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The impact of digital transformation and digital marketing on the brand promotion, positioning and electronic business in Montenegro

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In behalf of authors

Most sincerely

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**The impact of digital transformation and digital marketing on the brand promotion,  
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## **The impact of digital transformation and digital marketing on the brand promotion, positioning and electronic business in Montenegro**

### **Abstract**

The paper assesses the ways in which digital transformation in Montenegro influences the use of digital marketing in business, determining the impact of this concept on promotion and brand positioning, i.e. electronic business development through electronic services. This facilitates the integrated analysis of the context of electronic business, thus providing innovative and value-creating insights for Montenegro – a transition country. This research was conducted using a survey on a stratified random sample and the data was subsequently analyzed using the Structural Equation Model (SEM), Analysis of Variance (ANOVA) test, and eta-coefficient. Multivariate analysis was applied to data obtained from 172 companies. The results showed that a number of factors determine the ways in which companies apply digital marketing and use differing levels of influence, amongst which the period of implementation, the abilities of people in charge for its usage, perception of digital marketing cost-effectiveness, measurability of its effects and sufficiency of traditional marketing have a key role. The period in which digital marketing is used was especially significant and notably affects the choice of digital marketing instruments, the way its performances are measured and the managers' perception of its cost-effectiveness. Social networks were the most commonly used form of digital marketing in the market under analysis, and Google analytics was the most common way to measure the effects of digital marketing. Furthermore, the results showed that the more a company relies on the use of digital marketing in its business, the more significant its impact on promotion and brand positioning.

**Key words:** digital transformation, digital marketing, electronic services, brand, electronic business, Montenegro.

### **1. Introduction**

The development and widespread use of technology (Brey, 2018) and Internet technologies have transformed the way society communicates, both in daily and professional life (Çizmeçi & Ercan, 2015; Lee & Cho, 2020). The same applies to the business of companies operating in modern (digital) conditions (Kopalle et al., 2020). The Internet has become a key component – or, one could say, a strategic weapon (Chen, 2006) – in that it represents one of the most significant technologies of the twentieth century (Zhang, Zhang, Lee, & Feng, 2015; Alsaad & Taamneh, 2019). On the other hand, in rapidly evolving business environments, precise analysis and accurate planning can be key to the selection of the “right” strategies for IT investment and the implementation of any new technologies (Kryvinska, 2012). Ross, Weill, and Robertson (2006), Ritter and Pedersen (2020), and Pearce and Pearce (2020) have demonstrated that the best companies go beyond routine processes and digitalize their capabilities in order to distinguish themselves from their competitors.

Globalization and the increased usage of the Internet are two important motivations behind the transition from a traditional marketing approach to a digital one. Digital transformation constitutes an evolutionary process, changing our ways of life and the ways in which we do business through digital technologies; primarily through the implementation of new technological solutions based on Internet services and modern information technologies (Vial, 2019). Digital transformation refers to “*the process of using digital technologies to create new—or modify existing—business processes, culture, and customer experiences to meet changing business and market requirements*” (Sales force 2019 in Guenzi & Habel, 2020).

Although digital transformation cannot bridge the economic and social gap, its implementation may accelerate its reduction. This is therefore a great opportunity for less developed countries (Aly, 2020) such as Montenegro. When it comes to using digital forms of communication, such as the Internet, social networks, and mobile phone services, Montenegro does not lag behind other countries (We are Social, 2020), however its use of digital

technologies in other areas is often insufficient, especially with regards to companies. 74 percent of the total population in Montenegro have Internet access, creating more opportunities for the application of digital marketing. In order to strengthen this as much as possible, action has already been taken regarding the development of a digital transformation strategy for the period 2021-2025 (Government of Montenegro, 2020). Further development of digitalization depends on various elements: the availability and accessibility of telecommunication infrastructures; existing legal frameworks; the development and availability of state administration services, local governments, banks, and other financial institutions; changes in the education system and the education of citizens; and the development of the Information Technologies (IT) sector in Montenegro. In recent years, significant progress has been made in each of these areas (Government of Montenegro, 2016). A particularly important segment of digital transformation is, therefore, the digital economy, because the digitalization of companies increases their efficiency, productivity, and profit. In this sense, the process of digital (r)evolution of Montenegro is inevitable, which is why the issue of digital marketing is becoming increasingly important.

Considering the aforementioned information, it is clear that there are many benefits when it comes to conducting a survey in a transition economy such as the one in this study. The percentage of the population in Montenegro that have Internet access and regularly use it on a daily basis is above the world's average, while the percentage of mobile connections is equivalent to 191% of the total population (Digital in Montenegro, 2020). These results clearly suggest that potential consumers in Montenegro are easily accessible via the Internet and that digital marketing implementation could be a very effective way of targeting a large number of people within the Montenegrin population. Additionally, digital transformation has been recognized as a necessary process through which global modern trends of doing business and strengthening competitiveness can be achieved (Government of Montenegro, 2020).

However, the use of digital technologies by domestic companies lags behind, especially when compared to developed countries (We are Social, 2020). Therefore, the analysis of factors that affect these levels, as well as methods of application, when it comes to digital marketing are of great importance. However, to the authors' best knowledge, no previous research on this topic exists in the context of Montenegro. Additionally, the high degrees of Internet usage by the population suggests that the insufficient implementation of digital marketing is mostly affected by organizational and institutional factors, which makes Montenegro a suitable transition country in which to investigate these phenomena.

Piccinini et al. (2015) demonstrated that technologies are essentially shifting the producer–consumer relationship. The significance of digital (online) marketing is currently increasing and, as such, we can observe changes in the ways people communicate (Nuseir, 2016; Petit et al., 2019) as well as the ways in which companies communicate with their customers. The last several years have also seen a dramatic increase in the amount of time and money consumers spend online (Nuseir, 2016). In such modern business conditions, which are characterized by strong competition and highly sensitive customers, digital marketing has become increasingly important. Through digital marketing and media, consumers can access information at any time and in any place (Yasmin, Tasneem, & Fatema, 2015). Thanks to the aforementioned processes, which are not static, digital marketing has been gaining more and more importance (Cluley et al., 2020). It is evident that its development and its use provide numerous benefits for companies, such as greater market presence, cost reductions, measurability of results, personalization, openness, and better communication. Understanding the Internet's impact and its potential impact on major aspects of business can result in better marketing programs and sustainable marketing strategies (Nuseir, 2016). On the other hand, consumers, as the main objects towards which marketing strategies are directed, face facilitated interaction, which makes them more active participants than ever when it comes to decision-making

processes regarding their needs for products and services. When it comes to increasing customer numbers, the advantage of the Internet as a communication medium likewise lies in the fact that it allows us to target the conveyed information towards a specific audience segment (Roblek, 2015). Additionally, one of the most important benefits of digital communication is the ability to support feedback, interactivity, and responses - a factor that provides vital information on customers and can be used to fine-tune communications.

While a significant number of papers have analyzed the role of digital marketing in modern business, no similar research has thus far been conducted in Montenegro - a country in transition. A review of existing academic literature, especially when it comes to less developed countries, found that there is a gap between the impact of digital marketing and the company's brand positioning in the minds of its consumers, as well as their connection with the development of electronic business. There is a lack of research studies examining the analysis of influential factors, such as the type of activity, the size of the company, the bearers of marketing activities, etc., on the use of digital marketing. The authors have tried to fill these gaps. Furthermore, this research focuses on a transitioning economy, contributing to the relative gap in research assessing the impact of digital marketing, brands, and electronic business which, in the authors' opinions, validate this work through integral multi-context analysis. More precisely, considering research in other countries (Eze et al., 2020; Bogeia & Britho, 2018; Ritz et al., 2018; Siamagka et al., 2015), this study tests the impact of the identified key factors that affect the implementation of digital marketing in the context of a transition economy. Additionally, it measures the influence of the application of digital marketing on brand perception, again in the context of a less developed transition country, in which domestic companies often lack experience with regards to using Internet technologies to attract and strengthen customer bonds (Yu & Yuan, 2019; Noyola-Medina et al., 2018; Yasmin et al., 2015). Finally, it places the implementation of digital marketing in a broader



context by establishing links between acquiring knowledge about the effects of digital marketing and the development of e-business as a positive consequence for both companies and end users (Švarc et al., 2020; Garzella et al., 2020; Caputo et al., 2019; Lemistol et al., 2018).

Alongside its theoretical implications, the paper offers significant practical implications. It identifies the organizational factors that have a significant role in the implementation of digital marketing and demonstrates the ways in which these factors affect the level of application. Additionally, this paper provides insights into the different ways in which digital marketing is applied, the instruments that are chosen, and the means used to measure its effectiveness depending on the period of time. In this way, it shows how the experiences and perceptions of managers change over time and condition the ways in which digital marketing is understood, applied, and measured. Finally, in analyzing the measures used to estimate digital marketing performance, it provides insights into how the digital performance and needs of organizations change over time as a consequence of previous digital marketing results and managerial experience.

This paper is organized into six sections. Following the introduction, in the second section, a review of the results of previous research regarding digital marketing is provided, as well as a literature review in which the motivations behind this research are outlined. This section contains an analysis of the key aspects of digital marketing, which are viewed in the context of the topic being addressed. The third section provides a conceptual framework, including a conceptual model and hypothesis development. The next section refers to materials and methods. This section also includes a description of the research methodology, i.e. data collection and simple, measures, and instrument validation. The fifth section presents the results of the research and discussions of the results. Finally, the paper finishes with

concluding remarks, a review of the implications, an elaboration of the research constraints, and recommendations for future studies in this area.

