

## **EFFECTIVENESS AND POSSIBILITIES OF DIGITAL MARKETING: A CASE STUDY OF BALTIC COUNTRIES**

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### **INTRODUCTION**

From last two decades, internet has opened a tremendous digital marketing opportunity for all businesses around the globe, digitalization made a big impact on both businesses and customers, over all the business environment has changed due to digitalization. In a competitive business environment, business tries to reach their customers in the best possible way and this requires these firms to develop strategies that will create customer satisfaction, value and loyalty. As for digital marketing, it is an essential tool for any organization to communicate with their customers easily and quickly, nowadays online customers are well informed about products and services needed, according to Kotler and Armstrong [2010]: “Marketing today relies more and more on maintaining the relationships with customers”. Digital marketing is not only productive for big corporations but also for small and medium-sized companies too, it can be said that digital marketing plays an important role in marketing strategy. Today, Web 2.0 offers simple and user-friendly platforms for all in order to improve user experience and allow their activities. The new trends are set by bigger IT companies, for example, Google, LinkedIn, Facebook and Amazon [Baltes and Loredana 2016].

According to Chaffey [2011], social media as one of the digital marketing tool involves encouraging customer communications on company’s own website or through its social presence. Social media is one of the key techniques in digital marketing to communicate, connect the business with existing and prospective customers. Over the past decade social media is playing an important role in different aspects of consumer’s behavior, the internet and its related technologies [Dryer 2010].

By considering the above stated aspects, this study has objective to explore the effectiveness and possibilities of digital marketing in Baltics countries by analyzing selected cases of three Baltic countries – Lithuania, Latvia, Estonia.

## LITERATURE REVIEW

Digital marketing is an open world for all consumers; traditional marketing channels are become clutter and ineffective as compare to social media platforms, thus digital marketing has several advantages over traditional marketing. There are many definitions of digital marketing. According to Chaffey [2013], digital marketing is the use of technologies to help marketing activities in order to improve customer knowledge by matching their needs. According to American marketing associations AMA definition [WWW 1], digital marketing may be seen as activities, institutions, and processes facilitated by digital technologies for creating, communicating and delivering value for customers and other stake-holders. All definitions of digital marketing can be seen in Table 1.

From the analysis of digital marketing definitions it can be seen, that internet and online communities have transformed prospective consumers, existing consumers, societies, and firms with wide spread of easy accessible information, that makes better social networking and enhanced communication abilities and no doubt this enhancement provide great importance and financial support for commercial activities.

In last one decade the usage and popularity of social media has grown up, social media and its massive popularity have revolutionized marketing practices such as advertising and promotion [Hanna et al. 2011]. It is important to analyze the differences between traditional and digital marketing, which can be find in Table 2.

After comparison of traditional and digital marketing, it can be stated that there are many advantages to use digital marketing in organization but the disadvantage of digital marketing is that if it is not done right, it can easily be lost the reputation of the company. People may not get a special bond to the companies online. Negative feedback can do real damage for the online presence of a company. Most importantly, digital marketing is dependent on technology and errors can be found and a company's landing page can break down [Bhargava 2015].

Digital marketing is a very important part of the overall marketing of the company, as the Internet has become a non-core tool for communicating with customers. For small and medium business it has become just vital. In order to compete successfully and be visible, online marketing is essential.

The Baltic Sea region is the leading area in digitalization as Denmark, Sweden and Finland form the top three followed by Estonia on the 9th place. DESI (Digital Economy and Society Index) aims to monitor Member States' actions in the area of digital communication, digital skills online, business digitalization and digital public services. It also helps EU countries discuss their economic and budgetary plans and monitor progress at certain times of the year.

The digital economy and society index is becoming more and more digital in the EU, but progress remains uneven across Member States, although the EU has made

TABLE 1. Digital marketing and digital advertising definition.

