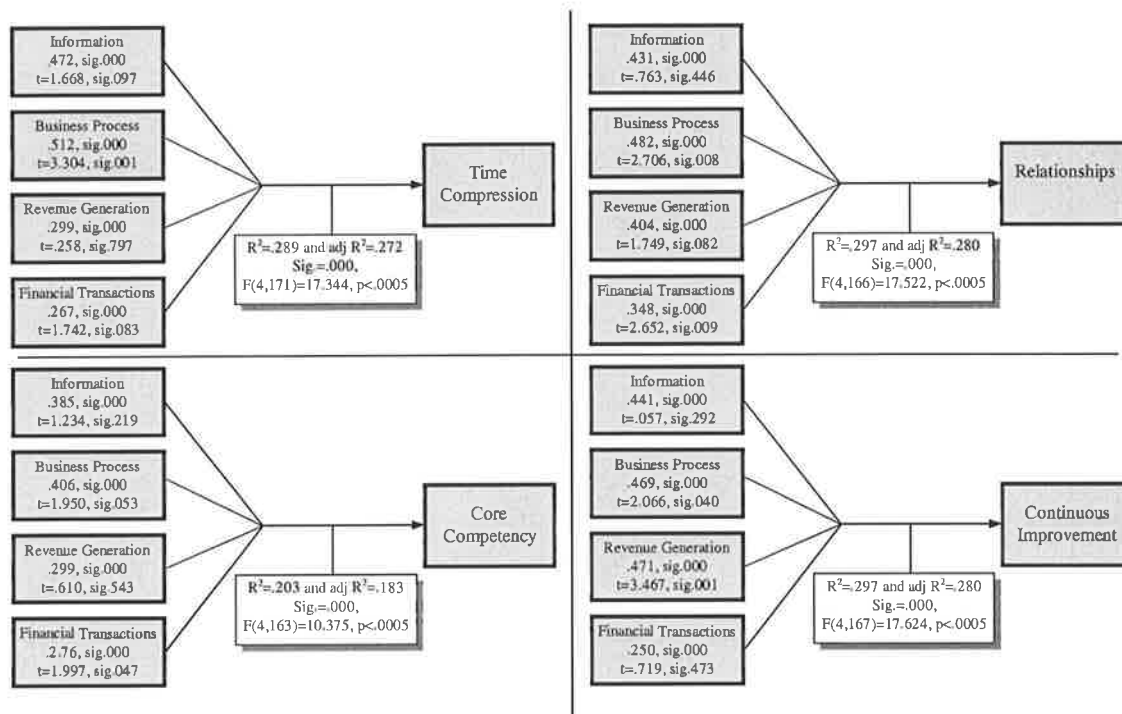
6.8.2 Internet Use and Competitive Benefit – Regression Models

Figure 6.3 shows the results of the multiple regression analysis of the effect of the four categories of internet use for marketing (4 independent variables) on the overall construct of Competitive Benefit (dependent variable). Hair et al (1995, p.127) state that very small tolerance values are a sign of high collinearity, and that a tolerance value of 0.10 is the common cutoff threshold. In this regression model the independent variables exceed the tolerance cutoff threshold; Information =.377, Business Process =.370, Revenue Generation =.650, Financial Transaction=.848. There is no significant problem with multi-collinearity in the model shown in Fig.6.3. Using each of Goodman's (2000) categories of internet marketing results in the creation of Competitive Benefit for the firm ($R^2=.366$ and adj. $R^2=.350$, sig.=000, $F(4,159)=22.963$, $p<.0005$), in particular Business Process use ($t=3.265$, sig.001) has a significant effect. Note that increasing levels of use of each of the four categories of internet marketing tends to produce higher levels of Competitive Benefits. This model is very highly significant and, along with the Pearson Correlations displayed in Table 6.15, supports **H3** and **H3(i-iv)**

Figure 6.2 Individual Internet Use Categories and Competitive Benefit Model

To further support **H3(i-iv)**, the results of the multiple regression models for each of the individual internet use types and their effect on each of the facets of Competitive Benefit are presented in Figure 6.4. Each of these four models is very highly significant ($p<.0005$). Time Compression benefits ($R^2=.289$ and $\text{adj. } R^2=.272$, $\text{sig}=.000$, $F(4,171)=17.344$, $p<.0005$), are most influenced by Business Process use of the internet for marketing activity ($t=3.304$, $\text{sig}.001$). Relationship benefits ($R^2=.297$ and $\text{adj. } R^2=.280$, $\text{sig}=.000$, $F(4,166)=17.522$, $p<.0005$), are influenced most by Business Process use ($t=2.706$, $\text{sig}.008$) and Financial Transaction use ($t=2.652$, $\text{sig}.009$). Core Competency benefits ($R^2=.203$ and $\text{adj. } R^2=.183$, $\text{sig}=.000$, $F(4,163)=10.375$, $p<.0005$), are influenced most by Financial Transaction use ($t=1.997$, $\text{sig}.047$) whilst Continuous Improvement benefits ($R^2=.297$ and $\text{adj. } R^2=.280$, $\text{sig}=.000$, $F(4,167)=17.624$, $p<.0005$) are influenced most through the use of Revenue Generation ($t=3.467$, $\text{sig}.001$) and Business Process uses ($t=2.066$, $\text{sig}.040$).

Figure 6.3 Activities and Benefit Model



This supports the results as discussed in 6.8.1 using Pearson Correlation to determine if a relationship existed between each of the four independent variables (Internet Use for Marketing Activities) and the four dependant variables (Competitive benefits). Each of Goodman's (2000) four categories of internet use for marketing activity exerts an influence on the creation of Competitive Benefit. This also offers an indication of the relative value these four types of internet marketing may have for managers and educators.

6.9 Time as a Factor on Internet Use and Competitive Benefits gained

One way analysis of variance (ANOVA) between groups was carried out to test **H4** and **H5**, that the length of time a firm has an internet connection (**H4**) and a web site (**H5**), is likely to be a factor in the extent of internet marketing use the firm carries out and the extent of competitive benefits the firm receives from using the internet for marketing. This is to say that those firms which have had the internet for a longer period of time will show a different mean for Internet Use, furthermore they will show a different mean result for Competitive Benefits realized through internet use. Pallant (2001, p.190) states that in using this analysis with SPSS, there is a difference if the Sig. Value is greater than 0.05. The results from the ANOVA testing met Levene's test of equality of error variances, so the test results do not violate the homogeneity of variances assumption (Pallant 2001).

First, the length of time the firm has had an internet connection was examined for differences in the types of use firms had for the internet and the competitive benefits realized. There was no significant main effect for the independent variable, length of time with an internet connection, for total Internet Use (Sig.=.145). To examine further, the effect of the independent variable was calculated on each of the four internet use types. There was no significant difference in Information (Sig.=.111), Revenue Generation (Sig.=.640) or Financial Transaction (Sig.=.371) use types. There was however a significant main effect of the independent variable for Business Process use (Sig.=.024) with a medium effect size ($\eta^2 = 0.11$) (Pallant 2001). The longer

the firm has had an internet connection it is more likely to use the internet differently for Business Process use. That is the longer a firm has an internet connection the more likely it is to use the internet more for Business Process use. There was no significant main effect for the independent variable with regards Competitive Benefits (Sig.=.165) or any of the four individual facets; Time Compression (Sig.=.464), Relationships (Sig.=.510), Core Competency (Sig.=.105) or Continuous Improvement (Sig.=.490) **H4** is not supported. At an aggregated level, the length of time a firm has had an internet connection is not a factor in the extent of Internet Use or Competitive Benefits realised, although it does have some effect at the individual use type level, in the extent of their Business Process type usage.

Second, the length of time the firm has had a web site was examined for differences in the types of use firms had for the internet and the competitive benefits realized. There was no significant main effect for the independent variable, length of time with a web site, for total Internet Use (Sig.=.291), or any of the four internet use types; Information (Sig.=.066), Business Process (Sig.=.159), Revenue Generation (Sig.=.875) or Financial Transaction (Sig.=.932) use types. There was no significant main effect for the independent variable with regards Competitive Benefits (Sig.=.672) or any of the four individual facets; Time Compression (Sig.=.772), Relationships (Sig.=.726), Core Competency (Sig.=.522) or Continuous Improvement (Sig.=.396) **H5** is not supported. The length of time a firm has had web site is not a factor in the extent of Internet Use or Competitive Benefits realised. To further examine for any effect of time, the testing was also carried out using the length of time the firm has been capable of receiving orders

through their web sites and the length of time the firms have been able to take orders via email. There was no significant main effect in any of the areas tested for **H4** or **H5** above.

The various tests carried out to test **H3** to **H5** have been undertaken for the number of respondents as a whole; that is testing for the interaction of types of activities and resulting benefits of the value system as one group to gain an overview of the impacts on the system as a whole rather than decomposing into separate groups to see impacts on the separate groups within the system. It was noted in the data that there were some differences between groups of respondents in the value systems as were established in the tests of **H1** and **H2** with regards to the mean scores for Internet Use types. Group types in the industry could be a confounding variable in the relationships tested for **H3** to **H5**, this is a limitation on the findings in sections 6.7 to 6.10.

6.10 Status of the Research Hypotheses

H1 is accepted.

Goodman's (2000) four categories of marketing are likely to be indicators of the degree of internet adoption by the firm. The more the firm has integrated the internet into its operations, the more it has use for the internet along a continuum of the four use categories; progressing from information use through business process use to revenue generation use and financial transaction use. On a scale 1=never and 5=often the South

Australian Wine Industry show highest use for Information (2.88) with a decreasing amount of use for Business Process (2.72), Revenue Generation (2.18) and Financial Transactions (2.10). This decreasing pattern of use is statistically significant, using ANOVA, the mean responses for each category of use are different, decreasing from Information to Business Process, Revenue Generation and Financial Transaction. In this order they are likely indicators of stages of internet adoption for marketing purposes.

H2 is accepted

The internet is yet to be fully applied by firms within the South Australian Wine Industry for marketing. Mean scores for each of the internet use types ranged between 2.88 and 2.18, between 'occasional' and 'sometimes'. ANOVA testing showed that the mean responses for each category of use were significantly different decreasing through internet use for marketing activity continuum; Information-Business Process-Revenue Generation-Financial Transactions. At the level of use shown this implies that the internet is not fully applied within the South Australian Wine Industry. As the South Australian Wine Industry is a non-core IT industry, this was expected.

H3 is accepted.

A significant relationship was shown between Internet Use and Competitive benefit, along with a very highly statistically significant regression model of the influence of the use of the internet for marketing activities on the creation of Competitive Benefit. Internet use for marketing activities exerts influence on the generation of competitive benefit. The relationship between internet use and competitive benefits received is .615, a significant relationship. Using the internet for marketing activities assists in the development of Competitive Benefits. Further, the nominal data gathered to investigate this hypothesis showed the majority of firms found the internet helped generate competitive benefits in each of the four areas of the concept of competitive benefit. This contrasted with the results that the majority of firms found the internet did not help develop any aspect of Porter's (1985) Three Generic Strategies of Competitive Advantage.

H3(i) is accepted, H3(i)(a, b, c, d) are accepted. Information use of the internet has a significant relationship (.509) with Competitive Benefits generated through internet use.