## **2. Theoretical frameworks on digital transformation and digital marketing**

The concepts of digital transformation and digital marketing are interlinked in many ways. Both assess the ways in which the sector uses Information Technologies (IT) to develop the delivery of a service, alter organizational processes, make changes to organizational culture, and impact upon value creation. Mergel et al. (2019, p.2) stated that two of the most foundational theoretical works framing the research are *Fountain's technology enactment framework* and *Dunleavy et al.'s Digital Era Governance approach*. Fountain's (2004) approach assesses the effect of technologies on companies from an institutional perspective standpoint, differentiating between objective and enacted technologies. Objective technology includes developments such as the Internet and enacted technology pertains to the use, creation, and perceptions related to these technologies in the minds of those working within the company. The use and perceptions of technology are restricted by institutional arrangements, however enacted technology can also impact upon an organization. Technology's role thus differs and is reliant on the particular company and what those working within the organization believe. "Digital Era Governance", by Dunleavy, Margaretts, Bastow, and Tinkler (2006), is another framework assessing organizational change enabled by technology. This research focuses on organizational change, organizational culture, and the new ways in which society deals with information and with contemporary demands for government services.

The era of digitalization (which arose as a consequence of the swift development of IT capabilities) affects every aspect of society. It requires speedy adaptation in line with social and economic changes and presents additional challenges with regards to the ways in which companies run their business (Lemistol et al., 2018; Hess et al., 2016). As such, new business

models are required in order to produce and attain a competitive advantage. The original focus on internal resources has now shifted towards the acquisition of external resources through cooperation with numerous independent subjects. Therefore, the era of digitalization represents a shift from tangible to intangible resources, championing creativity, cooperation, and intellectual capital as the basis for the creation of a successful business model (Švarc et al., 2020; Garzella et al., 2020; Caputo et al., 2019). External changes necessitate the development of new management strategies focused on the formulation and development of cooperation with other companies, demonstrating the importance of creating and maintaining trusting relationships between numerous stakeholders (Švarc et al., 2020; Manesh et al., 2020). Efficient communication with stakeholders thus underpins this competitive advantage, highlighting the importance of digital marketing and the benefits it offers.

Digital marketing is widely used to promote products or services and reach consumers through digital channels (Yasmin et al., 2015; Kim et al., 2019). In terms of conceptual determination, it may be argued that digital marketing is the use of technologies when it comes to assisting marketing activities and improving customer knowledge by matching their needs (Chaffey, 2019). The Digital Marketing Institute defines digital marketing as *“the use of digital technologies to create an integrated, targeted and measurable communication which helps to acquire and retain customers while building deeper relationships with them”* (Järvinen, 2016). The main advantage of digital marketing is that a targeted audience can be reached in a cost-effective and measurable way. Additionally, some key advantages to digital marketing include increasing brand loyalty and driving online sales. In this context, one recent study investigated the trend of using digital marketing tools and the impact level of digital marketing tools in generating brand awareness in companies (Çizmecci & Ercan, 2015). It is therefore important to point out that other concepts related to digital marketing include Internet/online marketing and electronic marketing (i.e., e-marketing). Although these

concepts are often used synonymously with digital marketing, some distinctions can be made (Järvinen, 2016). Studies show that the term Internet/online marketing refers only to one technology (i.e., the Internet), whereas digital marketing includes an array of other technologies, including SMSs, MMSs, mobile applications, and databases that can be used without an Internet connection. E-marketing is a similar concept to digital marketing, but it has become associated with electronic communications more widely (Chaffey & Smith, 2017). There are many elements of digitalization that companies use in their business, from mobile marketing optimization of the site, to email marketing, banners, blogs etc. Some researchers claim that the greatest potential for companies or their brands in terms of approaching consumers is to have social networks (Mangold & Faulds, 2009; Korschun & Du, 2013; Rodríguez et al., 2020). Each of these forms, which are an integral part of digitalization and e-business, have multiple advantages, but social media is particularly important with regards to the topic analyzed in this paper. The correlations between social networks and electronic business are the specific subject or analysis of this research. This is due to the fact that the primary advantages of social media marketing are reducing costs and enhancing reach (Yasmin et al., 2015) by engaging with a larger number of customers, thus contributing to business development. The cost related to social media platforms are typically lower than other marketing platforms, such as face-to-face sales or sales with the help of middlemen or distributors. Generally, the main advantage of social media is that it can enable companies to increase reach and reduce costs (Watson, Pitt, Berthon, & Zinkhan, 2002; Sheth & Sharma, 2005; Herhausen et al., 2020). Through social networks, the company can increase product and brand awareness, increase web traffic, increase customer loyalty, and increase the success of new product launches (Baum et al., 2019). There is no doubt that digital marketing has a significant role - i.e. influence - in the branding of companies as it is a powerful tool through which businesses can be promoted and with which their visibility and market image

can be strengthened. In this way, digital marketing encompasses an extensive range of services and product and brand marketing tactics, which mainly use the Internet as a core promotional medium (Yasmin et al., 2015).

Growth in digital marketing has been largely due to rapid advances in technology and changing market dynamics (Mort & Drennan, 2002). Accordingly, in the developed world, many companies have recognized the importance of digital marketing. In order for businesses to be successful, they must merge online and traditional methods to better meet the needs of customers (Parsons, Zeisser, & Waitman, 1996). This suggests a need for a stronger application of digital marketing in markets in which it is not strongly developed. This is due to the fact that online service tools are more influential than traditional methods of communication (Helm, Möller, Mauroner, & Conrad, 2013). Unlike traditional marketing, which involves a one-way dissemination of information, the use of the Internet allows for two-way communication, posing different ethical and privacy considerations for marketers (Malhotra, Kim, & Agarwal, 2004). The introduction of new technologies has created new business opportunities for marketers to use when managing their websites and achieving their business objectives (Bala & Verma, 2018). In this way, digital (Internet) advertising is a powerful marketing tool when it comes to building brands and increasing traffic, facilitating success (Song, 2001) and ensuring customer loyalty.

The importance of digital marketing is especially evident with regards to customer loyalty and cost-effectiveness. In recent times, the development of information technology and the knowledge economy have made customer loyalty a central issue for marketing scholars (Nuseir, 2016). On the other hand, digital marketing is cost effective and has a great commercial impact on the business. It can create closer and yet more cost-effective relationships with customers in sales, marketing, and customer support (Bala & Verma, 2018; Mandal & Joshi, 2017). This is extremely important considering today's challenges and the

ways in which increasing competition forces companies to cut budgets and be more creative in terms of customer orientation. Digital marketing allows marketers to be cost effective and offers a new mode of interaction with consumers (Raheem, Vishnu, & Ahmed, 2014). The consumer enters the market to satisfy his economic wants (Nuseir, 2016), tending to behave rationally. Contrary to the early image, which suggested that the Internet was a place for bargain hunting, the Internet has become more frequently viewed as a place to seek/provide a superior service (Gregus & Kryvinska, 2015) and enhance consumer relationships (Thaichon, Lobo, & Mitsis, 2012). Additionally, meeting and satisfying customer needs has become much more difficult as customer demands have increased (Timoshenko, & Hauser, 2019). Digital methods of communication support a process known as “intelligent marketing”, in which content is refined in line with campaign responses and feedback (Salehi, Mirzaei, Aghaei, & Abyari, 2012). This helps companies to make better use of their budgets and increase the positioning of their brand in the consciousness of consumers. In addition to this, digital marketing allows companies to reach customers that may not be accessible due to the temporal and locational limitations of existing distribution channels (Sheth & Sharma, 2005). Many companies have started using digital marketing tools efficiently in the process of “creating brand awareness”, which is considered the first and one of the most important steps of marketing (Çizmeci & Ercan, 2015). All companies and organizations need to be more nimble and more responsive. It is vital that they are more reactive to ideas and customer input than they have been in the past (Nuseir, 2016). All must be prepared to test out new business ideas, not just for the sake of innovation, but in order to survive (Pandey, 2012). With this in mind, digital marketing governance refers to the overall management of resources for digital marketing within an organization. This includes both internal and external staff resources, financial resources, and infrastructures, such as software tools and data sources (Chaffey, 2010).

The idea of market promotion has also been changed by the development of the Internet and digitalization. It has moved customers from magazines, daily papers and, in a few cases, TV and radio to the Internet (Ahmed, Kumar, Baig, & Khan, 2015). All of these developments have enabled the use of digital communication tools for marketing purposes (Çizmeçi & Ercan, 2015). The reason behind this is that, in contrast with traditional communication tools, digital communication tools have become popular global marketing channels with which companies can communicate with target groups directly, quickly, and continuously.