| Authors                                          | Definition                                                                                                                                                                                                                                    | Highlight                                                                                                                                                                   |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yasmin A.,<br>Tasneem S.,<br>Fatema K.<br>[2015] | Digital marketing is one type of marketing that is widely used in the promotion of products or services users use digital channels.                                                                                                           | Type of marketing, which users use digital channel                                                                                                                          |
| Khan F,<br>Siddiqui K.<br>[2019]                 | “Digital marketing is the use of technologies to help marketing activities in order to improve customer knowledge by matching their needs [Chaffey 2013].”                                                                                    | Improve customer knowledge by matching their needs                                                                                                                          |
| Narkiniemi J.<br>[2013]                          | “Digital marketing could be defined as a sub-branch of traditional marketing that uses digital channels to achieve the same goal as traditional marketing, which is, to attract new customers and keep old ones by promising superior value.” | Digital marketing uses digital channels to achieve the same goal as traditional marketing, which is, to attract new customers and keep old ones by promising superior value |
| Stephen A. T.<br>[2015]                          | Digital advertising is the main topic of marketing literature and, in terms of consumer behavior, is considering how consumers respond to various aspects of digital advertising.                                                             | Considers how consumers respond to various aspects of digital ads                                                                                                           |
| Khan F.,<br>Siddiqui K.<br>[2019]                | The concept of digital marketing stems from Internet and search engine ratings sites. The first search engine was launched in 1991. With Gopher Network Protocol query and search.                                                            | Digital marketing stems from Internet and search engine ratings sites                                                                                                       |
| Atshaya S.,<br>Rungta S.<br>[2016]               | Digital marketing, as a positive term, means in digital technologies. Digital marketing uses all electronic or electrical devices or electronic channels media for the sale or promotion of goods, services or trademarks.                    | Means in digital technologies                                                                                                                                               |
| Sathya P.<br>[2015]                              | “Digital marketing is often referred to as ‘online marketing’, ‘internet marketing’ or ‘web marketing’. The term digital marketing has grown in popularity over time, particularly in certain countries.”                                     | Often referred to as ‘online marketing’, ‘internet marketing’ or ‘web marketing’                                                                                            |
| Cibro P. A.<br>[2016]                            | Digital marketing is the development of future marketing. Digital channels are addressed by to enable marketing professionals to maintain a permanent, reciprocal personal dialogue with each user.                                           | Company marketing uses digital channels                                                                                                                                     |
| Unicef<br>[2018]                                 | ‘Digital advertising’ or ‘digital marketing’ refer to the use of digital media to promote, communicate or praise commercial products, brands or services.                                                                                     | Refer to the use of digital media to promote, communicate or praise commercial products, brands or services                                                                 |

Source: the Authors.

TABLE 2. Comparison between traditional and digital marketing

| Traditional Marketing                                                       | Digital Marketing                                                                                                                                            |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Traditional marketing includes print, broadcast, direct mail, and telephone | Digital marketing includes online advertising, email marketing, social media, text messaging, affiliate marketing, search engine optimization, pay per click |
| Reach out to limited audience                                               | A maximum audience                                                                                                                                           |
| Mass marketing                                                              | Individualized marketing                                                                                                                                     |
| Results on marketing strategy cannot be easy measure                        | Results can be more extensive and easily measured                                                                                                            |
| Time consuming and expensive                                                | Real time and viral                                                                                                                                          |
| Difficult for small brands to stand out traditional marketing               | More productive for all business irrespective of industry or size                                                                                            |
| 24/7 accessibility is not possible                                          | All around the clock, 365 days available                                                                                                                     |

Source: the Authors.

particular efforts to improve digital growth. Europe's development is inadequate and it is a great challenge to catch up with the world leader. This requires new investments in the digital economy and society and a rapid implementation of the Digital Single Market [WWW 3].

As mentioned Eteris [WWW 2] the EU Commissioner for the Digital Economy and Society stressed that the EU's Digital strategy is based on the progress made by Member States in implementing important reforms, such as: The European Electronic Code to increase investment in better communication. The current DESI-2018 demonstrates the efforts of EU Member States and the Baltic States to increase digital skills, integrate more in digital technologies and public administrations.

## AIM AND METHOD

The objective of this paper is to investigate the effectiveness and possibilities of digital marketing in Baltic countries by conducting a case analysis of selected digital marketing firms. The objective can be achieved through the following set of tasks such as theoretical aspects of digital marketing analysis, presentation of digital marketing firms in Lithuania, Latvia and Estonia by conducting case analysis. Further statistical analysis, comparative empirical analysis, phenomenological, quantitative and qualitative analysis methods are used for the research presented in this paper.

Case study can be divided by selecting the scale or the size of the case and in accordance with the purpose of analysis: internal, when the study is unique or unusual situation or event in order to explain it in detail; instrumental, when examine has a broader problem, the case here is chosen as illustrating problem; collective – used to examine the broader issue, choosing several identical or vice versa, completely different cases [Savas 2005].

According to Ellet [2007] there are three most important aspects of the examination of the case: gather information, select the essential events, properly summarize them. Following those aspects, there had been gathered revenue and employment information of 9 digital marketing firms in Lithuania, Latvia, Estonia. For the additional analysis of the examples of analysed digital marketing firms regression analysis of the employment and revenue in the studied digital marketing firms were calculated and presented.

Based on empirical employment data, regression analysis was done in order to establish determination coefficient and non-parametric correlation coefficients was calculated based Kendall's tau-c. Use of Kendall's tau-c is justified due to small data sample. Regression analysis is justified since the coefficient is  $>0.25$ .