H3 (i) Information use of the internet for marketing gives rise to competitive benefits through:

(f)	Time Compression	(.472)
(g)	Relationships	(.431)
(h)	Core Competency	(.385)
(i)	Continuous Improvement	(.441)

In addition to the Pearson Correlation Coefficients, the multiple regression model as discussed above was very highly statistically significant.

H3(ii) is accepted, H3(ii)(a, b, c, d) are accepted. Business Process use of the internet has a significant relationship (.558) with Competitive Benefits generated through internet use.

H3 (ii) Business Process use of the internet for marketing gives rise to competitive benefits through:

(a)	Time Compression	(.512)
(b)	Relationships	(.482)
(c)	Core Competency	(.406)
(j)	Continuous Improvement	(.469)

In addition to the Pearson Correlation Coefficients, the multiple regression model as discussed was very highly statistically significant.

H3(iii) is accepted, H3(iii)(b & d) are accepted. H3(iii)(a&c) are rejected. Revenue Generation use of the internet has a relationship (.433) with Competitive Benefits generated through internet use.

H3 (iii) Revenue Generation use of the internet for marketing gives rise to competitive benefits through:

(b)	Relationships	(.404)
(d)	Continuous Improvement	(.471)

In addition to the Pearson Correlation Coefficients, the multiple regression model as discussed was very highly statistically significant.

Revenue Generation use of the internet does *not* give rise to competitive benefits through

(a) Time Compression (.299)

(b) Core Competency (.299)

The cut-off score for determining a relationship is a Pearson Correlation >0.3 (Pallant 2001). As the scores for these two types of competitive benefit can be rounded to .3 they are still of use in the planning framework proposed in Chapter 7.

H3(iv) is accepted, H3(iv)(b) are accepted. H3(iv)(a, c, &d) are rejected. Financial Transaction use of the internet has a relationship (.340) with Competitive Benefits generated through internet use.

H3 (iv) Financial Transaction use of the internet for marketing gives rise to competitive benefits through:

(b) Relationships (.348)

In addition to the Pearson Correlation Coefficients, the multiple regression model as discussed was very highly statistically significant.

Financial Transaction use of the internet does *not* give rise to competitive benefits through

- | | | |
|-----|------------------------|--------|
| (a) | Time Compression | (.267) |
| (c) | Core Competency | (.276) |
| (d) | Continuous Improvement | (.250) |

The use of Financial Transaction type activities for the creation of Competitive Benefits in these three areas is not dismissed for the purposes of the planning framework discussed in Chapter 7. The regression models examining the effect of each of the types of internet use with the creation of Competitive benefit showed that firms with high levels of use for all of the categories of internet marketing had higher levels of Competitive Benefits. This entails using a 'sum of the parts is greater' style approach for business planning.

H4 is rejected.

The length of time the firm has had an internet connection *does not* exert influence on

- (i) The firm's use of the internet for marketing activities

Although at an individual use type level the firm is more likely to use the internet more for business processes.

- (ii) The Competitive Benefits realised through internet use for marketing purposes

H5 is rejected.

The length of time the firm has had a web site *does not* exert influence on

- (i) The firm's use of the internet for marketing activities

- (ii) The Competitive Benefits realised through internet use for marketing purposes

6.11 Summary

This chapter established there was no statistically significant evidence of non-response bias after examining the responses in several areas and comparing the differences between the groups on a 'first-in' versus 'last-in' basis. The chapter then presented an overview of the respondents' profiles in terms of internet connectivity and interaction with other firms in the South Australian Wine Industry. The amount and types of internet use was then described, followed by the categories of competitive benefit realised from using the internet. Standard multiple regression analysis was used to examine the relationship between internet use and competitive benefits realised and ANOVA was used to examine the impact of the length of time of having the internet or a web site on the generation of competitive benefit. The next chapter discusses the implications of the research findings and summarises the research, describes the limitations and the state of the research hypotheses after examining the data. It also outlines key practical and policy implications and offers a framework for using the internet for marketing.

Chapter 7 - Conclusion

7.1 Introduction

This chapter outlines the limitations of this research, in terms of non-response and the industry specific sample group, before discussing the status of the research question after the data collection and the findings from the analysis. This also presents the specific activity types for each of the four stages of internet adoption and the specific competitive benefits generated. The status of the hypotheses is discussed and a summary of the analysis results presented with each part of the various hypotheses. The theoretical implications of the research are discussed before policy recommendations are proposed in relation to the various stakeholders in the South Australian Wine Industry and the wider business community to whom the results are generally applicable. The recommendations encompass three areas, (i) education, (ii) business and (iii) government and industry bodies. This research had clear goals of formulating a lucid framework for business use of the internet for marketing activity. This chapter presents a framework for the adoption of the use of the internet for marketing purposes in such a way as to generate competitive benefits for the firm and the value system. Suggestions for further research are made along with a summary of this chapter before finishing with concluding remarks.

7.2 Limitations

This research explored Goodman's (2000) Four Types of Internet Use for Marketing, it also showed the four use types were likely to be indicative of the degree of internet adoption. Further, it showed that using the internet in this manner could generate

competitive benefits to the firm and the value system. Whilst this contributes to the body of academic knowledge in the areas of technology adoption, marketing and strategy it does have several limitations. Firstly, factor analysis was not used. This places limitations on the findings of this research. Although no replacement for factor analysis, the preliminary interviews were used to identify variables from within the research context and then 'grouped' using Goodman's (2000) categories of internet use and the scales were tested for reliability using Cronbach's alpha, there was though, no factor analysis test to test for validity.

Secondly, due to the likelihood of researcher bias that was evident in the initial interview stage, it was decided not to undertake telephone follow up of non-respondents to ascertain the likely impact of non-response bias on the results. This was countered to some extent by comparing the responses from the first received and the last received on the assumption that those responding last were likely to be similar to those that did not respond. Thirdly, this research involved a South Australian industry specific sample group. Although the results are likely to be replicable across other geographic areas and other industries this has not been demonstrated in any way in the research. It would be necessary to replicate the research in other markets and other industries to ascertain the relevance of the findings and planning framework (presented later in this chapter) to other situations. Specifically the South Australian Wine Industry comprises firms that, in the main, are performing very specialised functions often with small numbers of employees and this may impact on the generalisability of the findings to other industries.

The various tests carried out to test **H3** to **H5** have been undertaken for the number of respondents as a whole. It was noted in the data that there were some differences between groups of respondents in the value systems as were established in the tests of **H1** and **H2** with regards to the mean scores for Internet Use types. Group types in the industry could be a confounding variable in the relationships tested for **H3** to **H5**, this is a limitation on the findings in sections 6.7 to 6.10. Although the research showed relationships between internet use for marketing purposes and the creation of competitive benefits, the measurements of benefits were based on people's perception of benefits rather than numerical measurement of tangible factors. The use of multi-item measurement scales minimised the impact of this factor. It enabled the constructs to be measured through asking eight to ten questions to gain a measurement of one area. Also, the low level of internet use shown across all sectors of the South Australian Wine Industry may be due to the 'newness' of the internet as a tool for business. There is a possibility that the measurement scales were not representative of the use of the internet for marketing. This was minimised to some extent as the measurement scales were put together after pilot interviews with various firms in the South Australian Wine Industry.

7.3 Status of the Research Problem

The research question presented in Chapter 1 was:

How are firms within the South Australian Wine Industry using the internet for marketing purposes, what benefits are created through this use and what is the relationship between internet use for marketing and the benefits realised?

Information Use (2.88) is the most used for internet marketing purposes within the South Australian Wine Industry, followed by Business Processes (2.72) and Revenue Generation (2.18) with Financial Transactions (2.10) the least used on a scale where 5=Frequently and 1=Never. The various activity types for each of these categories are presented here in Table 7.1. As discussed in Chapters 5 and 6, the multi-item measurement scale used to measure each construct was made up of these activities. The decreasing extent of use shown for each of these four categories from left to right suggests that these categories of use are more than categories; they are possibly indicators of the degree or extent of internet adoption.

Table 7.1 Activities for Internet Use for Marketing Purposes

Information	Business Process	Revenue Generation	Financial Transaction
• Market research • Checking on competitors • Announce new products/new releases • Product details and/or specifications • Information to/from the media • Information to/from upstream members of the value system • Information to/from downstream members of the value systems • Information to/from consumers	• Communicating • Managing distribution • Providing customer service • Ordering supplies • Answering customer questions • Processing orders • Streamlining distribution • Coordinating freight • Coordinating activity • Having questions and answers on a website	• Delivering newsletters • Making tailored offers • Promoting specials • Promoting to customers • Selling to customers • Database Marketing • Promoting distribution points • Promoting the business • Promoting what is happening in other areas of the value system • Promoting the brand throughout the value system	• Banking • Instant payments • Making payments • Provide/receive tax invoices • Process payments • Pay suppliers • Identifying investments • Assist transactions

Table 7.2 lists the items used in the multi-item scale to measure the competitive benefits generated through internet use. These were used to measure the beneficial impact that internet use has on the value system within the South Australian Wine Industry. The greatest beneficial impact was by way of Time Compression (3.65) followed by Core Competencies (2.91) and Continuous Improvement (2.89) whilst Relationships (2.73) had the lowest beneficial impact on the value systems within the South Australian Wine

Industry using a scale of 5=Strongly Agree and 1=Strongly Disagree. As discussed in Chapters 5 and 6, the multi-item measurement scale used to measure each construct was made up of these specific benefits.

The third facet of the research problem required testing to see what the relationship was between the categories and activities for internet use shown in Table 7.1 and the Competitive Benefits detailed in Table 7.2. Standard multiple regression analysis was used to investigate this possible relationship. There was no evidence of problems with multicollinearity. Internet Use and the creation of Competitive Benefit through using the internet have a significant relationship (.615). Internet Use has a significant relationship with benefits generated in the areas of Continuous Improvement (.568), Relationships (.537) and Time Compression (.528) and a strong relationship with Core Competency benefits (.468). Each of the four categories of internet use also show a statistical relationship with generating competitive benefits through internet use. Information (.509) and Business Process (.558) show a significant relationship, whilst Revenue Generation (.433) has a strong relationship and Financial Transactions (.340) has a relationship with the creation of Competitive Benefits. Use of the internet for marketing purposes can result in the realization of competitive benefits to the firm and the value system.

Table 7.2 Competitive Benefits Realised Through Internet Use

Time Compression	Core Competency	Continuous Improvement	Relationships
• Save time • Less waiting time	• Easier to use outside firms	• More aware of trends	• Help relationships with upstream members of the value system
• Easier to do business	• Easier to deal with other firms • Easier to find assistance when needed	• More aware of quality issues • Better at what you do	• Help relationships with downstream members of the value system
• Quicker to get in contact	• Internet help to coordinate activity	• Cheaper to do business	• Help relationships with consumers
• Faster to get information	• More focus on your role	• Internet improves business	• Tighten the distribution chain
• Faster to give information out	• Easier to coordinate activity	• Better marketing effort	• Increase customer retention
• Get more done	• Internet helps logistics	• Business more profitable	• Make more people aware of the brand
• Better timed responses	• Supply chain is more streamlined	• Reduced costs to market	• Increase repeat business

7.4 Implications of this Research

The activities (Table 7.1 above) for marketing use of the internet are not proposed as a definitive list of activities for internet marketing. They are based on initial interviews with members of the wine industry and were further explored with empirical data. These lists are *reflective* of the activities for which the firm can use the internet for marketing

purposes that result in competitive benefits. Further work should enable this concept of internet use and adoption for marketing purposes to be expanded further. This work has implications in several areas. First, Goodman's (2000) four categories of use of the internet for marketing are in fact likely to be indicators, or stages, or internet adoption for marketing. This may in fact offer a new way of organising the firm's activities. Rather than using functional areas to drive planning and organisation, the four categories may in fact represent mutually supportive steps to organising the firm's activities. As the internet is now a part of the business environment, rather than revolutionizing how business is conducted, the internet could be a means to organise the spatial and physical operations and activity of the firm as suggested in Currah (1999). This contributes to the body of academic knowledge in the emerging areas of technology integration into business activity and the use of the internet in marketing.