With digital media, it is possible to improve the presentation of product information, replacing single static images with interactive models that allow users to manipulate the product just as they would in real life (Thaichon, Lobo, & Mitsis, 2012). Over the last decade (and, presumably, over the next decade), in order to survive in a competitive business world and satisfy customer needs and wants, proper messages and good communication are both integral to the promotion and better positioning of a brand (Sunil, 2011). Digital marketing tools are actually overtaking traditional marketing tools and becoming more important as they allow consumers and producers to interact with the marketing process (Winer, 2009). Investments in digital marketing are motivated by the fact that results are more easily measurable in comparison with those of traditional marketing (Dehkordi, Rezvani, Salehi, Eghtebasi, & Hasan, 2012). As customers increasingly interact with companies through digital channels, organizations have recognized the benefits of tracking these interactions and measuring their performance (Ying & Jin, 2014). Digitalization has resulted in major changes to customer behavior and communication patterns (Court, Elzinga, Mulder, & Vetvik, 2009; Yadav, de Valck, Hennig-Thurau, Hoffman, & Spann, 2013). These changes have encouraged companies to alter their strategies and tactics (Deighton & Kornfeld, 2009; Valos, Ewing, & Powell, 2010) and have provided new opportunities for collecting data on customer behavior, measuring marketing performance through the use of digital analytics (Phippen, Sheppard, &

Furnell, 2004; Hennig-Thurau et al., 2010). Various marketing studies have shown that the use of marketing performance measurement data when making marketing decisions results in positive performance implications (Kannan, Pope, & Jain, 2009; Mintz & Currim, 2013; Järvinen & Karjaluoto, 2015).

Digital marketing and media means better value for customers since companies can send personalized communications and special offers that are tailored to customers' individual preferences (Cader & Al Tenaiji, 2013). Companies increasingly bring brands closer to consumers' everyday life and the customer's role as coproducer of value is becoming increasingly important (Prahalad & Ramaswamy, 2004). Social media plays a particularly important role in this process, as these are valuable forums through which customers can directly contact brands to exchange experiences (Yu & Yuan, 2019; Chu, Kamal, & Kim, 2019). Consumers use social media to generate information with their friends, companies, and broader online communities via posts, tweets, shares, likes, and reviews (Bailey, Bonifield, & Arias, 2018; Dimitriu & Guesalaga, 2017). Social media marketing is used across sectors and refers to “the utilization of social media technologies, channels, and software to create, communicate, deliver, and exchange offerings that have value for an organization's stakeholders” (Tuten & Solomon, 2017). Hence, promoting now has a computerized structure (Ahmed et al., 2015). In a systematic review of the surrounding literature, it is evident that social media has been widely adopted for marketing (Kapoor et al., 2018). Social media is now everywhere and has taken on greater importance over the past five years. At its core, social media is a communications and networking tool whose popularity has been constantly rising since its users can connect, share, and interact among themselves (Anusha, 2016).

### **Business development through electronic services**



Many companies have built innovative, interactive, and digitized platforms in which customers conveniently obtain product information and communicate in real-time with companies and other consumers (Yu, Yuan, Kim, & Wang, 2020). As such, electronic services influence business development. In this way, companies may receive timely feedback suggestions from users, creating greater brand value and a competitive advantage for companies (Ranjan & Read, 2016). Consumers may get information about products through interactions (Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010) that could benefit those who have created a strong and sustainable connection with their preferred brands (Morgan-Thomas & Veloutsou, 2013). Cader and Al Tenaiji (2013) demonstrate that companies must strive for a complete view of their customers as the relationship shifts from commerce to collaboration, which also contributes to better brand positioning. In accordance with this, developing strong relationships with customers is the main objective of marketing programs (Soler-Labajos & Jiménez-Zarco, 2016). Customer relations are improved using social media, which reflects positively on the development of e-business. Just as the use of digital and social media is changing how people live, learn, and connect with one another (Quan-Haase & Young, 2010; Gruzd, Paulin, & Haythornthwaite, 2016; Van Dijck, 2012), fundamental shifts are also taking place within businesses that take advantage of social media (Jacobson, Gruzd, & Hernández-García, 2020). This necessitates adjusted business strategies. Those in business realize the importance of this and are adopting strategies and tools to engage with social media (Misirlis & Vlachopoulou, 2018). In this context, Alalwan explains that the customers who find social media advertising beneficial are more likely to be willing to purchase targeted products (Alalwan, 2018). Additionally, a key part of effective customer relations is delivering pertinent information at the correct time and forming a personalized connection with customers (Peppers & Rogers, 2017). Used correctly, such personalized offers can deliver five

to eight times the return on investment on marketing expenditure and increase sales by more than 10% (Jacobson, Gruzd, & Hernández-García, 2020).

Existing research shows that digital and web experiences affect the mental processes of consumers and enhance their online buying decisions (Cetinã, Munthiu, & Rădulescu, 2012). In this way, the Internet is the most powerful tool for businesses (Yannopoulos, 2011). Marketing managers who fail to exploit this in their business marketing strategies may become disadvantaged by not adopting changing approaches to brand, pricing, distribution, and promotions (Bala & Verma, 2018).

Despite the numerous advantages of digital marketing, few studies investigate the strategic application of digital marketing in developing countries and transition economies. Existing research mostly focuses on developed countries and mainly looks at individual aspects of digital marketing. In conducting preliminary research, the authors discovered that there was a significant deficit in studies integrating different aspects of the digital marketing analysis. Digital technologies influence economic processes and societal development and thus strongly affect the business of companies. Meanwhile, the implementation of new technological solutions based on Internet services and modern information technologies can revolutionize both business practice and day-to-day life (Vial, 2019). Digital transformation cannot bridge economic and social division, but it may reduce it. It therefore represents a significant opportunity for less developed countries (Aly, 2020) such as Montenegro. By exploring the links between influential factors of digital transformation, the impact of digital marketing on promotion and brand positioning, and the correlation of digital marketing and e-business development, this paper fills a notable gap in existing scholarly literature.

### **3. Hypothesis Development and Conceptual Model**

Taking into account the recognized gap in the literature, as well as the stated motives for this research, the authors created a conceptual model based on three hypotheses.

Montenegro is a 14,026 sq. meter transition country situated in South Eastern Europe and the Balkans. According to Internet World Statistics (2020), 628,000 people live in Montenegro, approximately 449,989 of whom accessed the Internet in December 2019. This equates to 71% of the population, as stated by Internet World Statistics (IWS, 2019). Comparatively, 87.7% of the European population have internet access, comprising 16% of global internet use. The world average is 58.8%. In terms of social media, Montenegro had 381,800 Facebook users in January 2020, which is a 67% penetration rate. Digital marketing can, therefore, contribute to the improvement of companies' operations from both an operational and economic standpoint (Çizmeçi & Ercan, 2015; Nuseir, 2016; Yasmin et al., 2015; Chaffey, 2019). A wide range of business performances are affected by digital marketing (Çizmeçi & Ercan, 2015; Ahmed et al., 2015), but there is a lack of research on what factors determine the use of digital marketing. Due to a lack of research on this topic, particularly in Montenegro, the authors have consulted previous research conducted in other countries in order to identify key factors that might have a significant influence on the application of digital marketing application in transition countries. Some of these are presented below in Table 1.

**Insert Table 1 about here**

However, although previous research has identified the key factors affecting the implementation of digital marketing, these results do not measure its relative importance, which is another aim of this paper. Therefore, considering previous research (especially the research of Bogeia & Britho, 2018; Ritz et al., 2018; Eze et al., 2020; and Siamagka et al.,

2015) the authors established the first hypothesis: *identified factors have a significant level of influence on the use of digital marketing* (H1). Key factors were identified: business activity, the size of the company, the period of digital marketing implementation, forms of digital marketing, the people in charge of its application, the measurability of effects, methods of measurement, cost-effectiveness, the application of traditional marketing, and brand perception.

Previous academic literature suggests that one of the main roles of digital marketing should be strengthening brand awareness and loyalty among customers (Çizmeçi & Ercan, 2015; Zhang et al., 2015; Nuseir, 2016; Yu & Yuan, 2019). However, most of these studies are related to developed countries and there are insufficient studies on the impact of digital marketing on promotion and brand positioning among transition economies. Hence, the second hypothesis refers to the examination of relationships between the aforementioned categories. In accordance with the above, using the identified factors and the results of prior research (Table 1), the second hypothesis is that *digital marketing has a positive influence on brand promotion which correlates with brand positioning* (H2). Additionally, based on previous research that has determined that the Internet is the most powerful tool for businesses (Dehkordi et al., 2012; Ying & Jin, 2014; Yannopoulos, 2011), the authors sought to examine how increased use of digital marketing contributes to the development of electronic business and stronger company competitiveness. The research of Caputo et al. (2019) suggested that the development of managerial digital knowledge and interactions with multiple partners were prerequisites for e-business development and the digital transformation of the national economy. These results were also confirmed by Švarc et al. (2020), who also emphasized the overall importance of human, social, structural, and institutional factors. These findings were also supported by Garzella et al. (2020) and Caputo et al. (2016). There is, however, lack of research on this topic in transition countries; especially in Montenegro. This motivated the

third hypothesis, which is that *digital marketing positively correlates with the development of e-business* (H3).

The conceptual model, based on these hypotheses, is presented in the Figure 1 given below.

**Insert figure 1 about here**

In order to obtain objective answers to these hypotheses, a multivariate analysis was applied to the survey data.

