Digital marketing strategy: companies experience during a pandemic

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Abstract

COVID-19 pandemic has brought significant changes, especially regarding the use of digital technologies in the promotion of goods and services. Digital marketing strategies are widespread in various sectors of the world economy. With the use of digital marketing tools, the companies are able to gain real-time consumer insights, to create and to communicate value to consumers more creatively. This scientific research described proposes to determine the feasibility of using a digital marketing strategy in the context of a limited budget, using the example of an IT company. The results of digital marketing tools were analyzed, management problems according to strategic decisions are identified and the strategy of digital opportunities for the local context was improved. The key factors of digital marketing strategy are usability, tangible value, perceived value, high return, efficiency, quality of digital services, quality of digital information, quality of digital system, predictability of expected results. The main strategies for promoting goods and services in the digital environment, and expected financial indicators in the context of the chosen strategies and changes in important indicators during a pandemic were considered. Measures for improving the promotion strategy were proposed; they will help maintain an appropriate level of development of the company within the current budget and contribute to its financial stability.

Keywords: promotion strategy, digital marketing, pandemic, budget, financial results, efficiency, prediction.

Introduction

During 2020, the world economic was affected by COVID-19, which affected not only the health and lives of people, but also caused a new economic crisis. All around the world measures to slow the spread of the virus were introduced, including the closure of public places and borders in order to minimize interaction between people. The quarantine restrictions particularly affected those sectors of the world economy, which were directly related to the service and human participation. But not all companies have suffered losses due to the pandemic. Over the past year, consumers have begun to use food delivery services more often, to make more orders using the Internet for services and goods. For example, in France, Italy, Spain and Australia, online sales increased by 45-87%. The residents of Baltic states began to order food delivery by 5% more. Besides, a 50+ audience has become more active: Internet giant Alibaba recorded a fourfold growth in sales for this segment (Yak pandeminya).

COVID-19 has caused strong shifts in the supply and demand of global and local markets, significantly affecting the closure of economics for external transactions. This is the reason why it is so important to analyze, change and upgrade the strategy of promotion of goods and services in short amounts of time during difficult times of pandemic. It is important to track the

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behavior of customers, the problems they encountered during the pandemic, and to form the value of the product, to convey it to potential and existing customers through the right channel of communication.

Analysis of the recent researches and publications. Creating a modern business development strategy and promotion strategy management is an important condition for the successful operation of any company. According to research made by scientists and practitioners (Mikhalschenko V. (Mikhal’chenko V. L., 2016), Baikova I. (Baykova, I. A., 2018), Sinyaevoi I. (Sinyaeva I. M., 2019), the problem of forming a strategy in a period of change is to find such solutions by analyzing real situations, the implementation of which will ensure the viability of companies. The success of a strategy is based on changes in the organization. This may be a change in the marketing direction of the company's policy, product range, delivery channels of products and services etc.

Internet promotion strategies are based on the application of digital marketing. There are certain differences between digital marketing: one is distributed on-line and the other is distributed off-line (Brogan K., 2012), (Vinokurov A., 2017), (Khalilov D., 2018). Each of these types has its own implementation tools (Zernova T. V., 2017). In the practice of promoting goods and services, the most effective solution (Eley B., 2009) is to combine several tools simultaneously. This will help to reach the widest possible audience.

Digital marketing has significant advantages because it contains tools that provide a personalized approach, which means that the company has an idea of the needs, preferences, interests and other data about the potential customer (Sysoeva E. V., 2017; Chumikov A. N., 2019). The development of e-commerce creates special preconditions for the promotion of small and large businesses in new markets (Karwatka T.). According to research by analysts (Simakina M.A., 2018; Crets S., 2020), digital markets require new technologies for the promotion and widespread use of on-line social networking resources. Digital marketing is an integrated tool for attracting new customers and new sales channels. The digital marketing strategy directly affects the company’s profits and creates the company’s reputation in both domestic and foreign markets.

For many companies during the COVID-19 pandemic, the key issue was maintaining relationships with existing customers, attracting new customers and advertising their products online (Andrienko O., 2020). The pandemic has deepened consumers’ appetite for choice and has introduced unexpected changes in their behavior. Research by academics and practitioners has shown (Sarah Davis, 2020, Hamza Akram, 2020) that security and uncertainty had remained the dominant features in everyday life, and this changed both how consumers shopped and what they planned to buy.

The impact of the COVID-19 pandemic on the digital sphere is being studied by international institutes and individual scientists (Justin Elsi; Frolov A., 2020). A study of B2B and B2C models revealed that consumers tended to increase the record use of mobile ads and websites, using click-and-collect as an option for security and convenience. This is a mass transition to digital technology. In the short term, the question of online activities, maintaining a brand image and communicating with customers on-line will become relevant for every company (Zhu, M., 2020; Hassan Monsons, 2020; Kennedy Jones, 2020). During the pandemic, the effective use of digital strategies significantly affected the growth of revenues and companies’ shares. For example, on March 4, Campbell Soup shares rose by 10%, which is their largest daily growth over the past two decades (David Erfein, 2020), and on April 22, Netflix reported about 16 million new customers between January and March.