## RESEARCH RESULTS

For the case analysis there had been selected Lithuanian, Latvian and Estonian digital marketing firms publicly available employment data that was analyzed in the context

of publicly available revenue data. Data about Lithuanian enterprises (“YNOT Media”, “Adell reklama” (Adell Taivas Ogilvy), “Big Idea LT”) employment and revenue was taken from Public register of Lithuanian companies, data about Latvian (“Infinitum”, “Yoursite Group Latvia”, “Mailigen”) and Estonian enterprises (“Blu Mint Digital”, “Carat Estonia”, “ClickFactory”) was taken from official presentations about companies. In total for the analysis there had been selected 9 Digital marketing agencies in Baltic countries, which data can be seen in Table 3.

TABLE 3. Data of Digital marketing firms in Baltic countries

| Brand name of Digital marketing agency | Country   | Number of employees in 2015–2019 period | Generated income in 2015–2019 period [EUR] |
|----------------------------------------|-----------|-----------------------------------------|--------------------------------------------|
| “YNOT Media”                           | Lithuania | 15                                      | 5–10 million                               |
| “Adell reklama” (Adell Taivas Ogilvy)  | Lithuania | 44                                      | 5–10 million                               |
| “Big Idea LT”                          | Lithuania | 17                                      | 1–2 million                                |
| “Infinitum”                            | Latvia    | 10–49                                   | 2.3 million                                |
| “Yoursite Group Latvia”                | Latvia    | 2–9                                     | 1–3 million                                |
| “Mailigen”                             | Latvia    | 10–49                                   | 3 million                                  |
| “Blu Mint Digital”                     | Estonia   | 11                                      | 2 million                                  |
| “Carat Estonia”                        | Estonia   | 9                                       | 30 thousand                                |
| “ClickFactory”                         | Estonia   | 9                                       | 100 thousand                               |

Source: the Authors based on WWW 4, WWW 5, WWW 6, WWW 7.

For the additional analysis of the examples of analysed Lithuanian digital marketing firms regression analysis of the employment and revenue in the studied firms are presented in Figure 1. Regression analysis is justified since the coefficient is  $>0.25$ . Regression analysis results shows that there is no correlation between employment and revenue in the Lithuanian digital marketing firms. It means that firms revenue does not depend on the number of employees.

In the second part of analysis, there had been analyzed the data of Latvian digital marketing firms. Results of analyzed data, which are summarized in Figure 2 demonstrate that there is a strong positive correlation between employment and revenue in Latvian digital marketing firms, which means that the more employee enterprise has, the more revenue it generates.

Final analysis was conducted by analyzing Estonian digital marketing firms. It shows the strongest evaluation of regression analysis of the employment and revenue in the studied firms, because regression coefficient is much higher than 0.25 (Fig. 3). It can be stated, that in Estonian digital marketing firms revenue especially depends on the number of employees.

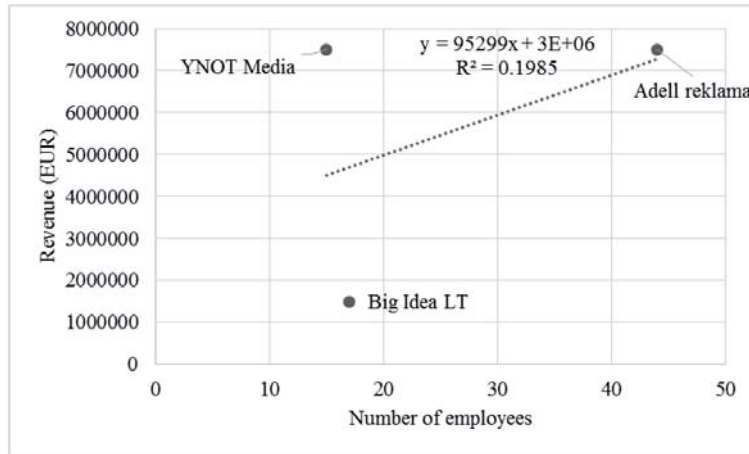


FIG. 1. Regression analysis of digital marketing firms in Lithuania

Source: the Authors.