#### **4. Materials and methods**

The authors developed a questionnaire based on the motives and goals of the research, the defined hypotheses, the results of previously published research on digital marketing and e-business, and assessments of theoretical models. The questionnaire was prepared in both Montenegrin and English and, with the cooperation of the Chamber of Commerce, it was forwarded to 250 corporate e-mail addresses in Montenegro. The 250 targeted companies were selected based on their years of existence. It was expected that new companies and their managers would use some form of digital marketing. This, however, was not always the case for companies that had been in the market for a longer period of time. Thus, the sample only consisted of companies that had been in business for at least ten years. This form of selection sought to investigate whether or not these companies had adjusted to modern trends and used the disposable resources and possibilities of the digital era in order to strengthen their brand and advance its existing recognizability. This ensured the best possible representativeness of our sample, which included companies from all three regions (the North, the Centre, and the South). In terms of geographical spread, the demographic of the respondents was 48% from

the central region; 28% from the southern region; and 24% from the northern region. Therefore, the sample provided a relatively balanced representation of companies from across the whole country, which led to a stratified random sample. The survey was undertaken in the second quarter of 2020 and lasted 30 days. Respondents returned 172 fully-completed polls, giving an answer rate of 68.80%. The poll consisted of three set of questions. The first set of questions was related to basic information about the company: years of operation, the business field in which it operates, and the number of employees. This set was made up of close-ended questions. The second part sought to investigate the method and degree of application with regards to digital marketing. It used multiple choice questions related to the period of digital marketing implementation, the people in charge of it, the instruments of digital marketing that were primarily used, the perception of its cost-effectiveness, the ability to measure its effects, and methods of measurement. Finally, the third set of questions was related to the managers' perceptions of the effects of digital marketing on promotion and brand positioning, as well as on e-business development. These questions were graded on a Likert Scale of 1 to 5 (1 - completely disagree; 5 - completely agree). The pilot survey, which examined the validity of the questionnaire's content, was conducted on a sample of 12 managers. Their suggestions influenced the questionnaire's final form. In order to ensure the comprehension of the survey, it was pilot-tested and checked by a proofreader.

The data was analyzed using the Structural Equation Model, Analysis of Variance (ANOVA) test and eta-coefficient. Structural Equation Model (SEM) was used to provide answers to hypotheses. This included a set of statistical methods that explained the complex relationships between one or more independent variables and one or more dependent variables (Hooper, Coughlan, & Mullen, 2008; Rex, 2016). SEM provides a measurement model and a structural model. The measurement model determined the relationship between the measured variables and the latent variables (factors), while the structural model worked with the relationships

between the latent variables. Latent variables were free of random errors because errors were calculated and eliminated, leaving only general variance.

In order to facilitate a deeper analysis of the use of digital marketing in companies, we applied the ANOVA test. ANOVA is an analytical model which tests the significance of differences (Tabachnick & Fidell, 2007). The advantage of this method is that all variations, as well as their mutual influence, are accounted for. These are otherwise impossible to estimate. ANOVA represents a special mathematical-statistical procedure that allows us to test the significance of the difference between arithmetic means from three or more samples. Within that, we can test the influence of one or more factors on the variability of a tested numerical feature.

Additionally, in order to examine the significance of the period during which digital marketing was applied to the observed variables, we used the eta-coefficient, whose squared value represents a relative measure of association.

We processed the collected data in the SPSS program (Statistics 20) and, during the analysis, used the method of descriptive statistics. The validity of the structural equation model specification was assessed using four groups of tests: chi-square, absolute fit measures, incremental fit measures, and parsimony fit measurement. The values of all parameters were satisfactory, indicating that the model and the subsequent analysis was accurate. For SEM, IBM AMOS program for data processing was used. The results of the research are offered below.

## **5. Results and discussion**

Managers in companies of different sizes and from different industries participated in this research. The characteristics of respondents are shown depending on the number of employees in the company in which they work; then, depending on how long their companies

have used digital marketing; and, finally, depending on who is in charge of digital marketing in the observed companies (as presented in Table 2).

**Insert table 2 about here**

The research provides a number of relevant conclusions. The largest amount of respondents were employed in companies with less than 9 employees (34.30%), then in companies with 50 to 250 employees (30.23%), and the smallest number of respondents were employed in large companies of more than 250 employees (9.30%). This structure reflects the economy of the analyzed market, with the largest number of companies coming from the sector of small and medium enterprises. The research shows that companies have most often used this type of marketing for between 5 to 10 years (41.28%), or less than 5 years (36.05%). The share of companies that do not use digital marketing (11.63%) is similar to that of companies that have used digital marketing for more than 10 years (11.05%). Finally, employees and internal experts are most often in charge of digital marketing (52.91%), while companies hiring a combination of internal and external experts for digital marketing were represented the least (10.47%).

Most companies served the tourism and hospitality sector (30 companies, or 17.44% of the sample), followed by trade (22 companies, or 12.79% of the sample), finance/banking/insurance (20 companies, or 11.63% of the sample), and production (18 companies or 10.47% of the sample). The least represented activities of the companies in the sample were energy, traffic/transport/logistics, and other activities (4 companies each, or 2.33% of the sample).

The previously defined conceptual model of the importance of the application of digital marketing on promotion, brand positioning, and e-business development was tested using the



appropriate SEM model. The authors used a combination of Confirmatory Factor Analysis (CFA) and SEM. CFA was used to confirm and trim these constructs and items (measurement model). SEM was used to unveil potential relationships between these items and constructs (structural model). Collectively, these are known as CFA-SEM. The reliability coefficient for the independent variables was 0.713, representing an acceptable value for this coefficient in social science research. (Hair et al., 2006). Based on the results of CFA, it is concluded that all ten independent variables (business activity, size of the company, period of implementation, forms of digital marketing, people in charge, measurability of effects, ways of measurement, cost-effectiveness, traditional marketing, and brand perception) affect the formation of the latent variable – the use of digital marketing. The results of the SEM are given below in Figure 2.

**Insert Figure 2 about here**

The SEM includes a random error, denoted by "e". Error  $e_1$  is related to the ability of the variable, which represents the "Activity of companies" in explaining the variance of the factor "The use of digital marketing" etc.

The path diagram shows the impact of the analyzed factors on the use of digital marketing in company business. Specifically, this is the activity of the company, then its size or number of employees, the period during which digital marketing was used, and sub aspects of digital marketing (for example, carriers of digital marketing in the company, forms of digital marketing, the sufficiency of traditional marketing in promoting and positioning the brand in modern business, the ability to measure the effects of digital marketing, ways to measure effects, cost effectiveness, and brand perception). The diagram, after identifying the latent

variable representing companies' use of digital marketing, shows its impact on two measured variables: the promotion and positioning of the brand, and the development of e-business. Above the rectilinear arrows from the corresponding measurable variables to the latent variable, and from the latent variable to two measurable factors, the values of the standardized regression coefficients are given. The higher their value, the more significant the influence of the factor on the latent variable and the greater its influence on the measurable variables.

By analyzing the estimated regression coefficients of the SEM, we conclude the following:

(1) The high values of regression coefficients indicate the significant influence of the use of digital marketing in business, except in cases where the size and activity of the company influences such use. The effect that digital marketing has on brand perception also provides an exception.

(2) The most significant variables that affect the use of digital marketing are the period of use of digital marketing (0.768); carriers in charge of the implementation of such activities (0.717); and cost effectiveness (0.643). The variable with the least influence is the size of the company, with a regression coefficient of 0.099.

(3) The second part of the path diagram shows that digital marketing positively impacts brand promotion and its positioning in the minds of consumers. The greater use of digital marketing also positively affects the development of e-business, which further benefits company competitiveness.

The validity of the SEM specification is examined by applying a large number of tests, as given below in Table 3. The tests most commonly used relate to model validity indexes, and we classify them into four groups: chi-square, absolute fit measures, incremental fit measures, and parsimony fit measurement.

**Insert table 3 about here**

Based on the testing, the results of the SEM assessment are taken as valid.

The next phase of research analyzed digital marketing use by examining the implementation of traditional marketing in brand promotion. We then observed differences in the application of appropriate forms of digital marketing, who was in charge of digital marketing, ways to measure the effects of digital marketing and the cost-effectiveness of digital marketing for promotion, and brand positioning, depending on the time of use of digital marketing. The ANOVA test facilitated this examination. When the period of digital marketing use is taken as a control variable, then comparisons between the expected values of research variables necessitates the use of ANOVA, because the number of groups included in the analysis is greater than two. This research included five modalities of digital marketing periods, or five groups depicting the equality of expected values. The areas included in the analysis were selected based on the relative importance assessed by the SEM, but also in accordance with their importance in existing studies related to digital marketing in business.

The ANOVA test begins by analyzing the results of descriptive statistics (as shown below in Table 4).

**Insert table 4 about here**

The analysis of the first dependent variable (the sufficiency of traditional marketing in today's business conditions) in relation to the control variable (the period of digital marketing use) shows that companies applying digital marketing for any period of time feel that traditional marketing is not enough to promote and position their brand (the average value is 2, corresponding to "No" in this dependent variable). These results confirm the findings of alternative studies wherein people are bombarded with many advertisements and traditional promotional styles are so thick that they cannot be relied upon to benefit brand positioning. Brand positioning creates a divergent/positive/motivational product image in peoples' minds (Ahmed et al., 2015). On the other hand, those respondents who stated that their companies

did not apply digital marketing often believe that traditional marketing is still of great importance (the average value is 1.2, corresponding to "Yes" for the first dependent variables in the table). Based on the values of standard deviation and standard error, all respondents had a unique answer ("No") to this first dependent variable, with the condition that these participants stated that their companies use digital marketing in their business (the value of standard deviations and standard error is 0).