Material and methods

The 2020 crisis has become a significant challenge for business. The market situation for most companies is uncertain and requires constant analysis and monitoring in the context
of limited research budgets.

The effectiveness of using digital marketing tools in the promotion strategy for Ukrainian companies both in the domestic and foreign markets requires further research. IT-companies provide services to the business, which allow to change the promotion strategy in accordance with trends and customer requests. The aim of study is to analyze the crisis impact on the implementation of the company's digital marketing strategy and to determine the vectors of its adjustment in accordance with changes in the external environment.

In this article, the digital marketing sphere analysis, the method of financial analysis, the linear method, the method of least squares was used.

Results and discussion

Using digital marketing tools is a new direction for the Ukrainian market. Today, due to the COVID-19 pandemic, companies operating in the IT service market have changed the work organization and made adjustments to their business relationships with customers. We can see a positive trend in the IT sector. In Ukraine, from July 2019 to January 2020, the number of specialists increased by 2340 (7.5%) in the top-25 and by 4167 (6.6%) in the top-50 compared to H1 2019. The number of specialists in the 25 largest IT companies has crossed the 50,000 mark, and now the share of these companies is 76% among the top 50. During the same period, 11 companies opened new offices both in Ukraine and abroad. Regarding Ukrainian locations, new offices have appeared in Kiev, Lvov and Kharkov. As for abroad new offices have appeared in Poland, Germany, Switzerland, Estonia, India, Vietnam and the USA. Now 45 companies from the top-50 have offices in Kiev, 23 – in Lviv and 21 – in Kharkov. In general, there is an office of at least one top-50 company in 23 Ukrainian cities (Yanovs'kyi, 2020).

The analysis of promotion strategy in the digital marketing system was based on example of ESUPUTNIK, L.L.C. This company provides services for Ukrainian companies in the formation of digital marketing systems.

The company has significant experience in working with clients and uses such promotion strategy tools as:
- Content marketing (publications on thematic sites, blogs, etc.)
- Email marketing (emails that may also be part of content marketing);
- SMM (promotion of groups on social networks)
- Target advertising on social networks;
- PR;
- Contextual advertising;
- Media advertising;
- SEO (site promotion in search engines);
- Affiliate programs;
- Company website;

While forming a promotion strategy, the type of product and market characteristics are taken into account. For the digital marketing strategy, the company has formed a budget distribution structure between communication channels:
- PPC: 35%
- Content marketing: 20%
- Outreach: 25%
- PR: 20%

The main types of marketing strategies used
by the company before crisis were:
- market penetration strategy, in which the company strengthens its efforts in the existing market with an existing product through advertising and product promotion;
- a market development strategy, in which the company develops new geographic markets, new consumer segments, new sales channels and offers them existing goods;
- product development strategy based on the development and improvement of their products for existing consumers in existing markets;
- a diversification strategy involving the promotion of new products in new geographic and target markets.

The choice of strategy determines the totality of product promotion channels and their budgets.

The pandemic has significantly changed promotion strategies. First of all, many existing and potential clients of the company were forced to stop their activities/operations. Secondly, top managers of most companies have reduced budgets for promoting goods and services due to financial problems. Third, some individual companies have changed their marketing strategy, strengthening their efforts in the existing market with an existing product through advertising and product promotion using traditional communication channels. That is why the budget was redistributed between digital communication channels, and the focus between them was changed, therefore the promotion platforms have changed.

As for digital marketing tools, it should be noted that the closure of national markets and quarantine restrictions have led to adjustment in the vectors of their use in space and time. For example, PPC serves to engage a consumer audience using social media. The quarantine was the main reference point for foreign platforms: before it, about 45% of advertising campaigns were targeting foreign audience; and when the pandemic began, about 85% of advertising campaigns were aimed at the domestic market (Hirachigadzhieva M. M., 2020).

Before pandemic, the Outreach digital communication channel was used to expand sales markets in the promotion strategy. Posting articles with a link to the company's website on popular platforms was previously carried out exclusively on foreign websites. Previously, all articles were published only on major foreign platforms. The closure of economics in connection with the 2020 crisis influenced the change in the orientation of digital communications towards the internal context.

The pandemic has changed consumer behavior for a very huge variety of goods and services. The number of online sales has grown. Accordingly, requests for services of using digital marketing tools have increased, as a result, ESUPUTNIK, L.L.C. has received new clients from in Ukraine and abroad.