This research also demonstrated that use of the internet for marketing purposes could deliver competitive benefits to the firm. Specifically that use of the internet in each of Goodman's (2000) four categories of marketing use for the internet, namely (i) Information, (ii) Business Process, (iii) Revenue Generation and (iv) Financial Transactions can deliver Competitive Benefits to the firm in four distinct areas, namely (i) Time Compression, (ii) Relationships, (iii) Continuous Improvement and (iv) Core Competency. This will enable the proposition of a Conceptual Model (see 7.4.1) relevant to integrating the internet into firm marketing activity with a view to successfully generating Competitive Benefits. In using the internet to organise the firms activities to deliver a complicated set of interlinked activities with other firms in the value system the

notion of Competitive Benefits discussed in this thesis may in fact represent a new approach to marketing that is outcome oriented.

Furthermore, the notion of Competitive Benefit presented in this research enabled measurements in an area that has typically been rather abstract and clouded in terms of practicality. If business and marketing theory is to benefit commerce it is necessary at some point to facilitate action. In theoretical terms, this suggests a rethink of the notion of Competitive Advantage, possibly looking at a specific activity focus such as that used in the construct of this research. Rather than 'Competitive Advantage', it may be that 'Competitive Benefit' presents a less abstract concept which is of *measurable* benefit to business. Whilst only one firm in an industry can have a Porter (1985) style 'lowest cost' competitive advantage, the notion of competitive benefits may mean that two firms can use the same activities to derive Competitive Benefits that are as different as the brands they market.

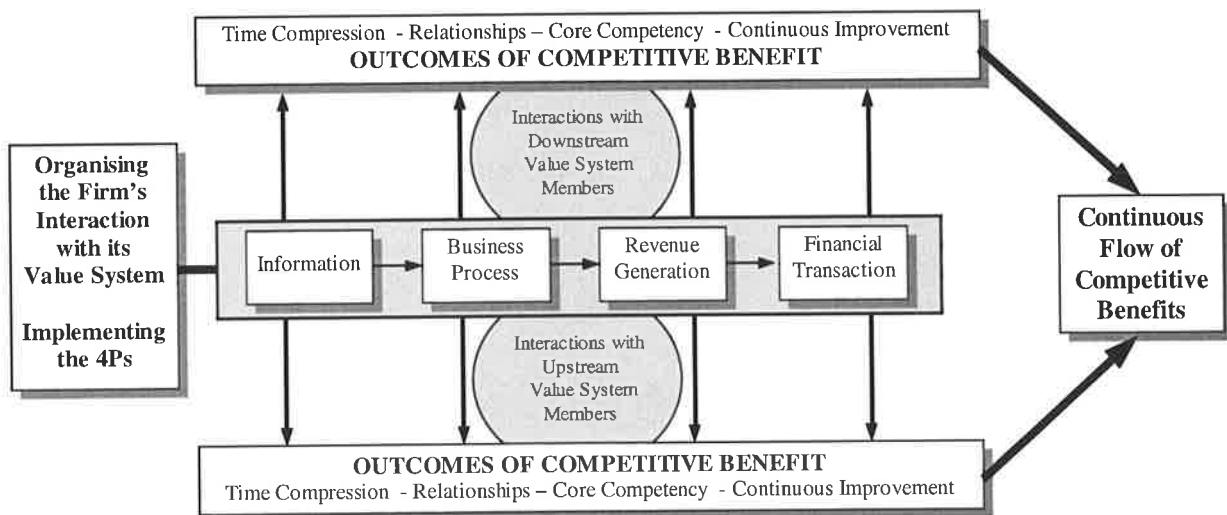
The model also demonstrated that the sum of the whole is greater the sum of the parts. This suggests that a holistic view of marketing and competitive advantage may be needed. Integrated marketing is arguably much more than the 'pigeon-holed' concept of marketing as a separate discipline. This research may offer a framework to view marketing in this broader way. As a rethink of where and how competitive advantage may fit into practical activity, value costs and benefits warrants further attention. Alderson's (1965) notion of 'transvection' may be supportive of this model in that the model supports the simultaneous pursuit of cost reduction and differentiation. Cost

reduction is targeted through increasing operational effectiveness, whilst differentiation is dealt with through the development and execution of a complicated, interlinked set of activities that offer benefits, which impact on value and are difficult to replicate. The model also uses a holistic approach to marketing in the new economy as is suggested as necessary by Robins (2000)

7.4.1 A Suggested Framework for Planning in Relation to the Research Problem

This research was undertaken with a strong practical orientation. The purpose of this research was to identify a lucid, practical framework that firms within the South Australian Wine Industry can consider using to integrate the internet into marketing activity within their Value System. Fig 7.1 presents a possible framework for such use. As Goodman's (2000) categories of use of the internet for marketing purposes were found to be indicative of the degree of internet adoption they are shown in sequential order. In this proposed framework, the IBRF component Internet Use) is used to organise the activities and interaction the firm has with upstream and downstream members of its Value System and the tactical implementation of the 4Ps. To this end, the internet becomes a tool for focus. Starting with adoption for Information use (both gathering and distributing) the business would look at how they can carry out the various activities involved in Information use (shown in Table 7.1) to generate the Competitive Benefits for the Value System.

Figure 7.1 Proposed Planning Framework to Generate Competitive Benefits from Integrating the Internet into Marketing Activity



The Competitive Benefits can possibly be viewed as an 'outcome approach to marketing' (Goodman 2003). Whereas Brown and Eisenhardt's (1998) model of strategy proposes a continuous flow of competitive advantage, this model has the goal of producing a continuous flow of Competitive benefits to the Value System. The specific measurement areas of benefits were shown earlier in Table 7.2. After considering Stage 1 adoption of the internet and organisation of activities, the firm considers how it can use the internet for Business Process use (Stage 2) to achieve Competitive Benefits and then onto Stage 3 (Revenue Generation) and Stage 4 (Financial Transactions). Although the analysis did *not* show a relationship between Financial Transactions and Core Competency, Continuous Improvement or Time Compression, they are included in this proposed planning framework. Their inclusion is due to the fact that at an aggregated level Financial Transaction use had a significant relationship with Competitive Benefit as a concept. Throughout the analysis the relationship of the whole was stronger than the

relationship of the parts. In addition to strengthening the proposition of this framework it shows that a holistic view of strategic marketing planning may well be desirable.

This proposed framework may also offer firms in other industries a practical guide. Furthermore it may assist further research into this new area of business strategy and marketing to gain the commercial benefits that arise from technology adoption. As discussed, we now live in an environment that *is* internet enabled, it is a tool that most businesses now have access to. This may enable this framework to be positioned beyond a title of internet marketing, it may in fact be more representative of how firms can develop marketing activities to generate competitive benefits. The internet is merely a tool that may facilitate this and make the activity more efficient, affordable and effective.

7.5 Further Research

The internet and the use of online communication technology for marketing and strategy is such a new and rapidly emerging development that the suggestions made here for further research are by no means exhaustive. They relate directly to the findings of this research and the key 'flags' that were raised during the data analysis stage. This research has been a starting point for development of the ways the internet can be used for marketing. The four stages of adoption provide a framework to group and order the activities for future research, measurement and practical use. It is necessary to replicate this research in another industry, or even to use a non-industry specific approach to gauge the relevance of the findings and planning framework to business activity. Going on from this is the need to investigate more activity types and correlate them to each of the

stages of adoption identified in this research. Similarly, research is needed to investigate more measurement areas for each of the four facets of Competitive Benefit. It would be of benefit to compare these results with studies done in other markets, particularly the United States of America, wine producing Europe and wine producing South America, to examine the difference or similarities of use and benefits, across cultures, languages and style of industry structure. The research has the scope to conduct longitudinal research

This research contrasted Porter's notion of Competitive Advantage with the need to develop and offer a more practical concept of competitive benefit in order that the firm can actually work, without extensive academic study, to plan and develop competitive advantages. This research proposed the notion of Competitive Benefit and used specific measurement variables that are fairly straightforward and highly practical. This, and the findings from the nominal variables related to (i) each of Porter's (1985) Generic Strategies to achieve competitive advantage and (ii) the four aspects of the Competitive Benefit concept. The findings, as discussed in the previous chapter, suggest a merit in a practical approach to competitive advantage. More research into the more dynamic, activity-based area of competitive benefits could ascertain how this may further help firms planning strategy in the internet-enabled environment.

This research used a self-administered mail survey of firms. This was a key decision taken in the research design. One downside was that the overall use of the internet was at a low level, between 'occasionally' and 'sometimes'. The next step in developing the knowledge from this research may well involve constructing a case study of a value

system within the South Australian Wine Industry. This could be used to gather qualitative and quantitative data from a closer physical distance to the sample group. This would enable clarification from respondents as necessary and the sampling of high internet use firms, as well as closer investigation of benefits.

7.6 Summary

This final chapter discussed the limitations of this research, the status of the research question and the status of the hypotheses after data analysis and testing. The theoretical implications of the research results were given along with policy recommendations in three areas; (i) business, (ii) government and industry bodies and (iii) education. In keeping with the objectives of this research, a framework for planning for adoption of the internet for marketing purposes in order to generate competitive benefits for the firm and the value system was proposed. Suggestions were then made for further research. Following this summary are the concluding remarks of the researcher.

7.7 Concluding Remarks

This research was conducted during a key period in the commercial development of the internet into mainstream business activity. This was the aftermath of the so called 'dot-com bomb' which followed a period of speculative frenzy when companies were experiencing huge capital value growth and numerous initial public offerings. This research was carried out in the period following the crash of this sector in the financial and business markets. These two periods of the market highlight the fact that by and

large the business world is still grappling to come to terms with the internet. Some might now say too much has been made of this new tool. If the internet is to be merely a part of the way we do business rather than a new way, then it is possible this framework is more than suggested here; it may in fact represent a useful practical framework for strategic marketing planning. Maybe e-commerce, e-business and e-marketing is just marketing or, just business. It is not the tool that changes what we do, but the environment we operate in that challenges us to maximise our opportunities and results. It is hoped that this research has contributed in some way to assisting business to operate more successfully in the internet-enabled environment we now live in.

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Appendices

Appendix I Interview Forms

Appendix II Survey Forms – Winery, Distributor, Trade, Supplier

Appendix III Original Survey Forms – Winery, Distributor, Trade, Supplier

APPENDIX 1

Interview Forms

Preliminary Interviews to Finalise the Survey Instrument for

'Building Competitive Advantage? The Internet's Impact on the Value Chain: A Study of the South Australian Wine Industry

Interview Date _____

Interview Time _____

Interview Place _____

Name of Interviewee (optional) _____

Contact Number _____

Industry Group _____

1. What types of other wine industry firms do you deal with?
How many times per month do you deal with these people?

Growers () – Wineries () – Intermediaries () – Industry Organisations ()

Media () - Retailer () – On-Premise () – Transport () –

Supplies (type) (i) _____ () (ii) _____ () (iii) _____ ()

2. What is the level of Internet experience? What is the level of Internet experience within your firm?

3. What are the major types of problems you have in dealing with other wine industry firms in the course of your business?