The research also shows that companies that have used digital marketing for more than 5 or 10 years use "social networks" most often (the average value 3 is equal to the answer "social networks"). These results correlate with other research explaining that the emergence of new social networking platforms allows individuals to communicate with hundreds or even thousands of their peers about products, brands, and companies (Choi, Seo, & Yoon, 2017; Rasheed Gaber, Elsamadicy, & Wright, 2019). Companies that have been using digital marketing for less than 5 years most often use e-mail marketing to promote and position their brand (the average value of approximately 4 corresponds to the answer "e-mail marketing"). Companies that prefer this method answer all e-mails manually to increase customer satisfaction. This is a time-consuming process, particularly for Human Resources. It is also necessary to point out the dispersion and diversity of sample data that includes companies using digital marketing. Participants offered a large number of answers, influencing a high value of standard deviation and standard error, while the answers for companies that did not use digital marketing were homogeneous. This was expected.

The analysis showed high standard deviation values for measurements of digital marketing effects. This suggests that companies using digital marketing deviate largely in their answers to this question, while those not using digital marketing offer a unique answer (the value of standard deviation and standard error was 0). By analyzing the expected values, it was concluded that the most common way to measure the effects of digital marketing in

companies and apply it across a period of 5 to 10 years was Google Analytics (expected value 4 belongs to the answer "Google Analytics"). These results are not surprising, as web analytics tools offer comprehensive information about customer behavior and resulting outcomes. They are also easy to use and do not require direct monetary investments (Järvinen, 2016). For companies that have been using digital marketing for more than 10 years, the effect is measured by applying the Social Network User Engagement Rate (expected value 3 corresponds to this way of measuring the effects of digital marketing). High engagement rates indicate audience responsiveness and the number of "real" followers, the type of content deemed most interesting, and brand awareness (Poetze, Ebster, & Strauss, 2018; Rahman, Kumaran, Zanuddin, Moghavvemi, & MdNasir, 2016). In companies that have used digital marketing in business for less than 5 years, the effect is measured by applying the Degree of Interaction (expected value 5 belongs to this answer). These results suggest that the instruments of digital marketing are changing over time, implying that the use and perception of this form of marketing is different at the beginning in comparison to at the end, once it has had a positive impact on brand equity. However, it also suggests that brand perception is changing the ways digital marketing is being applied. This is manifested in the different measurements used to track its effects. The companies that use this form of marketing for a longer period of time use different measurement approaches in comparison to those companies that use it for a shorter period of time.

The research finds that all respondents whose companies have used digital marketing for more than 10 years consider it cost-effective for promotion and brand positioning. As other research studies have shown, digital marketing, and especially social media marketing, is possibly the most cost-efficient advertising strategy (Song, 2001; Anusha, 2016). However, companies that do not use digital marketing perceive such methods as expensive, indicating some ignorance. Companies that have been using digital marketing for less than 5 years, or between

5 and 10 years, provided different answers to this question (standard deviation and standard error have a value different than 0), but most of them consider digital marketing as cost-effective for promotion and brand positioning (the average value of the answers for these two categories of respondents is closer to the value 1, or "Yes" for cost-effectiveness). Digital marketing is, without a doubt, a significant part of any marketing strategy and its benefits are so great that avoiding its use is a missed opportunity (Bala & Verma, 2018; Mandal & Joshi, 2017). This research suggests that digital marketing is a key element to success and that many marketers understand the potential for business growth through online platforms, confirming the results of other studies (Chaffey, 2019; Dehkordi et al., 2012).

The results show that, if digital marketing is applied in a company for a period of between 5 and 10 years, then it is realized by professionals who are employed within those companies (average answer for this group is 3.85 or approximately 4). If digital marketing has been applied for more than 10 years, then it is overseen by internal or external experts. This is logical in situations where digital marketing has impacted business, caused company growth, and increased the volume of work. In such cases, the company requires experts. These results suggest that digital marketing management includes both internal and external employees and infrastructure, as confirmed by Chaffey's research (Chaffey, 2010). On the other hand, if digital marketing has been applied for less than 5 years, internal and external experts take responsibility, as unfamiliarity means a company may need help in creating promotion strategies and training employees. If the company does not use digital marketing, then our sample responses show no people in charge (average answer 3 coincides with the answer that digital marketing is not used and that there are no people in charge of digital marketing).

Based on the obtained results, we accept hypothesis H1.

The results of the ANOVA test for all of the research questions defined in observed period - those related to the usage of digital marketing as a control variable - are presented in the next sections, including Table 5.

**Insert table 5 about here**

The initial hypothesis of the ANOVA test posits that the expected values of the variables are equal for any answer to the control variable question, which asks how long digital marketing has been used in the companies covered by the research. Based on the results of descriptive statistics, we noticed that there is a discrepancy in the answers related to the control variable. These discrepancies frequently manifest between companies that use digital marketing, no matter how long they use it, and companies that do not use this form of marketing for promotion and brand positioning. Therefore, it was logical to expect that the result of the ANOVA test would confirm this conclusion of the descriptive statistics. The calculated value of F statistics for responses to the question of how long digital marketing is used in companies - obtained by comparing the factor and residual variance, along with the associated probabilities - indicates that, for each individual variable, it is necessary to reject assumptions of equality within expected variable values. The risk of error, made by rejecting the initial hypothesis, is 0% for each individual variable.

We used the eta-coefficient (whose squared value represents a relative measure of association) to examine the importance of the period of digital marketing use on managers' perceptions of digital marketing carriers, the sufficiency of traditional marketing in modern business, forms of digital marketing, effects of digital marketing, and cost-effectiveness of digital marketing for promotion and brand positioning. This square takes a value of between 0

and 1 and represents the proportion of variance in the dependent variable explained by the independent variable. The formula for calculating the eta square is:

$$\eta^2 = \frac{SS_{effect}}{SS_{total}}$$

where:

$SS_{effect}$  = sum of squares for a given independent variable (factor)

$SS_{total}$  = the total sum of squares for all factors, interactions, and errors in ANOVA analysis

If  $\eta^2$  is 0.01 then it indicates a small impact, for a value of 0.06 a moderate impact, and for a value of 0.14 or greater a large impact. The obtained values are given below in Table 6.

**Insert table 6 about here**

The analysis of the  $\eta^2$  coefficient showed that all research questions are greatly influenced by the control variable, which is the period of use of digital marketing. However, the period of digital marketing has the greatest impact on the formation of respondents' attitudes towards the sufficiency of the use of traditional marketing to promotion and brand positioning ( $\eta^2 = 0.779$ ), followed by the impact on the cost-effectiveness of digital marketing ( $\eta^2 = 0.640$ ), forms of digital marketing ( $\eta^2 = 0.398$ ), then the impact on measuring the effects of the application of digital marketing ( $\eta^2 = 0.212$ ), and finally the impact on the carriers of implementation or people in charge of digital marketing ( $\eta^2 = 0.136$ ). The conclusion of this analysis indicates that the longer digital marketing is applied by a company, the more likely it is that the use of traditional marketing will not be enough to position and promote the company's brand. The company will also tend to use more social networks, websites, and other forms of digital marketing, as well as taking more interest in measuring the effects of the application of digital marketing, and employees within the company will become key carriers of digital marketing implementation. These results correspond to the results found in other research (Mangold & Faulds, 2009; Korschun & Du, 2013; Chaffey, 2019; Kannan et



al., 2009; Mintz & Currim, 2013; Järvinen & Karjaluo, 2015) and confirm the importance of different forms of digitalization in modern businesses.

Furthermore, in the last part of the research, the authors wanted to perform a deeper analysis of respondents' attitudes towards the importance and impact of digital marketing on brand promotion and positioning, while also examining e-business development depending on whether companies apply digital marketing. The results are presented below in Graph 1

**Insert Graph 1 about here**

When viewed through the prism of digital marketing use, the graphic presentation of the respondents' attitudes regarding the extent to which digital marketing affects positioning and brand promotion - as well as the development of e-business - provided the following conclusions:

(1) Companies that use digital marketing in their business believe that it significantly affects promotion and brand positioning as well as the development of e-business. 88% of respondents whose companies use digital marketing gave high marks (grades 3, 4, and 5) when describing the impact of this form of marketing on promotion and brand positioning. The same number of respondents (88%) whose companies use digital marketing believe that this form of marketing significantly affects e-business, giving high marks for this question (grades 3, 4, and 5). This correlates with the results of other studies (Yasmin et al., 2015).

(2) Respondents whose companies do not use digital marketing, in response to a question about the impact of this form of marketing on promotion and brand positioning as well as on e-business development, gave low marks (answers 1 and 2). This shows that these managers do not understand the importance of digitalization. What is encouraging is that the numbers are relatively small. Only 11% of respondents in this category believe that this form of

marketing does not have a great impact on brand promotion and positioning (answers 1 and 2). The impact of digital marketing on the development of e-business is also small (answers 1 and 2) in the opinion of 11% of respondents whose companies do not use this form of marketing. Only 1% of respondents gave a mark of 3 to this question.

Furthermore, using the ANOVA test, we examined whether or not there was a difference when answering these two research questions - related to H2 and H3 - between two categories of respondents – those whose companies used digital marketing and those who did not. The results are given in the following table (Table 7).