Thus, the pandemic affected the business environment and led to an adjustment in the strategy of ESUPUTNIK, L.L.C. Let’s analyze the effectiveness of the budgets spent on the strategy of promoting the company’s services during a pandemic.

According to the current management system at ESUPUTNIK, L.L.C., budgets are planned on a quarterly basis and, therefore, it is advisable to conduct the analysis based on Q2 results, when the most significant changes were caused by the pandemic. The analysis has showed changes in the structure of promotion channels and adjustment of budgets for strategy (Table 1).

The effectiveness of the promotion strategy is assessed by the financial results of the company. Analysis of the dynamics of expenses and sales for the second quarter of 2020 shows that the management decisions on changes in strategy and budget adjustments were correct (Fig. 1).

To fully evaluate the promotion strategy, need to create an analysis of the company’s financial condition (Executive Summary) was performed in the second quarter and compared to the results of the previous period (2019).
Table 1 – Deviation reasons for promotion strategy plan in Q2 2020

<table>
<thead>
<tr>
<th>Communication channel</th>
<th>Budget deviation</th>
<th>Deviation reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPC</td>
<td>+ 31%</td>
<td>During the pandemic, interest in the company’s services increased. The quality and quantity of unit in this channel exceeded the outline. Payment depends on the number of requests (cost per click), there fire the actual budget of this channel increased. PPC itself helps you to increase brand recognition.</td>
</tr>
<tr>
<td>Content marketing</td>
<td>–</td>
<td>The plan was fulfilled. The company’s management decided not to change the budget</td>
</tr>
<tr>
<td>Outreach</td>
<td>-12%</td>
<td>Due to the difficulty of prediction the company’s activities during the pandemic, the governance decided to reduce the budget for Outreach, as the main function of this channel – to attract foreign customers and support traffic lost its relevance during the quarantine period. The PPC channel coped this task.</td>
</tr>
<tr>
<td>PR</td>
<td>–</td>
<td>The plan was fulfilled. Governance of the company’s decided not to change the budget</td>
</tr>
</tbody>
</table>

Most of the company’s financial indicators deteriorated in the second quarter (sales, revenue, profitability). However, the company has a financial safety. The plan confirmed at the beginning of the year, at a time when it was difficult to predict the crisis, the economic downturn and the closure of a large number of businesses during the pandemic. In general, we can say that the company’s performance in such a business environment is relatively positive.

Figure 1 – The graph of the dynamics of cost and sales of the company for the 2nd quarter of 2020

At the beginning of the year, a budget was set for the quarterly promotion strategy, due to the pandemic and the complexity of the prediction, the company’s management decided to leave the budget for the third and fourth quarters unchanged. Today we can predict two possible outcomes: the weakening and tightening of quarantine conditions. In the first case, in anticipation of the autumn and winter active sales seasons, many companies resume operations. In this regard, the company “LLC ESUPUTNIK” can expect the restoration of the previous volume of services. The company’s management also plans to resume budget allocations between communication channels as a pandemic (PPC 35%, Content marketing: 20%, Outreach: 25%, PR: 20%). Based on the data of previous periods, we can predict the following result (Fig. 2):
The second possible outcome of events is the strengthening of quarantine measures in connection with the pandemic. In this scenario, the digital marketing automation system can lose existing and potential customers, thereby reducing sales. To prediction, we will perform the following calculations.

1. Find the parameters of the equation by the method of least squares. System of equations:

\[ a_n + b \sum t = \sum y \]

\[ a \sum t + b \sum t^2 = \sum y \cdot t \]  \hspace{1cm} (1)

Using least squares methods, we will find the parameters of the equation and show the result in the table (Table 2)