4. Do you use the Internet in your business dealings with people inside your company? Do you use the Internet in your business dealing with other firms in the wine industry?

5. What sort of activities do you use the internet for

a. Inside your business

b. With other firms in the wine industry?

6. Do the other firms you deal with use the Internet?

Growers () – Wineries () – Intermediaries () – Industry Organisations ()

Media () - Retailer () – On-Premise () – Transport () –

Supplies (type) (i) _____ () (ii) _____ () (iii) _____ ()

7. What benefits do you see you've gained in using the Internet?

8. What ways could other firms you deal with provide benefits to you if they used the Internet?

9. What benefits do you envisage you might gain in using the Internet in the short-mid term future?

10. Your general opinion as to the role of the Internet in

a. Your business

b. Your job

c. The Wine Industry

i. Locally

ii. Nationally

iii. Internationally

Interview Started _____

Interview Completed _____

Appendix II

Survey Forms

1. Winery
2. Distributor
3. Trade – Retail and On-Premise
4. Supplier

1. Winery

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5005

All completed questionnaires will be placed in a draw to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional) _____ Position (optional) _____

Business (optional) _____ Contact Number (optional) _____

Number of Employees ☐ less than 5 ☐ 5 – 14 ☐ 15 – 29 ☐ 30-49 ☐ 50-99 ☐ 100+

Tonnes Crushed ☐ less than 20 ☐ 20-49 ☐ 50-99 ☐ 100-249 ☐ 250-499 ☐ 500-999 ☐ 1000-2499

☐ 2500-4999 ☐ 5000-9999 ☐ 10000+

Do you have an internet connection? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have a Web Site? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have online payment processing? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order through your web site? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order via email? ☐ Yes ☐ No If Yes, since when (year) _____

Email Address _____ Web www. _____

1. Please indicate the type of businesses you deal with in the wine industry, by circling the answer to indicate how often you deal with them, e.g. 7 for daily contact, 6 for weekly contact

	Daily	Weekly	Fortnightly	Monthly	Quarterly	Yearly	Never
Growers	7	6	5	4	3	2	1
Wineries	7	6	5	4	3	2	1
Distributors	7	6	5	4	3	2	1
On-Premise	7	6	5	4	3	2	1
Retail	7	6	5	4	3	2	1
Consumers	7	6	5	4	3	2	1
Industry Associations	7	6	5	4	3	2	1
Media	7	6	5	4	3	2	1
Suppliers	7	6	5	4	3	2	1

2. Please indicate whether you use email or a website in your dealings with the following groups.

	Email	Website		Email	Website
Growers			Consumers		
Wineries			Industry Associations		
Distributors			Media		
On-Premise			Suppliers		
Retail			Your own staff		

3. When considering how you gather information or distribute it to others please indicate whether you use the internet (web sites or email) for any of the following activities.

	Often	Sometimes	Occasionally	Never	
Market Research	5	4	3	2	1
Check competitors	5	4	3	2	1
Announce new releases	5	4	3	2	1
Wine notes	5	4	3	2	1
Info to/from media	5	4	3	2	1
Info to/from distributor	5	4	3	2	1
Info to/from retail/on-premise	5	4	3	2	1
Info to/from suppliers	5	4	3	2	1
Info to/from growers	5	4	3	2	1
Info to/from customers	5	4	3	2	1

4. In the course of your business activities, do you use the internet (web sites or email) for any of the following activities?

	Often	Sometimes	Occasionally	Never	
Communicating	5	4	3	2	1
Managing distribution	5	4	3	2	1
Operating wine club/cellar door sales	5	4	3	2	1
Ordering supplies	5	4	3	2	1
Answering customer questions	5	4	3	2	1
Process Orders	5	4	3	2	1
Coordinate freight	5	4	3	2	1
Having questions/answers on website	5	4	3	2	1
Coordinate activity	5	4	3	2	1
Streamline distribution	5	4	3	2	1

5. In relation to advertising, sales and revenue oriented activity do you use the internet (web sites or email) for the following activities

	Often	Sometimes	Occasionally	Never	
Deliver newsletters	5	4	3	2	1
Make tailored offers	5	4	3	2	1
Promoting specials	5	4	3	2	1
Promoting tastings	5	4	3	2	1
Sell to consumers	5	4	3	2	1
Database marketing	5	4	3	2	1
Promote distribution points	5	4	3	2	1
Promote to on-premise/retail	5	4	3	2	1
Promote to distributor	5	4	3	2	1
Promote to consumers	5	4	3	2	1

6. Do you use the internet in relation to the following financial and transactional activities?

	Often	Sometimes	Occasionally	Never	
Banking	5	4	3	2	1
Instant Payments	5	4	3	2	1
Make payments	5	4	3	2	1
Provide/receive tax invoices	5	4	3	2	1
Process payments	5	4	3	2	1
Pay suppliers	5	4	3	2	1
Undertake credit checks	5	4	3	2	1
Identify investments	5	4	3	2	1
Arrange finance	5	4	3	2	1
Assist transactions	5	4	3	2	1

7. Since you have used the internet (email or websites) do have you benefited in any of the following ways ?

	Strongly Agree			Strongly Disagree	
Saved time	5	4	3	2	1
Easier to do business	5	4	3	2	1
Quicker to get in contact	5	4	3	2	1
Faster to get information	5	4	3	2	1
Faster to give information out	5	4	3	2	1
Get more done	5	4	3	2	1
Better timed response	5	4	3	2	1
Less waiting time	5	4	3	2	1

8. Has using the internet with others in the course of business...

	Strongly Agree			Strongly Disagree	
Helped relationships with suppliers	5	4	3	2	1
Helped relationships with distributors	5	4	3	2	1
Helped relationships with retail/on-premise	5	4	3	2	1
Helped relationships with customers	5	4	3	2	1
Tightened the distribution chain	5	4	3	2	1
Increased customer retention	5	4	3	2	1
Made more people aware of your brand	5	4	3	2	1
Increased repeat business	5	4	3	2	1

9. Please indicate your agreement/disagreement with the following statements regarding the internet (web sites or email) and your business.

	Strongly Agree			Strongly Disagree	
It is easier to use outside firms	5	4	3	2	1
Easier to deal with other firms	5	4	3	2	1
The internet helps coordinate activity	5	4	3	2	1
You have more focus on your role	5	4	3	2	1
It is easier to coordinate activity	5	4	3	2	1
The internet helps logistics	5	4	3	2	1
Your supply chain is more streamlined	5	4	3	2	1
It easier to find assistance when needed	5	4	3	2	1

10. Since your business has been connected to the internet do you feel?

	Strongly Agree				Strongly Disagree
You are more aware of trends	5	4	3	2	1
You are more aware of quality issues	5	4	3	2	1
It is cheaper for you to do business	5	4	3	2	1
The internet has improved your business	5	4	3	2	1
Your marketing effort is better	5	4	3	2	1
Your business is more profitable	5	4	3	2	1
You have reduced your costs to market	5	4	3	2	1
You are better at what you do	5	4	3	2	1

11. Would you benefit if the following firms used the internet more for doing business?

	Very Beneficial				No Benefits
Growers	5	4	3	2	1
Wineries	5	4	3	2	1
Distributors	5	4	3	2	1
On-Premise	5	4	3	2	1
Retail	5	4	3	2	1
Consumers	5	4	3	2	1
Industry Associations	5	4	3	2	1
Media	5	4	3	2	1
Suppliers	5	4	3	2	1

12. Will the internet:

- | | | | |
|-----------------------------------|--|--------------------------------|--|
| • Assist in improving what you do | ☐ Yes ☐ No | • Reduce your costs to market | ☐ Yes ☐ No |
| • Differentiate your brand | ☐ Yes ☐ No | • Make you more competitive | ☐ Yes ☐ No |
| • Save you time | ☐ Yes ☐ No | • Build business relationships | ☐ Yes ☐ No |
| • Assist you to work with others | ☐ Yes ☐ No | • Help you build your brands | ☐ Yes ☐ No |

Thank you for taking the time to complete this survey. All information is confidential. A copy of the research report will be made available –

To receive a copy please contact Steve via email sgoodman@gsm.adelaide.edu.au

2. Distributor

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5005

All completed questionnaires will be placed in a draw to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional) _____ Position (optional) _____

Business (optional) _____ Contact Number (optional) _____

No. of Employees ☐ less than 5 ☐ 5 – 14 ☐ 15 – 29 ☐ 30-49 ☐ 50-99 ☐ 100+

No. Wineries represented _____ Retail/On-Premise Customers _____ / _____ Cases sold per year _____

Do you have an internet connection? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have a Web Site? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have online payment processing? ☐ Yes ☐ No If Yes, since when (year) _____

Can trade order through your web site? ☐ Yes ☐ No If Yes, since when (year) _____

Can trade order via email? ☐ Yes ☐ No If Yes, since when (year) _____

Email Address _____ Web www. _____

1. Please indicate the type of businesses you deal with in the wine industry, by circling the answer to indicate how often you deal with them, eg 7 for daily contact, 6 for weekly contact

	Daily	Weekly	Fortnightly	Monthly	Quarterly	Yearly	Never
Growers	7	6	5	4	3	2	1
Wineries	7	6	5	4	3	2	1
Distributors	7	6	5	4	3	2	1
On-Premise	7	6	5	4	3	2	1
Retail	7	6	5	4	3	2	1
Consumers	7	6	5	4	3	2	1
Industry Associations	7	6	5	4	3	2	1
Media	7	6	5	4	3	2	1
Suppliers	7	6	5	4	3	2	1

2. Please indicate whether you use email or a website in your dealings with the following groups.

	Email	Website		Email	Website
Growers			Consumers		
Wineries			Industry Associations		
Distributors			Media		
On-Premise			Suppliers		
Retail			Your own staff		

3. When considering how you gather information or distribute it to others please indicate whether you use the internet (web sites or email) for any of the following activities.

	Often	Sometimes	Occasionally	Never	
Market Research	5	4	3	2	1
Check competitors	5	4	3	2	1
Announce new releases	5	4	3	2	1
Wine notes	5	4	3	2	1
Info to/from media	5	4	3	2	1
Info to/from wineries	5	4	3	2	1
Info to/from retail	5	4	3	2	1
Info to/from suppliers	5	4	3	2	1
Info to/from on-premise	5	4	3	2	1
Info to/from customers	5	4	3	2	1

4. In the course of your business activities, do you use the internet (web sites or email) for any of the following activities?