**Insert Table 7 about here**

The initial hypothesis of this test shows that the expected values (the average answers to these two research questions) are the same regardless of whether companies use digital marketing or not. In other words, this research tests whether or not a company's use (or lack thereof) of digital marketing affects respondents' attitudes towards its impact on promotion, brand positioning, and development of e-business. The corresponding probability of F statistics indicates that the percentage of error, which is made by rejecting the stated initial hypothesis, is 0% for both research questions. Thus, the initial hypothesis is rejected with a risk of error of 0% and it is concluded that respondents' attitudes about the importance of digital marketing on promotion and brand positioning, as well as on e-business development, differ depending on whether or not companies use digital marketing in business. If we connect this conclusion to the results of descriptive statistics, then it is true that respondents whose companies do not use digital marketing believe that this does not provide significant results in the field of brand promotion, brand positioning, and e-business development (assigned answers 1 and 2 to these questions). Respondents whose companies do use digital marketing believe that it contributes to better positioning and promotion of the brand, as well as e-business development (they

assigned answers 3, 4 and 5 to these questions). This has been confirmed in other studies (Çizmeçi & Ercan, 2015; Ahmed et al., 2015).

In order to examine the importance of digital marketing use on respondents' attitudes towards its impact on promotion and brand positioning, as well as e-business development, we used the eta-coefficient, whose squared value represents a relative measure of association. See Table 8.

**Insert table 8 about here**

The analysis of the  $\eta^2$  coefficient showed that both research questions are greatly influenced by the control variable, which is the use of digital marketing. However, the use of digital marketing has a slightly bigger impact on the formation of respondents' attitudes regarding its influence on the development of e-business ( $\eta^2 = 0.563$ ), followed by its impact on brand promotion and positioning ( $\eta^2 = 0.509$ ). Based on the results obtained, we accept hypotheses H2 and H3.

Based on all the above, we conclude that there are a number of factors that affect the use of digital marketing and that the period of use is a very important factor that determines the further implementation of digital marketing strategy. Research has shown that digital marketing is an important determinant of promotion and brand positioning, as well as of e-business development.

## **6. Conclusions and implications**

In recent years, more studies on digital transformation and digital marketing have been published, labelling digital technologies as inherently disruptive. Viali (2019, p. 122) reported three types of disruptions: “*consumer behavior and expectations, competitive landscape, and*

*the availability of data*". However, a significant number of scientific papers in this field, especially those concerning less developed countries, were of a conceptual nature and did not analyze the influence of digital transformation on digital marketing integrally through various aspects of application. It is important to note that existing academic literature offers a limited understanding of the relationship between digital marketing and e-business. According to the authors, the ways in which digital marketing affects the improvement of e-business in developing countries has not been sufficiently researched. Therefore, the authors conducted research to try to fill this gap. In particular, this study developed and empirically tested a model that examined the relationship between the influencing factors of digital marketing use, as well as the impact of this form of marketing on e-business development, especially through the prism of a brand of the company. The study sought to discover which factors had a significant impact on the use of digital marketing, while examining whether and how digital marketing affects better promotion and brand positioning in consumer consciousness. Thus, the authors sought to examine the level of correlation between digital marketing and e-business.

The multivariate analysis - SEM, ANOVA test, and eta-coefficient was used. The SEM was conducted in order to better understand the dynamic nature of digital marketing, the cause-and-effect factors influencing the use of digital marketing, and the impact of digital marketing on the analyzed variables. The ANOVA test and the eta-coefficient made it possible to determine the individual influences of the analyzed factors related to the practice of digital marketing in the market in question. The tests show that the results of the assessment using the aforementioned methods are valid.

The research showed that the largest number of analyzed variables from the model had a significant impact on the use of digital marketing. Regression coefficients, for almost all variables, had high values, indicating the significant impact of the analyzed variables on the

use of digital marketing. Furthermore, the results showed that this impact differs depending on the type of variable. The most significant variable influencing the degree of digital marketing use is that which examines the period of digital marketing use (0.768), while the variable with the least influence on this is the size of the company (0.099).

Research has shown that companies that apply some form of digital marketing, no matter for how long, believe that traditional marketing is not enough to promote and position a brand in modern business. Relying on the results of the research, the authors found that greater use of digital marketing has a positive effect on the development of e-business, particularly with regards to electronic services that affect customer loyalty and strengthen the company's competitiveness. This is in line with previous research (Yu & Yuan, 2019; Yasmin et al., 2015, Timoshenko & Hauser, 2019; Salehi et al., 2012), suggesting that both companies and customers recognize the benefits of digitalization and e-business services in developed countries and transition countries. In addition to the fact that this type of research is the first of its kind in the analyzed market, this study offers added value to existing academic literature by examining the concept of digital marketing through multi-context analysis.

Additionally, research has shown that social networks are the form of digital marketing that companies use most often. This is especially evident in companies that use digital marketing for more than 5 or more than 10 years. The most common ways to measure the effects of digital marketing are Google Analytics, followed by the Social Network User Engagement Rate and the Degree of Interaction. These results are not surprising when considering the fact that 74% of the population in Montenegro actively use social networks (We are social, 2020). However, it takes time and experience to attract followers on social networks, which explains why this instrument of digital marketing is mostly used by companies that have been implementing digital marketing for more than 5 years. These findings are also in line with previous research (Yu & Yuan, 2019; Çizmeçi & Ercan, 2015; Siamagka et al., 2015; Zhang

et al., 2015), suggesting that social networks are very effective tools when it comes to the promotion of the company and the strengthening of brands.

Furthermore, research has shown that respondents believe that the use of digital marketing is cost-effective for promotion and brand positioning. This is particularly demonstrated by managers whose companies have been using digital marketing for more than 10 years. Through multivariate analysis, it has been shown that companies that use digital marketing in their business believe that this form of marketing significantly affects the positioning and promotion of their brand, as well as the development of e-business. Thus, for example, the analysis of the  $\eta^2$  coefficient showed that the key factors are: (1) promotion and brand positioning and (2) the impact on the development of e-business under the influence of the control variable, which was the use of digital marketing. However, the use of digital marketing has a slightly greater impact on the formation of respondents' attitudes regarding its influence on the development of e-business ( $\eta^2 = 0.563$ ) in relation to the impact on promotion and brand positioning ( $\eta^2 = 0.509$ ). In addition, research has shown that the longer digital marketing is applied in a company, the more likely it is that the use of traditional marketing will not be enough to position and promote the company's brand. The length of time a company uses digital marketing also spurs a greater the use of social networks, websites, and other forms of digital marketing, the better the effects of digital marketing can be measured, and the more likely it is for employees in the company to become key players in the application of digital marketing. Based on the results, all three hypotheses were correct. Such results are not surprising when considering the fact that, similar to the use of traditional marketing, the company must acquire specific knowledge in order to successfully implement different forms of digital marketing. Additionally, the application of digital marketing can be considered an investment that takes time to obtain customers' trust and thus gather positive feedback, which explains why companies that implement digital marketing for longer periods

of time are more able to measure its effectiveness (Nuseir, 2016; Piccinini et al., 2015; Salehi et al., 2012). These conclusions are equally valid for both transition countries (such as Montenegro) and developed countries.

The results of the research lead to the conclusion that, in transition economies, the effect of using digital marketing is similar to that of developed countries - better promotion, increasing brand awareness, and better positioning. This strengthens the competitiveness of companies through the development of various forms of electronic services and electronic business. These results should not be surprising if we take into account the fact that, even in less developed markets, we see an increasing presence of international companies from developed countries that operate in accordance with modern trends. Hence, in less developed markets, the issue of digital marketing has become increasingly important.

Based on the results of this research, the authors suggest managers involve as many employees as possible in digital marketing activities to ensure that all, and not just marketing managers, are aware of the importance of this practice in ensuring adequate promotion and positioning in the consciousness of their customers. Undoubtedly, the concept of digital marketing leads to better brand promotion and positioning (Ahmed et al., 2015; Yu & Yuan, 2019). Therefore, in the opinion of the authors, it is necessary to have employees as internal stakeholders in order to adequately implement the digital marketing strategy and achieve the best possible results. We conclude that more work needs to be done on the use of digital marketing, especially in less developed countries.

The obtained results may serve as guidelines for managers and decision-makers in the implementation of digital marketing strategies and the development of electronic services that can ensure global reach for business, multi-channel customer interaction, cost-saving, and competitiveness. These conclusions may produce more implications for managers and other decision-makers. Professional management support must be present at all stages when

developing a strategy for the use of digital marketing. Decision-makers must be aware that the necessary knowledge, skills, and trends, serve as prerequisites for the development of good digital marketing practice. However, without the adequate integration of this concept into e-business, the implementation of digital marketing in promotion and brand positioning is likely to fail. In other words, it is not enough to make a decision on the implementation of a digital marketing strategy, but it is essential to implement it. Thus, the concept of digital marketing needs to be viewed as part of a corporate business strategy.

The discrepancies in the analyzed factors regarding the use of digital marketing act as signals to managers that, when planning and developing strategies, they must take into account influential factors, such as the sector in which they operate, the size of their company, and the diversity of their electronic services. This is especially important in the case of domestic companies in Montenegro that used to rely mostly on traditional marketing, especially considering the fact that Montenegro is a market with strong foreign competition. The application of digital marketing in this context can attract consumers just as efficiently as large international companies do elsewhere.