**Table 2 – Least squares method results**

<table>
<thead>
<tr>
<th>( t )</th>
<th>( y )</th>
<th>( t^2 )</th>
<th>( y^2 )</th>
<th>( t \cdot y )</th>
</tr>
</thead>
<tbody>
<tr>
<td>8700</td>
<td>6950</td>
<td>75690000</td>
<td>48302500</td>
<td>60465000</td>
</tr>
<tr>
<td>8950</td>
<td>6556</td>
<td>80102500</td>
<td>42981136</td>
<td>58676200</td>
</tr>
<tr>
<td>7733</td>
<td>8650</td>
<td>59799289</td>
<td>74822500</td>
<td>66890450</td>
</tr>
<tr>
<td>8000</td>
<td>5200</td>
<td>64000000</td>
<td>27040000</td>
<td>41600000</td>
</tr>
<tr>
<td>12800</td>
<td>6493</td>
<td>163840000</td>
<td>42159049</td>
<td>83110400</td>
</tr>
<tr>
<td>1300</td>
<td>5492</td>
<td>16900000</td>
<td>30162064</td>
<td>71396000</td>
</tr>
<tr>
<td>967</td>
<td>6950</td>
<td>935089</td>
<td>48302500</td>
<td>6720650</td>
</tr>
<tr>
<td>6000</td>
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<td>36000000</td>
<td>19802500</td>
<td>26700000</td>
</tr>
<tr>
<td>13600</td>
<td>6750</td>
<td>184960000</td>
<td>45562500</td>
<td>91800000</td>
</tr>
<tr>
<td>7124</td>
<td>5650</td>
<td>50751376</td>
<td>31922500</td>
<td>40250600</td>
</tr>
<tr>
<td>6876</td>
<td>7109</td>
<td>47279376</td>
<td>50537881</td>
<td>48881484</td>
</tr>
<tr>
<td>4200</td>
<td>3900</td>
<td>17640000</td>
<td>15210000</td>
<td>16380000</td>
</tr>
<tr>
<td>86250</td>
<td>74150</td>
<td>782687630</td>
<td>476805130</td>
<td>548614384</td>
</tr>
<tr>
<td>Average value</td>
<td>6179.167</td>
<td>65223969.167</td>
<td>39733760.833</td>
<td>45717865.333</td>
</tr>
</tbody>
</table>

For our data, the system of equations has the form:

1. \[ 12a + 86250b = 74150 \]
2. \[ 86250a + 782687630b = 548614384 \]  \hspace{1cm} (2)

From the first equation we define \( a \) and substitute in the second equation.

We obtain \( a = 5487.588 \), \( b = 0.0962 \)

Thus, the equation of the trend:

\[ y = 0.0962 \cdot t + 5487.588 \]  \hspace{1cm} (3)

The empirical regression coefficients \( a \) and \( b \)

Figure 2 – Prediction of sales and costs dynamics for the III-IV quarter of 2020
are only estimating of the theoretical coefficients $\beta_i$, and the equation itself reflects only the general trend in the behavior of the variables under consideration. The regression coefficient $b = 0.0962$ shows the average change in the effective indicator (in units of c) with a change in the time period $t$ per unit of measurement. In this example, with an increase in $t$ by 1 unit, $y$ will change on average by 0.0962.

The dependence of $Y$ on $X$ is studied. An economic interpretation of the model parameters is possible – an increase in $X$ by 1 unit of measure, leads to an increase in $Y$ by an average of 0.0962 units.

Both prediction options for the period of Q3 and Q4 are satisfactory, but if we consider the second forecast as an example for 2021, then it is not comforting, since the growth and development of the company is impossible with such indicators.

The digital marketing sphere is not established and is developing along with decision-making technologies and digital applications, the interests and needs of people with the development of social networks. The company’s government realizes the importance of constantly increasing the budget to maintain competitive positions in the market, but due to the pandemic and the accepted quarantine conditions, it is difficult to predict the economic result from the implementation of any changes in the company’s strategy.

At the moment, the budget for the promotion strategy for 2021 is being actively discussed by the company’s government. If the quarantine ends, the government plans to increase the budget for the promotion strategy. If we analyze the previous periods, then the budget for the promotion strategy annually increased by 7%–15%, depending on the company’s profit for the year. Otherwise, the option of introducing other digital communication channels, such as an affiliate program, video advertising and others, will be considered.

Conclusions

The essence of effective change management is to quickly and correctly analyze the effectiveness of the company’s marketing activities and to prepare the necessary adjustments in accordance with real situations in the dynamics of the business environment. This is the basis for planning business activities, both long-term and short-term, because an adequate response to changes in the external environment should be expressed as changes in the organization’s strategy. In times of crisis, it is important for top management of companies to form a systematic approach to the implementation of digital models of financial management, distribution, marketing, in order to see points of growth and focus personnel through a strengthening KPI system on the qualitative growth of the competitive business advantages. Besides, it is very important to pay attention to the company’s financial model in a period of falling sales, increasing credit rates, changes in conditions from suppliers, violation of temporary supply chains.

The next area of research is the formation of the theoretical foundations of digital marketing strategies using situational analysis of the digital environment, which will allow companies to increase sales even in such a complex and unpredictable time as the pandemic. The rules of success have changed and are increasingly dependent on using the power of digital models to create new values and experiences. Accelerating the digital transformation of a business with a specific purpose is important for companies to survive and thrive in the new environment. Successful leaders will now take the opportunity to advance a new digital transformation trajectory that matches the evolving role of business: to become a powerful factor that drives long-term value creation for all stakeholders.

We would like to express our gratitude to the management of ESUPUTNIK L.L.C. for receiving a positive response to the request to get acquainted with the company’s strategy and for permission to
use in this study both public reporting data of the company and informative internal management data, without which this work could not take place in its calculation and analytical part.

The results of this study are original, have not been previously published and don’t contain borrowings from other authors.

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