	Often	Sometimes	Occasionally	Never	
Communicating	5	4	3	2	1
Managing distribution	5	4	3	2	1
Operating/managing allocations	5	4	3	2	1
Ordering supplies	5	4	3	2	1
Answering customer questions	5	4	3	2	1
Process Orders	5	4	3	2	1
Coordinate freight	5	4	3	2	1
Having questions/answers on website	5	4	3	2	1
Coordinate activity	5	4	3	2	1
Streamline distribution	5	4	3	2	1

5. In relation to advertising, sales and revenue oriented activity do you use the internet (web sites or email) for the following activities

	Often	Sometimes	Occasionally	Never	
Deliver newsletters	5	4	3	2	1
Make tailored offers	5	4	3	2	1
Promoting specials	5	4	3	2	1
Promoting tastings	5	4	3	2	1
Sell to on-premise/retail	5	4	3	2	1
Database marketing	5	4	3	2	1
Promote distribution points	5	4	3	2	1
Promote to on-premise/retail	5	4	3	2	1
Promote portfolio	5	4	3	2	1
Promote brands to consumers	5	4	3	2	1

6. Do you use the internet in relation to the following financial and transactional activities?

	Often	Sometimes	Occasionally	Never	
Banking	5	4	3	2	1
Instant Payments	5	4	3	2	1
Make payments	5	4	3	2	1
Provide/receive tax invoices	5	4	3	2	1
Process payments	5	4	3	2	1
Pay suppliers	5	4	3	2	1
Undertake credit checks	5	4	3	2	1
Identify investments	5	4	3	2	1
Arrange finance	5	4	3	2	1
Assist transactions	5	4	3	2	1

7. Since you have used the internet (email or websites) do have you benefited in any of the following ways ?

	Strongly Agree			Strongly Disagree	
Saved time	5	4	3	2	1
Easier to do business	5	4	3	2	1
Quicker to get in contact	5	4	3	2	1
Faster to get information	5	4	3	2	1
Faster to give information out	5	4	3	2	1
Get more done	5	4	3	2	1
Better timed response	5	4	3	2	1
Less waiting time	5	4	3	2	1

8. Has using the internet with others in the course of business...

	Strongly Agree			Strongly Disagree	
Helped relationships with suppliers	5	4	3	2	1
Helped relationships with wineries	5	4	3	2	1
Helped relationships with retail/on-premise	5	4	3	2	1
Helped relationships with customers	5	4	3	2	1
Tightened the distribution chain	5	4	3	2	1
Increased customer retention	5	4	3	2	1
Made more people aware of your brand	5	4	3	2	1
Increased repeat business	5	4	3	2	1

9. Please indicate your agreement/disagreement with the following statements regarding the internet (web sites or email) and your business.

	Strongly Agree			Strongly Disagree	
It is easier to use outside firms	5	4	3	2	1
Easier to deal with other firms	5	4	3	2	1
The internet helps coordinate activity	5	4	3	2	1
You have more focus on your role	5	4	3	2	1
It is easier to coordinate activity	5	4	3	2	1
The internet helps logistics	5	4	3	2	1
Your supply chain is more streamlined	5	4	3	2	1
It easier to find assistance when needed	5	4	3	2	1

10. Since your business has been connected to the internet do you feel...

	Strongly Agree			Strongly Disagree	
	5	4	3	2	1
You are more aware of trends	5	4	3	2	1
You are more aware of quality issues	5	4	3	2	1
It is cheaper for you to do business	5	4	3	2	1
The internet has improved your business	5	4	3	2	1
Your marketing effort is better	5	4	3	2	1
Your business is more profitable	5	4	3	2	1
You have reduced your costs to market	5	4	3	2	1
You are better at what you do	5	4	3	2	1

11. Would you benefit if the following firms used the internet more for doing business?

	Very Beneficial			No Benefits	
	5	4	3	2	1
Growers	5	4	3	2	1
Wineries	5	4	3	2	1
Distributors	5	4	3	2	1
On-Premise	5	4	3	2	1
Retail	5	4	3	2	1
Consumers	5	4	3	2	1
Industry Associations	5	4	3	2	1
Media	5	4	3	2	1
Suppliers	5	4	3	2	1

12. Will the internet:

- Assist in improving what you do ☐ Yes ☐ No
- Differentiate your brand ☐ Yes ☐ No
- Save you time ☐ Yes ☐ No
- Assist you to work with others ☐ Yes ☐ No
- Reduce your costs to market ☐ Yes ☐ No
- Make you more competitive ☐ Yes ☐ No
- Build business relationships ☐ Yes ☐ No
- Help you build your brands ☐ Yes ☐ No

Thank you for taking the time to complete this survey. All information is confidential. A copy of the research report will be made available –

To receive a copy please contact Steve via email sgoodman@gsm.adelaide.edu.au

3. Trade – Retail and On-Premise

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5005

All completed questionnaires will be placed in a draw to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional) _____ Position (optional) _____

Business (optional) _____ Contact Number (optional) _____

No. of Employees ☐ less than 5 ☐ 5 – 14 ☐ 15 – 29 ☐ 30-49 ☐ 50-99 ☐ 100+

Type of business ☐ On-Premise ☐ Retail Case sold _____ per week / month / year

Do you have an internet connection? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have a Web Site? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have online payment processing? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order/book through your site? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order/book via email? ☐ Yes ☐ No If Yes, since when (year) _____

Email Address _____ Web www. _____

1. Please indicate the type of businesses you deal with in the wine industry, by circling the answer to indicate how often you deal with them, eg 7 for daily contact, 6 for weekly contact

	Daily	Weekly	Fortnightly	Monthly	Quarterly	Yearly	Never
Growers	7	6	5	4	3	2	1
Wineries	7	6	5	4	3	2	1
Distributors	7	6	5	4	3	2	1
On-Premise	7	6	5	4	3	2	1
Retail	7	6	5	4	3	2	1
Consumers	7	6	5	4	3	2	1
Industry Associations	7	6	5	4	3	2	1
Media	7	6	5	4	3	2	1
Suppliers	7	6	5	4	3	2	1

2. Please indicate whether you use email or a website in your dealings with the following groups.

	Email	Website		Email	Website
Growers			Consumers		
Wineries			Industry Associations		
Distributors			Media		
On-Premise			Suppliers		
Retail			Your own staff		

3. When considering how you gather information or distribute it to others please indicate whether you use the internet (web sites or email) for any of the following activities.

	Often	Sometimes	Occasionally	Never	
Market Research	5	4	3	2	1
Check competitors	5	4	3	2	1
Announce new releases	5	4	3	2	1
Wine notes	5	4	3	2	1
Info to/from media	5	4	3	2	1
Info to/from wineries	5	4	3	2	1
Info to/from distributor	5	4	3	2	1
Info to/from suppliers	5	4	3	2	1
Announce tastings or menus	5	4	3	2	1
Info to/from customers	5	4	3	2	1

4. In the course of your business activities, do you use the internet (web sites or email) for any of the following activities?

	Often	Sometimes	Occasionally	Never	
Communicating	5	4	3	2	1
Managing distribution	5	4	3	2	1
Operate wine club	5	4	3	2	1
Ordering supplies	5	4	3	2	1
Answering customer questions	5	4	3	2	1
Process Orders	5	4	3	2	1
Coordinate freight	5	4	3	2	1
Having questions/answers on website	5	4	3	2	1
Coordinate activity	5	4	3	2	1
Streamline distribution	5	4	3	2	1

5. In relation to advertising, sales and revenue oriented activity do you use the internet (web sites or email) for the following activities

	Often	Sometimes	Occasionally	Never	
Deliver newsletters	5	4	3	2	1
Make tailored offers	5	4	3	2	1
Promoting specials	5	4	3	2	1
Promote to consumers	5	4	3	2	1
Sell to consumers	5	4	3	2	1
Database marketing	5	4	3	2	1
Promote your business	5	4	3	2	1
Take orders/bookings	5	4	3	2	1
Newsletters on instore activity/special menus	5	4	3	2	1
Advertising	5	4	3	2	1

6. Do you use the internet in relation to the following financial and transactional activities?

	Often	Sometimes	Occasionally	Never	
Banking	5	4	3	2	1
Instant Payments	5	4	3	2	1
Make payments	5	4	3	2	1
Provide/receive tax invoices	5	4	3	2	1
Process payments	5	4	3	2	1
Pay suppliers	5	4	3	2	1
Undertake credit checks	5	4	3	2	1
Identify investments	5	4	3	2	1
Arrange finance	5	4	3	2	1
Assist transactions	5	4	3	2	1

7. Since you have used the internet (email or websites) do have you benefited in any of the following ways ?

	Strongly Agree				Strongly Disagree
Saved time	5	4	3	2	1
Easier to do business	5	4	3	2	1
Quicker to get in contact	5	4	3	2	1
Faster to get information	5	4	3	2	1
Faster to give information out	5	4	3	2	1
Get more done	5	4	3	2	1
Better timed response	5	4	3	2	1
Less waiting time	5	4	3	2	1

8. Has using the internet with others in the course of business...

	Strongly Agree				Strongly Disagree
Helped relationships with suppliers	5	4	3	2	1
Helped relationships with wineries	5	4	3	2	1
Helped relationships with distributors	5	4	3	2	1
Helped relationships with customers	5	4	3	2	1
Tightened the distribution chain	5	4	3	2	1
Increased customer retention	5	4	3	2	1
Made more people aware of store/restaurant	5	4	3	2	1
Increased repeat business	5	4	3	2	1

9. Please indicate your agreement/disagreement with the following statements regarding the internet (web sites or email) and your business.

	Strongly Agree				Strongly Disagree
It is easier to use outside firms	5	4	3	2	1
Easier to deal with other firms	5	4	3	2	1
The internet helps coordinate activity	5	4	3	2	1
You have more focus on your role	5	4	3	2	1
It is easier to coordinate activity	5	4	3	2	1
The internet helps logistics	5	4	3	2	1
Your supply chain is more streamlined	5	4	3	2	1
It easier to find assistance when needed	5	4	3	2	1

10. Since your business has been connected to the internet do you feel...

	Strongly Agree				Strongly Disagree
You are more aware of trends	5	4	3	2	1
You are more aware of quality issues	5	4	3	2	1
It is cheaper for you to do business	5	4	3	2	1
The internet has improved your business	5	4	3	2	1
Your marketing effort is better	5	4	3	2	1
Your business is more profitable	5	4	3	2	1
You have reduced your costs to market	5	4	3	2	1
You are better at what you do	5	4	3	2	1

11. Would you benefit if the following firms used the internet more for doing business?

	Very Beneficial				No Benefits
Growers	5	4	3	2	1
Wineries	5	4	3	2	1
Distributors	5	4	3	2	1
On-Premise	5	4	3	2	1
Retail	5	4	3	2	1
Consumers	5	4	3	2	1
Industry Associations	5	4	3	2	1
Media	5	4	3	2	1
Suppliers	5	4	3	2	1

12. Will the internet:

- | | | | |
|-----------------------------------|--|--------------------------------|--|
| • Assist in improving what you do | ☐ Yes ☐ No | • Reduce your costs to market | ☐ Yes ☐ No |
| • Differentiate your brand | ☐ Yes ☐ No | • Make you more competitive | ☐ Yes ☐ No |
| • Save you time | ☐ Yes ☐ No | • Build business relationships | ☐ Yes ☐ No |
| • Assist you to work with others | ☐ Yes ☐ No | • Help you build your brands | ☐ Yes ☐ No |

Thank you for taking the time to complete this survey. All information is confidential. A copy of the research report will be made available –

To receive a copy please contact Steve via email sgoodman@gsm.adelaide.edu.au

4. Supplier

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ADELAIDE 5005

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Name (optional) _____ Position (optional) _____

Business (optional) _____ Contact Number (optional) _____

No. of Employees ☐ less than 5 ☐ 5 – 14 ☐ 15 – 29 ☐ 30-49 ☐ 50-99 ☐ 100+

Supplied the Wine Industry Since _____ Type of Goods/Service _____

Do you have an internet connection? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have a Web Site? ☐ Yes ☐ No If Yes, since when (year) _____

Do you have online payment processing? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order through your web site? ☐ Yes ☐ No If Yes, since when (year) _____

Can people order via email? ☐ Yes ☐ No If Yes, since when (year) _____

Email Address _____ Web www. _____

1. Please indicate the type of businesses you deal with in the wine industry, by circling the answer to indicate how often you deal with them, eg 7 for daily contact, 6 for weekly contact

	Daily	Weekly	Fortnightly	Monthly	Quarterly	Yearly	Never
Growers	7	6	5	4	3	2	1
Wineries	7	6	5	4	3	2	1
Distributors	7	6	5	4	3	2	1
On-Premise	7	6	5	4	3	2	1
Retail	7	6	5	4	3	2	1
Consumers	7	6	5	4	3	2	1
Industry Associations	7	6	5	4	3	2	1
Media	7	6	5	4	3	2	1
Suppliers	7	6	5	4	3	2	1

2. Please indicate whether you use email or a website in your dealings with the following groups.

	Email	Website		Email	Website
Growers			Consumers		
Wineries			Industry Associations		
Distributors			Media		
On-Premise			Suppliers		
Retail			Your own staff		

3. When considering how you gather information or distribute it to others please indicate whether you use the internet (web sites or email) for any of the following activities.