In addition to the practical, the authors believe that this paper has a significant theoretical contribution. These results, in addition to expanding the base of empirical research on the topic of digital marketing, offer added value to existing scholarly literature by analyzing this concept through different dimensions. In this way, this paper emphasizes the importance of the concept of digital marketing through various observational approaches.

### ***Limitations and Future Research***

The obtained results form a good basis for the conceptualization of further research. They are not particularly unexpected, but they reflect some specificities of the Montenegrin market.



The obtained results suggest some key factors that all companies should consider when planning and implementing digital marketing strategies. This research also presents differences in terms of the instruments used and the ability to measure the effects of digital marketing depending on the period of its application. Thus, it suggests which instruments should be considered appropriate and which ways of measuring its effects may be suitable for a company, depending on the skills and knowledge of the people in charge and the existing ways in which the company communicates with customers. However, this paper has several limitations in which opportunities for future research may be found. Firstly, the research was carried out in just one country – Montenegro - which is a transition country. It would be interesting to broaden this area of research to include countries with a similar level of development, such as the Western Balkans. It would also be prudent to conduct research for the countries of Southeast Europe or Europe in its entirety, thus observing the differences between developed and developing countries.

Secondly, the findings of this paper could be extended by analyzing the impact of digital marketing on different types of organizational performances linked to marketing metrics. For example, the application of digital marketing in companies and organizations (profit vs non-profit sector) could be compared.

Similarly, future research should focus on the analysis of factors that could enable companies to profit when adopting the practices of digital marketing, electronic services, and e-business.

Finally, in addition to considering the opinions of managers, subsequent studies should seek to uncover the interactive and combined effects of other types of stakeholders according to this concept. In this way, research that includes both managers and customers would further enlighten this study's findings. These limitations may serve as incentives for researchers in the future.

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**Table 1:** An overview of research undergirding the hypotheses development and the conceptual model

References	Sample	Methodology	Object of research
Bogea & Britho, 2018	17 marketing executives of large companies in Brasil	Thematic analysis	Identification of key factors that affect the adoption of different forms of digital marketing, especially social media
Ritz et al., 2018	250 small business owners/managers	Structural equation modeling	The application of digital marketing using internal resources and DIY model of behavior
Eze et al., 2020	26 managers of small and medium business	Thematic data analysis	Critical success factors influencing the adoption of digital marketing devices
Siamagka et al., 2015	5000 B2B organizations from UK	Bivariate correlation analysis	Factors that determine social media adoption by B2B organizations
Noyola-Medina et al., 2018	256 companies from Mexico	Structural equation modeling	The impact of innovation on digital marketing adoption
Çizmeçi & Ercan, 2015	10 marketing and corporate communications specialists	Delphi technique	The impact of digital marketing on brand awareness generation
Yasmin et al., 2015	A sample of 1050 companies	Correlation analysis	The importance and effectiveness of digital marketing
Yu & Yuan, 2019	A survey of 708 South Korean and Chinese consumers	Confirmatory factor analysis	Factors driving consumers' social media brand experience and its effect on customer equity
Krishnaprabha & Tarunika, 2020	A sample of 70 respondents engaged in digital marketing	Correlation and regression analysis	The effects of digital marketing on perceived brand quality, brand awareness and brand loyalty
Niculescu et al., 2019	A study of top 10 Romanian companies	Multivariate analysis	The effects of firm's online presence on brand equity
Ahmed et al., 2016	Indices of digital transformation for a group of developing countries	Feasible generalized least squares method	The relationship between digital transformation and economic development

**Table 2:** Characteristics of respondents.

		N	Weighted %			N	Weighted %
<b>Size of the company (number of employees)</b>			<b>Period of use of digital marketing</b>				
Up to 9	59	34.30	From 5 to 10 years	71	41.28		
10-49	45	26.16	More than 10 years	19	11.05		
50-250	52	30.23	Less than 5 years	62	36.05		
More than 250	16	9.30	It is not used	20	11.63		
<b>Who is in charge of digital marketing</b>							
Employees (internal experts )	91	52.91	Combination (internal and external)	18	10.47		
External experts (agency)	43	25.00	Digital marketing is not used	20	11.63		

**Table 3:** Goodness of Fit Indices

<b>GOF INDICES</b>	<b>CRITERION GUIDELINES</b>	<b>SEM RESULTS</b>
<b>Chi-square</b>		
Chi-square		444.647
Degrees of freedom		54
Probability level	p>0.05	0.161
<b>Absolutes fit measures</b>		
Root Mean Square Error Approximation (RMSEA)	<0.1	0.206
<b>Relatives fit measures</b>		
Bollen's Incremental Fit Index (IFI)	close to 1	0.963
<b>Incremental fit measures</b>		
Normed Fit Index (NFI)	>0.9	0.599
Comparative Fit Index (CFI)	>0.9	0.957
<b>Parsimony fit measurement</b>		
Parsimony-adjusted Normal Fit Index (PNFI)	>0.5	0.546
Parsimony-adjusted Comparative Fit Index (PCFI)	>0.5	0.590

**Table 4:** Descriptive statistics by variables for four determined answers to the question about the period of use of digital marketing

Dependent variables	Control variable	Mean	Std. Deviation	Std. Error
Is traditional marketing today enough for promotion and brand positioning?	5-10 years	2.00	.000	.000
	More than 10 years	2.00	.000	.000
	Less than 5 years	2.00	.000	.000
	It is not used	1.20	.410	.092
	Total	1.91	.291	.022
Which forms of digital marketing do you use most for promotion of your business (brand)?	5-10 years	3.08	.627	.074
	More than 10 years	3.43	1.257	.288
	Less than 5 years	3.85	1.502	.191
	It is not used	1.00	.000	.000
	Total	3.18	1.371	.105
How do you measure the effects of digital marketing?	5-10 years	3.78	2.149	.255
	More than 10 years	2.95	1.129	.259
	Less than 5 years	4.60	1.531	.194
	It is not used	6.00	.000	.000
	Total	4.16	1.905	.145
Do you consider that digital marketing is cost effective for promotion and brand positioning?	5-10 years	1.03	.167	.020
	More than 10 years	1.00	.000	.000
	Less than 5 years	1.13	.338	.043
	It is not used	2.00	.000	.000
	Total	1.17	.381	.029
Who is in charge of digital marketing in your company?	5-10 years	3.85	1.104	.131
	More than 10 years	2.14	1.167	.268
	Less than 5 years	2.15	1.472	.187
	It is not used	3	.000	.000
	Total	2.92	1.280	.098

**Table 5:** ANOVA test by variables for five determined answers to the question about the period of use of digital marketing

Variables		Sum of Squares	df	Mean Square	F	Sig.
Is traditional marketing today enough for promotion and brand positioning?	Between Groups	11.312	3	3.771	197.953	.000
	Within Groups	3.200	168	.019		
	Total	14.512	171			
Which forms of digital marketing do you use most for promotion of your business (brand)?	Between Groups	127.805	3	42.602	36.967	.000
	Within Groups	193.608	168	1.152		
	Total	321.413	171			
How do you measure the effects of digital marketing?	Between Groups	131.571	3	43.857	15.062	.000
	Within Groups	489.191	168	2.912		
	Total	620.762	171			
Do you consider that digital marketing is cost effective for promotion and brand positioning?	Between Groups	15.856	3	5.285	99.641	.000
	Within Groups	8.911	168	.053		
	Total	24.767	171			
Who is in charge of digital marketing in your company?	Between Groups	37.974	3	12.658	8.786	.000
	Within Groups	242.044	168	1.441		
	Total	280.017	171			

**Table 6:** Eta-coefficient as a measure of association with the period of use of digital marketing in promoting and positioning the brand.

Measures of Association		
Variables	Eta	Eta Squared
Is traditional marketing today enough for promotion and brand positioning? * How long does your company use digital marketing in business?	.883	.779
Which forms of digital marketing do you use most for promotion of your business (brand)? * How long does your company use digital marketing in business?	.631	.398
How do you measure the effects of digital marketing? * How long does your company use digital marketing in business?	.460	.212
Do you consider that digital marketing is cost effective for promotion and brand positioning? * How long does your company use digital marketing in business?	.800	.640
Who is in charge of digital marketing in your company? * How long does your company use digital marketing in business?	.368	.136