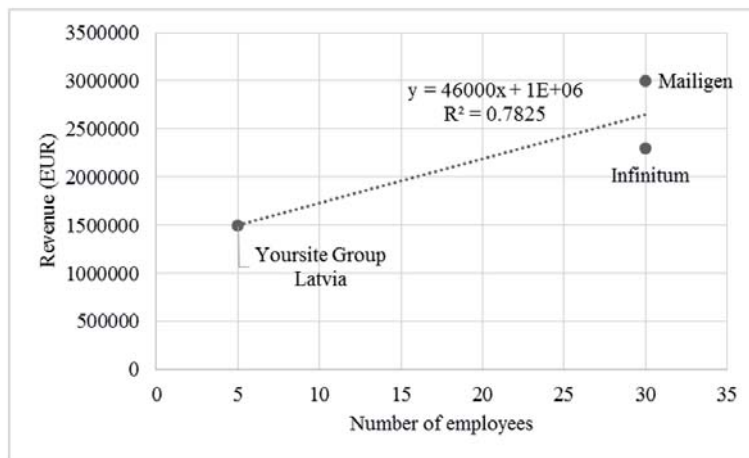


FIG. 2. Regression analysis of digital marketing firms in Latvia

Source: the Authors.

After analysis of 9 digital marketing firms in Baltic countries, regression analysis results showed different equations and significantly different correlation coefficients ( $R^2$ ), what substantiates different models of employment in digital marketing sector. In selected Lithuanian digital marketing firms there is no correlation between employment and revenue, but in Latvian and Estonian selected firms there can be defined strong connection between analyzed metrics.

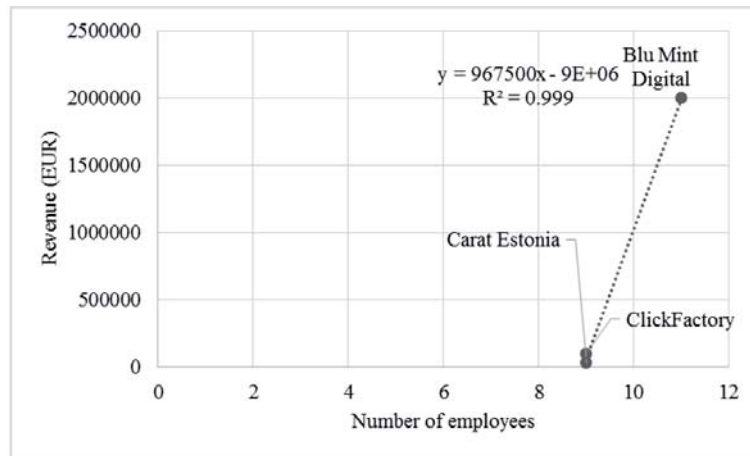


FIG. 3. Regression analysis of digital marketing firms in Estonia

Source: the Authors.

## CONCLUSIONS

Effectiveness and possibilities of digital marketing differs across Baltic countries. European Union encourages the digitalization in all areas and Lithuania, Latvia, Estonia are trying to emerge as a successful examples of usage of digital marketing. Digital industries are a priority industries in Europe. In Baltic countries there are a lot of successful digital marketing firms, which efficiency shows growing contribution to the economy.

This study explored the effectiveness and possibilities of digital marketing in Baltics States by analyzing selected cases of three Baltic countries – Lithuania, Latvia, Estonia. After conducting statistical analysis, comparative empirical analysis, phenomenological, quantitative and qualitative analysis methods, there can be stated that different equations and significantly different correlation coefficients ( $R^2$ ) appeared in the analysis of Lithuania, Latvia and Estonia digital marketing firms, what substantiates different models of employment and revenue in digital marketing sector. If in Lithuanian digital marketing firms there is no correlation between revenue and number of employees, in Latvian and Estonian firms the correlation is extremely strong and for digital marketing firms effectiveness and possibilities can be reached by increasing the number of employees. Employee labor seems to be the source of revenue in the Latvian and Estonian digital marketing firms, based on the results of the analysis.

The provided analysis is sufficient to establish the differences between 9 digital marketing firms in Baltic countries analyzed in this article, although it may also justify gathering of additional data (data on more enterprises) and further correlation analysis in the future research. Further research with larger data samples may be needed to fully validate these findings, however the analysis clearly enough demonstrates the differences of revenue, employment Baltic countries.

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**Summary.** This study has objective to explore the effectiveness and possibilities of digital marketing in Baltics States by analyzing selected cases of three Baltic countries – Lithuania, Latvia, Estonia. Conducted literature review presents the definition of digital marketing, main differences of traditional and digital marketing and the situation of this area in Baltic countries. For case analysis there had been selected Lithuanian, Latvian and Estonian digital marketing firms publicly available employment data that was analyzed in the context of publicly available revenue data. Based on empirical employment data, regression analysis was done in order to establish determination coefficient and non-parametric correlation coefficients. In Lithuanian digital marketing firms there is no correlation between revenue and number of employees, in Latvian and Estonian firms the correlation is extremely strong and for digital marketing firms effectiveness and possibilities can be reached by increasing the number of employees.

**Key words:** digital marketing, effectiveness, case study, analysis of Baltic countries

**JEL:** M31, M37, D83, L86

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