	Often	Sometimes	Occasionally	Never	
Market Research	5	4	3	2	1
Check competitors	5	4	3	2	1
Announce new products/services	5	4	3	2	1
Product details and specifications	5	4	3	2	1
Info to/from media	5	4	3	2	1
Info to/from wineries	5	4	3	2	1
Info to/from suppliers	5	4	3	2	1
Info to/from growers	5	4	3	2	1
Info to/from customers	5	4	3	2	1
Info to/from agents	5	4	3	2	1

4. In the course of your business activities, do you use the internet (web sites or email) for any of the following activities?

	Often	Sometimes	Occasionally	Never	
Communicating	5	4	3	2	1
Managing distribution	5	4	3	2	1
Provide customer service	5	4	3	2	1
Ordering supplies	5	4	3	2	1
Answering customer questions	5	4	3	2	1
Process Orders	5	4	3	2	1
Coordinate freight	5	4	3	2	1
Having questions/answers on website	5	4	3	2	1
Coordinate activity	5	4	3	2	1
Streamline distribution	5	4	3	2	1

5. In relation to advertising, sales and revenue oriented activity do you use the internet (web sites or email) for the following activities

	Often	Sometimes	Occasionally	Never	
Deliver newsletters	5	4	3	2	1
Make tailored offers	5	4	3	2	1
Promoting specials	5	4	3	2	1
Promote to customers	5	4	3	2	1
Sell to customers	5	4	3	2	1
Database marketing	5	4	3	2	1
Promote your business	5	4	3	2	1
Promote field days/expo involvement	5	4	3	2	1
Promote to wineries	5	4	3	2	1
Promote to growers	5	4	3	2	1

6. Do you use the internet in relation to the following financial and transactional activities?

	Often	Sometimes	Occasionally	Never	
Banking	5	4	3	2	1
Instant Payments	5	4	3	2	1
Make payments	5	4	3	2	1
Provide/receive tax invoices	5	4	3	2	1
Process payments	5	4	3	2	1
Pay suppliers	5	4	3	2	1
Undertake credit checks	5	4	3	2	1
Identify investments	5	4	3	2	1
Arrange finance	5	4	3	2	1
Assist transactions	5	4	3	2	1

7. Since you have used the internet (email or websites) do have you benefited in any of the following ways ?

	Strongly Agree			Strongly Disagree	
Saved time	5	4	3	2	1
Easier to do business	5	4	3	2	1
Quicker to get in contact	5	4	3	2	1
Faster to get information	5	4	3	2	1
Faster to give information out	5	4	3	2	1
Get more done	5	4	3	2	1
Better timed response	5	4	3	2	1
Less waiting time	5	4	3	2	1

8. Has using the internet with others in the course of business...

	Strongly Agree			Strongly Disagree	
Helped relationships with other suppliers	5	4	3	2	1
Helped relationships with wineries	5	4	3	2	1
Helped relationships with distributors	5	4	3	2	1
Helped relationships with growers	5	4	3	2	1
Tightened the distribution chain	5	4	3	2	1
Increased customer retention	5	4	3	2	1
Made more people aware of brand	5	4	3	2	1
Increased repeat business	5	4	3	2	1

9. Please indicate your agreement/disagreement with the following statements regarding the internet (web sites or email) and your business.

	Strongly Agree			Strongly Disagree	
It is easier to use outside firms	5	4	3	2	1
Easier to deal with other firms	5	4	3	2	1
The internet helps coordinate activity	5	4	3	2	1
You have more focus on your role	5	4	3	2	1
It is easier to coordinate activity	5	4	3	2	1
The internet helps logistics	5	4	3	2	1
Your supply chain is more streamlined	5	4	3	2	1
It easier to find assistance when needed	5	4	3	2	1

10. Since your business has been connected to the internet do you feel...

	Strongly Agree			Strongly Disagree	
You are more aware of trends	5	4	3	2	1
You are more aware of quality issues	5	4	3	2	1
It is cheaper for you to do business	5	4	3	2	1
The internet has improved your business	5	4	3	2	1
Your marketing effort is better	5	4	3	2	1
Your business is more profitable	5	4	3	2	1
You have reduced your costs to market	5	4	3	2	1
You are better at what you do	5	4	3	2	1

11. Would you benefit if the following firms used the internet more for doing business?

	Very Beneficial			No Benefits	
Growers	5	4	3	2	1
Wineries	5	4	3	2	1
Distributors	5	4	3	2	1
On-Premise	5	4	3	2	1
Retail	5	4	3	2	1
Consumers	5	4	3	2	1
Industry Associations	5	4	3	2	1
Media	5	4	3	2	1
Suppliers	5	4	3	2	1

12. Will the internet:

- | | | | |
|-----------------------------------|--|--------------------------------|--|
| • Assist in improving what you do | ☐ Yes ☐ No | • Reduce your costs to market | ☐ Yes ☐ No |
| • Differentiate your brand | ☐ Yes ☐ No | • Make you more competitive | ☐ Yes ☐ No |
| • Save you time | ☐ Yes ☐ No | • Build business relationships | ☐ Yes ☐ No |
| • Assist you to work with others | ☐ Yes ☐ No | • Help you build your brands | ☐ Yes ☐ No |

**Thank you for taking the time to complete this survey. All information is confidential. A copy of the research report will be made available –
To receive a copy please contact Steve via email sgoodman@gsm.adelaide.edu.au**

Appendix III

Original Survey Forms

1. Winery
2. Distributor
3. Trade – Retail and On-Premise
4. Supplier

1. Winery

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5XXX

All completed questionnaires will be placed in a drawer to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional)_____		Position (optional)_____	
Business Name _____		Contact Number (optional)_____	
Number of Employees	less than 5	5 – 14	15 – 29
		30-49	50-99
			100+
Tonnes Crushed	less than 20	20-49	50-99
		100-249	250-499
		500-999	1000-2499
	2500-4999	5000-9999	10000+
Do you have an internet connection?	Yes	No	If Yes, since when (year) _____
Do you have a Web Site?	Yes	No	If Yes, since when (year) _____
Do you have online payment processing?	Yes	No	If Yes, since when (year) _____
Can people order through your web site?	Yes	No	If Yes, since when (year) _____
Can people order via email?	Yes	No	If Yes, since when (year) _____
Email Address_____	Web Site <u>www.</u> _____		

- Please indicate the type of businesses **you deal with** in the wine industry
- Use the scale between 5 (often) to 1 (never) to indicate how often

	Often			Never
▪ Growers	5	4	3	2 1
▪ Wineries	5	4	3	2 1
▪ Distributors	5	4	3	2 1
▪ On-Premise	5	4	3	2 1
▪ Retail	5	4	3	2 1
▪ Consumers	5	4	3	2 1
▪ Industry Associations	5	4	3	2 1
▪ Media	5	4	3	2 1

Which groups do you deal with at all via internet (either web site or email)

- | | | | | | | | | |
|-----------|-----|----|------------------------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Media | Yes | No | • Wine Industry Associations | Yes | No | | | |

- Please indicate how often you use the internet (either web sites or email) to:

	Very Often					Rarely	N/A
▪ <u>Market Research</u>	5	4	3	2	1		N/A
▪ <u>Purchase supplies</u>	5	4	3	2	1		N/A
▪ <u>Sell to consumers</u>	5	4	3	2	1		N/A
▪ <u>Banking</u>	5	4	3	2	1		N/A
▪ <u>Check out competitors</u>	5	4	3	2	1		N/A
▪ <u>Coordinate production</u>	5	4	3	2	1		N/A
▪ <u>Promote to distributor</u>	5	4	3	2	1		N/A
▪ <u>Identify investments</u>	5	4	3	2	1		N/A
▪ <u>Information to/from Media</u>	5	4	3	2	1		N/A
▪ <u>Operate wine club</u>	5	4	3	2	1		N/A
▪ <u>Information to/from trade</u>	5	4	3	2	1		N/A
▪ <u>Promote to consumers</u>	5	4	3	2	1		N/A
▪ <u>Answer customer questions</u>	5	4	3	2	1		N/A
▪ <u>Promote specials</u>	5	4	3	2	1		N/A
▪ <u>Follow up overdue payments</u>	5	4	3	2	1		N/A
▪ <u>Wine tasting notes</u>	5	4	3	2	1		N/A
▪ <u>Coordinate freight</u>	5	4	3	2	1		N/A
▪ <u>Promote to trade</u>	5	4	3	2	1		N/A
▪ <u>Process payments</u>	5	4	3	2	1		N/A
▪ <u>Info to/from growers</u>	5	4	3	2	1		N/A
▪ <u>Manage distribution</u>	5	4	3	2	1		N/A
▪ <u>Sell to trade</u>	5	4	3	2	1		N/A
▪ <u>Arrange finance</u>	5	4	3	2	1		N/A
▪ <u>Info to/from distributor</u>	5	4	3	2	1		N/A
▪ <u>Communications</u>	5	4	3	2	1		N/A
▪ <u>Database Marketing</u>	5	4	3	2	1		N/A
▪ <u>Pay suppliers</u>	5	4	3	2	1		N/A
▪ <u>Announce new releases</u>	5	4	3	2	1		N/A
▪ <u>Process orders via website</u>	5	4	3	2	1		N/A
▪ <u>Making tailored offers</u>	5	4	3	2	1		N/A
▪ <u>Provide tax invoices</u>	5	4	3	2	1		N/A
▪ <u>Customer feedback</u>	5	4	3	2	1		N/A
▪ <u>Provide customer service</u>	5	4	3	2	1		N/A
▪ <u>Promote tastings</u>	5	4	3	2	1		N/A
▪ <u>Source suppliers</u>	5	4	3	2	1		N/A
▪ <u>Newsletters</u>	5	4	3	2	1		N/A
▪ <u>Announcing vintage details</u>	5	4	3	2	1		N/A
▪ <u>Shorten distribution channels</u>	5	4	3	2	1		N/A
▪ <u>Promote distribution points</u>	5	4	3	2	1		N/A
▪ <u>Questions/answers on website</u>	5	4	3	2	1		N/A