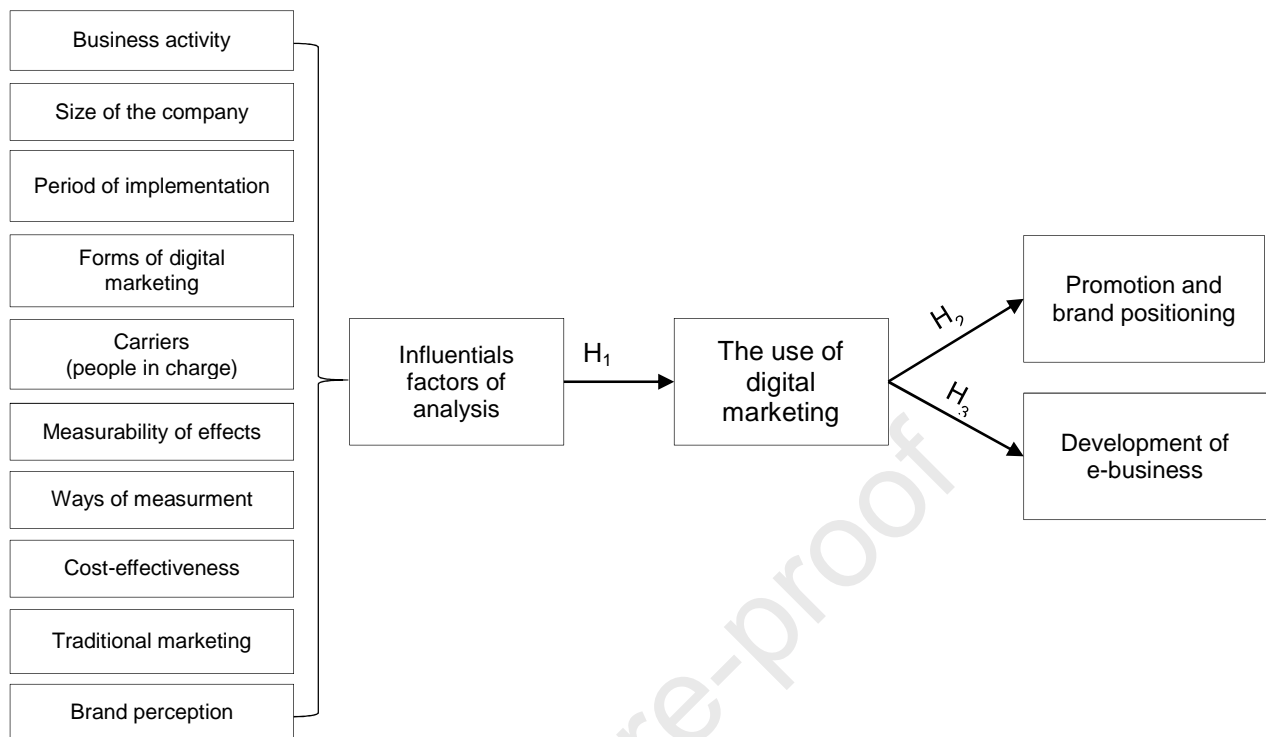
**Table 7:** ANOVA test for the importance of the use of digital marketing in the promotion and brand positioning and the development of e-business when the use of digital marketing is taken as a control variable

Variables		Sum of Squares	df	Mean Square	F	Sig.
To what extent does digital marketing affect promotion and brand positioning?	Between Groups	105.522	1	105.522	175.967	.000
	Within Groups	101.943	170	.600		
	Total	207.465	171			
To what extent does digital marketing affect development of e-business?	Between Groups	123.626	1	123.626	219.342	.000
	Within Groups	95.816	170	.564		
	Total	219.442	171			

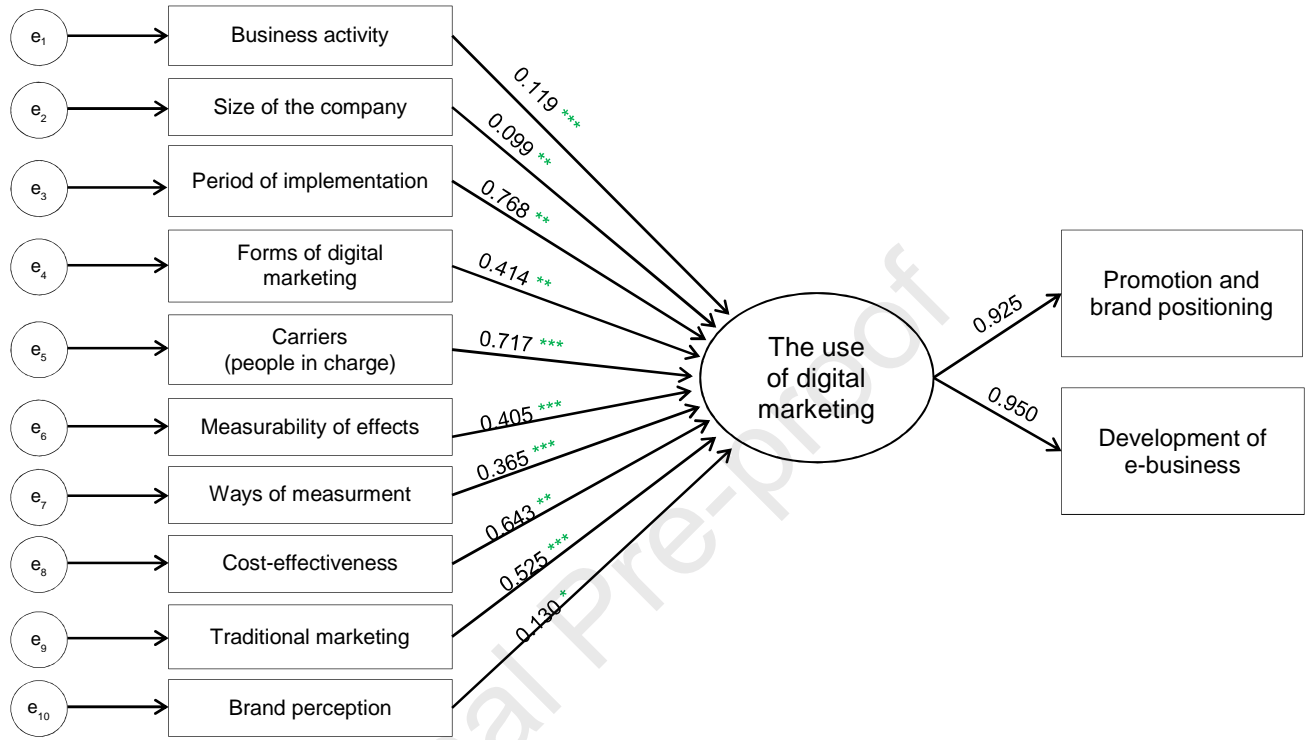
**Table 8:** Eta-coefficient as a measure of association with the use of digital marketing in the brand promotion and positioning and the development of e-business

Variables	Eta	Eta Squared
To what extent does digital marketing affect promotion and brand positioning?*	.713	.509
The use of digital marketing		
To what extent does digital marketing affect development of e-business?*	.751	.563
The use of digital marketing		



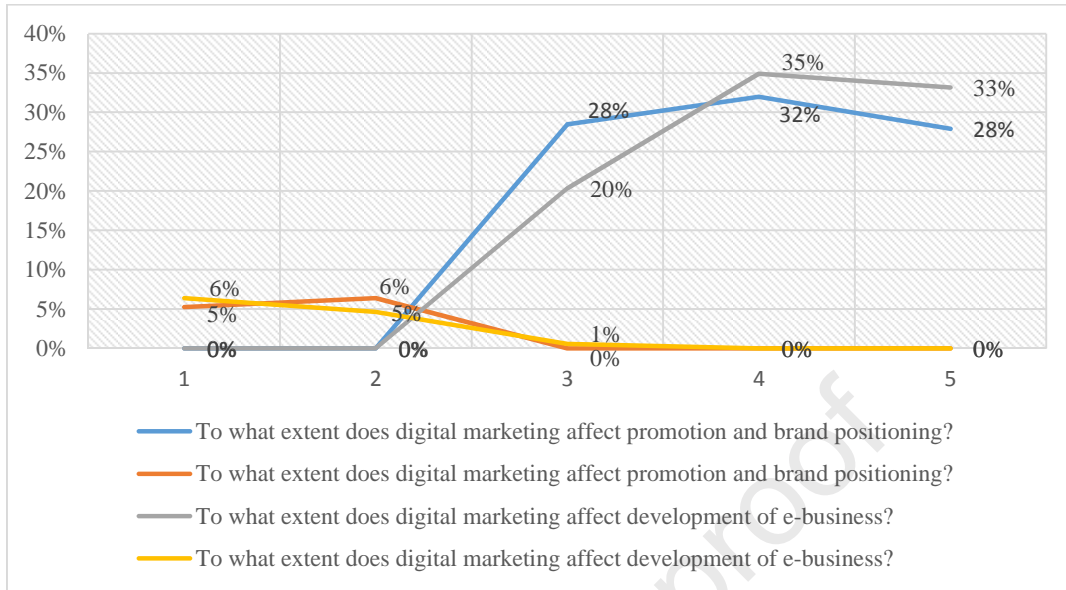
**Figure 1.** Conceptual model of research

**Figure 2:** Path diagram of SEM model The use of digital marketing and it's impact on promotion and brand positioning, and development of e - business



Legend: \*, \*\*, \*\*\* - level of significance

**Graph 1:** Overview of the relationship between the use of digital marketing and its impact on the promotion and brand positioning, as well as on the development of e-business.



## HIGHLIGHTS

- ✓ Multivariate analysis was applied to data obtained from 172 companies in transition country Montenegro
- ✓ a survey on a stratified random sample and the data was subsequently analyzed using the Structural Equation Model (SEM), Analysis of Variance (ANOVA) test, and eta-coefficient
- ✓ the use of digital marketing has a slightly bigger impact on the formation of respondents' attitudes regarding its influence on the development of e-business ( $\eta^2 = 0.563$ ), followed by its impact on brand promotion and positioning ( $\eta^2 = 0.509$ ). Based on the results obtained, we accept hypotheses H2 and H3.
- ✓ research has shown that social networks are the form of digital marketing that companies use most often. This is especially evident in companies that use digital marketing for more than 5 or more than 10 years. The most common ways to measure the effects of digital marketing are Google Analytics, followed by the Social Network User Engagement Rate and the Degree of Interaction.