- Please indicate if the internet (web sites or email) has benefited your business in the following ways

	Strongly Agree			Strongly Disagree		
▪ Time saving	5	4	3	2	1	
▪ Helps supplier relationships	5	4	3	2	1	
▪ Access to more information	5	4	3	2	1	
▪ Streamlined supply chain	5	4	3	2	1	
▪ Helped improve business	5	4	3	2	1	
▪ Easier to do business	5	4	3	2	1	
▪ Helped distributor relationships	5	4	3	2	1	
▪ Easier to use outside firms	5	4	3	2	1	
▪ More aware of trends	5	4	3	2	1	
▪ Quicker to get in contact	5	4	3	2	1	
▪ Helped customer relationships	5	4	3	2	1	
▪ Helped coordination	5	4	3	2	1	
▪ Identifying quality issues	5	4	3	2	1	
▪ Faster information in	5	4	3	2	1	
▪ Helped retail relationships	5	4	3	2	1	
▪ Enables more focus	5	4	3	2	1	
▪ Improved logistics	5	4	3	2	1	
▪ Get more done	5	4	3	2	1	
▪ Helped on-premise relationships	5	4	3	2	1	
▪ More time to do my work	5	4	3	2	1	
▪ Improved coordination	5	4	3	2	1	
▪ Faster information out	5	4	3	2	1	
▪ Tightened distribution chain	5	4	3	2	1	
▪ Easier to coordinate	5	4	3	2	1	
▪ Better timed responses	5	4	3	2	1	
▪ Helped profitability	5	4	3	2	1	
▪ Tightened supply chain	5	4	3	2	1	
▪ Increased customer retention	5	4	3	2	1	
▪ More people aware of brand	5	4	3	2	1	
▪ Cheaper to do business	5	4	3	2	1	

Would you benefit if the following firms used the internet more for doing business?

- | | | | | | | | | |
|----------------|-----|----|--------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Associations | Yes | No | • Media | Yes | No | | | |

Will the internet:

- | | | | | | |
|-----------------------------------|-----|----|--------------------------------|-----|----|
| • Assist in improving what you do | Yes | No | • Reduce your costs to market | Yes | No |
| • Differentiate your brand | Yes | No | • Make you more competitive | Yes | No |
| • Save you time | Yes | No | • Build business relationships | Yes | No |
| • Assist you to work with others | Yes | No | • Help you build your brands | Yes | No |

2. Distributor

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5XXX

All completed questionnaires will be placed in a drawer to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional) _____		Position (optional) _____	
Business Name _____		Contact Number (optional) _____	
Number of Employees	less than 5	5 – 14	15 – 29 30-49 50-99 100+
Cases Sold Per Year _____	Number of Retail Customers _____		Number of On-Premise Customers _____
Do you have an internet connection?	Yes	No	If Yes, since when (year) _____
Do you have a Web Site?	Yes	No	If Yes, since when (year) _____
Do you have online payment processing?	Yes	No	If Yes, since when (year) _____
Can trade order through your web site?	Yes	No	If Yes, since when (year) _____
Can trade order via email?	Yes	No	If Yes, since when (year) _____
Email Address _____	Web Site <u>www.</u> _____		

1. Please indicate the type of businesses **you deal with** in the wine industry

2. Use the scale between 5 (often) to 1 (never) to indicate how often

	Often			Never	
▪ Growers	5	4	3	2	1
▪ Wineries	5	4	3	2	1
▪ Distributors	5	4	3	2	1
▪ On-Premise	5	4	3	2	1
▪ Retail	5	4	3	2	1
▪ Consumers	5	4	3	2	1
▪ Industry Associations	5	4	3	2	1
▪ Media	5	4	3	2	1

Which groups do you deal with at all via internet (either web site or email)

- | | | | | | | | | |
|-----------|-----|----|------------------------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Media | Yes | No | • Wine Industry Associations | Yes | No | | | |

- Please indicate how often you use the internet (either web sites or email) to:

	Very Often					Rarely	N/A
▪ <u>Market Research</u>	5	4	3	2	1	N/A	N/A
▪ <u>Purchase supplies</u>	5	4	3	2	1	N/A	N/A
▪ <u>Banking</u>	5	4	3	2	1	N/A	N/A
▪ <u>Check out competitors</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote to new customers</u>	5	4	3	2	1	N/A	N/A
▪ <u>Identify investments</u>	5	4	3	2	1	N/A	N/A
▪ <u>Information to/from Media</u>	5	4	3	2	1	N/A	N/A
▪ <u>Information to/from Trade</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote to consumers</u>	5	4	3	2	1	N/A	N/A
▪ <u>Answer trade questions</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote specials</u>	5	4	3	2	1	N/A	N/A
▪ <u>Follow up overdue payments</u>	5	4	3	2	1	N/A	N/A
▪ <u>Wine tasting notes</u>	5	4	3	2	1	N/A	N/A
▪ <u>Coordinate freight</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote to trade</u>	5	4	3	2	1	N/A	N/A
▪ <u>Process payments</u>	5	4	3	2	1	N/A	N/A
▪ <u>Checking industry trends</u>	5	4	3	2	1	N/A	N/A
▪ <u>Manage distribution</u>	5	4	3	2	1	N/A	N/A
▪ <u>Sell to retail</u>	5	4	3	2	1	N/A	N/A
▪ <u>Credit background checks</u>	5	4	3	2	1	N/A	N/A
▪ <u>Info to/from winery</u>	5	4	3	2	1	N/A	N/A
▪ <u>Communication with</u>							
<u>Distribution points</u>	5	4	3	2	1	N/A	N/A
▪ <u>Database Marketing</u>	5	4	3	2	1	N/A	N/A
▪ <u>Pay suppliers</u>	5	4	3	2	1	N/A	N/A
▪ <u>Announce new releases</u>	5	4	3	2	1	N/A	N/A
▪ <u>Sell to On-Premise</u>	5	4	3	2	1	N/A	N/A
▪ <u>Process orders via website</u>	5	4	3	2	1	N/A	N/A
▪ <u>Making tailored offers</u>	5	4	3	2	1	N/A	N/A
▪ <u>Provide tax invoices</u>	5	4	3	2	1	N/A	N/A
▪ <u>Customer feedback</u>	5	4	3	2	1	N/A	N/A
▪ <u>Provide customer service</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote tastings</u>	5	4	3	2	1	N/A	N/A
▪ <u>Source suppliers</u>	5	4	3	2	1	N/A	N/A
▪ <u>Newsletters</u>	5	4	3	2	1	N/A	N/A
▪ <u>Announcing vintage details</u>	5	4	3	2	1	N/A	N/A
▪ <u>Streamline distribution channels</u>	5	4	3	2	1	N/A	N/A
▪ <u>Promote distribution points</u>	5	4	3	2	1	N/A	N/A
▪ <u>Questions/answers</u>							
<u>about products on website</u>	5	4	3	2	1	N/A	N/A

- Please indicate if the internet (web sites or email) has benefited your business in the following ways

	Strongly Agree			Strongly Disagree		
▪ Time saving	5	4	3	2	1	
▪ Helps supplier relationships	5	4	3	2	1	
▪ Streamlined supply chain	5	4	3	2	1	
▪ Better access to information	5	4	3	2	1	
▪ Helped improve business	5	4	3	2	1	
▪ Easier to do business	5	4	3	2	1	
▪ Helped distributor relationships	5	4	3	2	1	
▪ Easier to use outside firms	5	4	3	2	1	
▪ More aware of trends	5	4	3	2	1	
▪ Quicker to get in contact	5	4	3	2	1	
▪ Helped customer relationships	5	4	3	2	1	
▪ Helped coordination	5	4	3	2	1	
▪ Identifying quality issues	5	4	3	2	1	
▪ Faster information in	5	4	3	2	1	
▪ Helped retail relationships	5	4	3	2	1	
▪ Enables more focus	5	4	3	2	1	
▪ Improved logistics	5	4	3	2	1	
▪ Get more done	5	4	3	2	1	
▪ Helped on-premise relationships	5	4	3	2	1	
▪ More time to do my work	5	4	3	2	1	
▪ Improved coordination	5	4	3	2	1	
▪ Faster information out	5	4	3	2	1	
▪ Tightened distribution chain	5	4	3	2	1	
▪ Easier to coordinate	5	4	3	2	1	
▪ Helped profitability	5	4	3	2	1	
▪ Better timed responses	5	4	3	2	1	
▪ Tightened supply chain	5	4	3	2	1	
▪ Increased customer retention	5	4	3	2	1	
▪ More people aware of brands	5	4	3	2	1	
▪ Cheaper to do business	5	4	3	2	1	

Would you benefit if the following firms used the internet more for doing business?

- | | | | | | | | | |
|----------------|-----|----|--------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Associations | Yes | No | • Media | Yes | No | | | |

Will the internet:

- | | | | | | |
|-----------------------------------|-----|----|--------------------------------|-----|----|
| • Assist in improving what you do | Yes | No | • Reduce your costs to market | Yes | No |
| • Differentiate your brand | Yes | No | • Make you more competitive | Yes | No |
| • Save you time | Yes | No | • Build business relationships | Yes | No |
| • Assist you to work with others | Yes | No | • Help you build your brands | Yes | No |

3. Trade – Retail and On-Premise

Please return your completed questionnaire in the envelope provided – or to

Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5XXX

All completed questionnaires will be placed in a drawer to win one of 3 prizes of a day's free marketing consulting for your business (value \$980 each)

Name (optional) _____ Position (optional) _____

Business Name _____ Contact Number (optional) _____

Number of Employees less than 5 5 – 14 15 – 29 30-49 50-99 100+

Number of Cases sold (please indicate whether week/month/year) _____ per week – month - year

Do you have an internet connection? Yes No If Yes, since when (year) _____

Do you have a Web Site? Yes No If Yes, since when (year) _____

Do you have online payment processing? Yes No If Yes, since when (year) _____

Can people order through your web site? Yes No If Yes, since when (year) _____

Can people order via email? Yes No If Yes, since when (year) _____

Email Address _____ Web Site www. _____

1. Please indicate the type of businesses **you deal with** in the wine industry

2. Use the scale between 5 (often) to 1 (never) to indicate how often

	Often			Never	
▪ Growers	5	4	3	2	1
▪ Wineries	5	4	3	2	1
▪ Distributors	5	4	3	2	1
▪ On-Premise	5	4	3	2	1
▪ Retail	5	4	3	2	1
▪ Consumers	5	4	3	2	1
▪ Industry Associations	5	4	3	2	1
▪ Media	5	4	3	2	1

Which groups do you deal with at all via internet (either web site or email)

- | | | | | | | | | |
|-----------|-----|----|------------------------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Media | Yes | No | • Wine Industry Associations | Yes | No | | | |

- Please indicate how often you use the internet (either web sites or email) to:

	Very Often					Rarely	N/A
▪ <u>Market Research</u>	5	4	3	2	1		N/A
▪ <u>Purchase supplies</u>	5	4	3	2	1		N/A
▪ <u>Sell wine/take bookings</u>	5	4	3	2	1		N/A
▪ <u>Banking</u>	5	4	3	2	1		N/A
▪ <u>Check out competitors</u>	5	4	3	2	1		N/A
▪ <u>Coordinate activity</u>	5	4	3	2	1		N/A
▪ <u>Identify investments</u>	5	4	3	2	1		N/A
▪ <u>Information to/from Media</u>	5	4	3	2	1		N/A
▪ <u>Operate wine club</u>	5	4	3	2	1		N/A
▪ <u>Information to/from wineries</u>	5	4	3	2	1		N/A
▪ <u>Promote to consumers</u>	5	4	3	2	1		N/A
▪ <u>Answer customer questions</u>	5	4	3	2	1		N/A
▪ <u>Promote specials</u>	5	4	3	2	1		N/A
▪ <u>Follow up overdue payments</u>	5	4	3	2	1		N/A
▪ <u>Wine tasting notes</u>	5	4	3	2	1		N/A
▪ <u>Coordinate freight</u>	5	4	3	2	1		N/A
▪ <u>Process payments</u>	5	4	3	2	1		N/A
▪ <u>Announcing tastings/new menus</u>	5	4	3	2	1		N/A
▪ <u>Manage distribution</u>	5	4	3	2	1		N/A
▪ <u>Arrange finance</u>	5	4	3	2	1		N/A
▪ <u>Info to/from distributor</u>	5	4	3	2	1		N/A
▪ <u>Communications with supplier</u>	5	4	3	2	1		N/A
▪ <u>Database Marketing</u>	5	4	3	2	1		N/A
▪ <u>Pay suppliers</u>	5	4	3	2	1		N/A
▪ <u>Announce new releases</u>	5	4	3	2	1		N/A
▪ <u>Process orders via website</u>	5	4	3	2	1		N/A
▪ <u>Making tailored offers</u>	5	4	3	2	1		N/A
▪ <u>Provide/obtaining tax invoices</u>	5	4	3	2	1		N/A
▪ <u>Customer feedback</u>	5	4	3	2	1		N/A
▪ <u>Provide customer service</u>	5	4	3	2	1		N/A
▪ <u>Promote tastings</u>	5	4	3	2	1		N/A
▪ <u>Source suppliers</u>	5	4	3	2	1		N/A
▪ <u>Newsletters</u>	5	4	3	2	1		N/A
▪ <u>Announcing vintage details</u>	5	4	3	2	1		N/A
▪ <u>Streamline distribution</u>	5	4	3	2	1		N/A
▪ <u>Communicating with customers</u>	5	4	3	2	1		N/A
▪ <u>Questions/answers on website</u>	5	4	3	2	1		N/A

- Please indicate if the internet (web sites or email) has benefited your business in the following ways

	Strongly Agree			Strongly Disagree		
▪ Time saving	5	4	3	2	1	
▪ Helps supplier relationships	5	4	3	2	1	
▪ More access to information	5	4	3	2	1	
▪ Streamlined supply chain	5	4	3	2	1	
▪ Helped improve business	5	4	3	2	1	
▪ Easier to do business	5	4	3	2	1	
▪ Helped distributor relationships	5	4	3	2	1	
▪ Easier to use outside firms	5	4	3	2	1	
▪ More aware of trends	5	4	3	2	1	
▪ Quicker to get in contact	5	4	3	2	1	
▪ Helped customer relationships	5	4	3	2	1	
▪ Helped coordination	5	4	3	2	1	
▪ Identifying quality issues	5	4	3	2	1	
▪ Faster information in	5	4	3	2	1	
▪ Helped profitability	5	4	3	2	1	
▪ Enables more focus	5	4	3	2	1	
▪ Improved logistics	5	4	3	2	1	
▪ Get more done	5	4	3	2	1	
▪ More time to do my work	5	4	3	2	1	
▪ Improved coordination	5	4	3	2	1	
▪ Faster information out	5	4	3	2	1	
▪ Tightened distribution chain	5	4	3	2	1	
▪ Easier to coordinate	5	4	3	2	1	
▪ Better timed responses	5	4	3	2	1	
▪ Tightened supply chain	5	4	3	2	1	
▪ Increased customer retention	5	4	3	2	1	
▪ Better match offers to market	5	4	3	2	1	
▪ Cheaper to do business	5	4	3	2	1	
▪ Helped relationships with wineries	5	4	3	2	1	

Would you benefit if the following firms used the internet more for doing business?

- | | | | | | | | | |
|----------------|-----|----|--------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Associations | Yes | No | • Media | Yes | No | | | |

Will the internet:

- | | | | | | |
|-----------------------------------|-----|----|--------------------------------|-----|----|
| • Assist in improving what you do | Yes | No | • Reduce your costs to market | Yes | No |
| • Differentiate your brand | Yes | No | • Make you more competitive | Yes | No |
| • Save you time | Yes | No | • Build business relationships | Yes | No |
| • Assist you to work with others | Yes | No | • Help you build your brands | Yes | No |

4. Supplier

Please return your completed questionnaire in the envelope provided – or to
Steve Goodman
C/- The Graduate School of Management
Adelaide University
ADELAIDE 5XXX

All completed questionnaires will be placed in a drawer to win one of 3 prizes of a day's
 free marketing consulting for your business (value \$980 each)

Name (optional) _____ Position (optional) _____

Business Name _____ Contact Number (optional) _____

Number of Employees less than 5 5 – 14 15 – 29 30-49 50-99 100+

Supplied the wine industry since _____

Do you have an internet connection? Yes No If Yes, since when (year) _____

Do you have a Web Site? Yes No If Yes, since when (year) _____

Do you have online payment processing? Yes No If Yes, since when (year) _____

Can people order through your web site? Yes No If Yes, since when (year) _____

Can people order via email? Yes No If Yes, since when (year) _____

Email Address _____ Web Site www. _____

1. Please indicate the type of businesses **you deal with** in the wine industry

2. Use the scale between 5 (often) to 1 (never) to indicate how often

	Often			Never	
▪ Growers	5	4	3	2	1
▪ Wineries	5	4	3	2	1
▪ Distributors	5	4	3	2	1
▪ On-Premise	5	4	3	2	1
▪ Retail	5	4	3	2	1
▪ Consumers	5	4	3	2	1
▪ Industry Associations	5	4	3	2	1
▪ Media	5	4	3	2	1

Which groups do you deal with at all via internet (either web site or email)

- | | | | | | | | | |
|-----------|-----|----|------------------------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Media | Yes | No | • Wine Industry Associations | Yes | No | | | |

- Please indicate how often you use the internet (either web sites or email) to:

	Very Often					Rarely	N/A
▪ <u>Market Research</u>	5	4	3	2	1		N/A
▪ <u>Purchase supplies</u>	5	4	3	2	1		N/A
▪ <u>Sell to growers</u>	5	4	3	2	1		N/A
▪ <u>Banking</u>	5	4	3	2	1		N/A
▪ <u>Check out competitors</u>	5	4	3	2	1		N/A
▪ <u>Coordinate production</u>	5	4	3	2	1		N/A
▪ <u>Promote to distributor</u>	5	4	3	2	1		N/A
▪ <u>Identify investments</u>	5	4	3	2	1		N/A
▪ <u>Information to/from Media</u>	5	4	3	2	1		N/A
▪ <u>Information to/from trade</u>	5	4	3	2	1		N/A
▪ <u>Promote to customers</u>	5	4	3	2	1		N/A
▪ <u>Answer customer questions</u>	5	4	3	2	1		N/A
▪ <u>Promote specials</u>	5	4	3	2	1		N/A
▪ <u>Follow up overdue payments</u>	5	4	3	2	1		N/A
▪ <u>Notes on products</u>	5	4	3	2	1		N/A
▪ <u>Coordinate freight</u>	5	4	3	2	1		N/A
▪ <u>Process payments</u>	5	4	3	2	1		N/A
▪ <u>Info to/from growers</u>	5	4	3	2	1		N/A
▪ <u>Manage activity</u>	5	4	3	2	1		N/A
▪ <u>Arrange finance</u>	5	4	3	2	1		N/A
▪ <u>Communications</u>	5	4	3	2	1		N/A
▪ <u>Database Marketing</u>	5	4	3	2	1		N/A
▪ <u>Info to/from winery</u>	5	4	3	2	1		N/A
▪ <u>Pay suppliers</u>	5	4	3	2	1		N/A
▪ <u>Announce new products</u>	5	4	3	2	1		N/A
▪ <u>Process orders via website</u>	5	4	3	2	1		N/A
▪ <u>Making tailored offers</u>	5	4	3	2	1		N/A
▪ <u>Provide tax invoices</u>	5	4	3	2	1		N/A
▪ <u>Customer feedback</u>	5	4	3	2	1		N/A
▪ <u>Provide customer service</u>	5	4	3	2	1		N/A
▪ <u>Source suppliers</u>	5	4	3	2	1		N/A
▪ <u>Company Newsletters</u>	5	4	3	2	1		N/A
▪ <u>Shorten distribution channels</u>	5	4	3	2	1		N/A
▪ <u>Promote distribution points</u>	5	4	3	2	1		N/A
▪ <u>Questions/answers on website</u>	5	4	3	2	1		N/A

- Please indicate if the internet (web sites or email) has benefited your business in the following ways

	Strongly Agree			Strongly Disagree		
▪ Time saving	5	4	3	2	1	
▪ Helps supplier relationships	5	4	3	2	1	
▪ Access to more information	5	4	3	2	1	
▪ Streamlined supply chain	5	4	3	2	1	
▪ Helped improve business	5	4	3	2	1	
▪ Easier to do business	5	4	3	2	1	
▪ Helped grower relationships	5	4	3	2	1	
▪ Easier to use outside firms	5	4	3	2	1	
▪ More aware of trends	5	4	3	2	1	
▪ Quicker to get in contact	5	4	3	2	1	
▪ Helped customer relationships	5	4	3	2	1	
▪ Helped coordination	5	4	3	2	1	
▪ Identifying quality issues	5	4	3	2	1	
▪ Faster information in	5	4	3	2	1	
▪ Helped winery relationships	5	4	3	2	1	
▪ Enables more focus	5	4	3	2	1	
▪ Improved logistics	5	4	3	2	1	
▪ Get more done	5	4	3	2	1	
▪ More time to do my work	5	4	3	2	1	
▪ Improved coordination	5	4	3	2	1	
▪ Faster information out	5	4	3	2	1	
▪ Tightened distribution chain	5	4	3	2	1	
▪ Easier to coordinate	5	4	3	2	1	
▪ Better timed responses	5	4	3	2	1	
▪ Helped profitability	5	4	3	2	1	
▪ Tightened supply chain	5	4	3	2	1	
▪ Increased customer retention	5	4	3	2	1	
▪ More people aware of brand	5	4	3	2	1	
▪ Cheaper to do business	5	4	3	2	1	

Would you benefit if the following firms used the internet more for doing business?

- | | | | | | | | | |
|----------------|-----|----|--------------|-----|----|----------------|-----|----|
| • Growers | Yes | No | • Wineries | Yes | No | • Distributors | Yes | No |
| • Retail | Yes | No | • On-Premise | Yes | No | • Consumers | Yes | No |
| • Associations | Yes | No | • Media | Yes | No | | | |

Will the internet:

- | | | | | | |
|-----------------------------------|-----|----|--------------------------------|-----|----|
| • Assist in improving what you do | Yes | No | • Reduce your costs to market | Yes | No |
| • Differentiate your brand | Yes | No | • Make you more competitive | Yes | No |
| • Save you time | Yes | No | • Build business relationships | Yes | No |
| • Assist you to work with others | Yes | No | • Help you build your brands | Yes | No |