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DIGITALIZATION AND MARKETING STRATEGIES

Abstract: Over the past decade, significant changes have occurred in various aspects of our daily lives, driven by advancements in technology and the opportunities offered by the Internet. These transformations brought about by digital technology have revolutionized the way society thinks and operates, leading many authors to refer to it as a digital revolution or the "information age". The ongoing process of digitalization is profoundly influencing societies and organizations, and their ability to effectively address and adapt to these changes will determine their competitiveness in the future. Recognizing this trend, many companies have acknowledged the need to adjust their operations to survive and thrive in the rapidly growing digital economy. Digital business transformation is driving significant shifts in the business landscape, impacting not only operational aspects but also industry structures and organizational dynamics at all levels. Navigating the digital transformation journey can be challenging for companies as they navigate the complexities and make critical decisions to adopt the most suitable strategies.

Key words: digitalization, marketing strategy, businesses, digital transformation

INTRODUCTION

In today's working conditions, every company is struggling to survive and stand out from the competition. This is indeed a significant challenge that cannot be achieved without implementing digitization in marketing. The emergence of crises, especially the COVID-19 pandemic, has led to the need for faster integration and adoption of the digital future. The technological changes in recent times serve as a lifeline for many businesses, indicating that the trend towards technology will become even more relevant and will continue to evolve. Digitization plays a crucial role in transforming traditional strategies into modern strategies for digital marketing. It is believed that the ability of businesses to develop digital marketing strategies in their daily operations puts them in a strong position to survive in times of crisis and, more importantly, to thrive in their activities.

The application of digital tools in marketing activities (e.g Google Analytics, Optimizely, Python, Klipfolio, Heap Analytics, and others) enables businesses to gain valuable insights into for their customers, business performance, and opportunities (Ritter and Pedersen, 2020). The availability of marketing and data analysis tools clearly highlights the importance of how data can explain market trends and better understand consumer needs (Yu et al., 2019; Petrescu and Krishen, 2020). What is even more important, marketing analytics help businesses and marketers optimize their marketing campaigns, segment their market, and reduce costs associated with marketing activities, providing sustainable long-term approaches for business organizations. All of this greatly contributes to positive effects in the process of making marketing decisions. Before further exploring the role and impact of digitization in marketing, it is imperative to first understand the fundamentals.

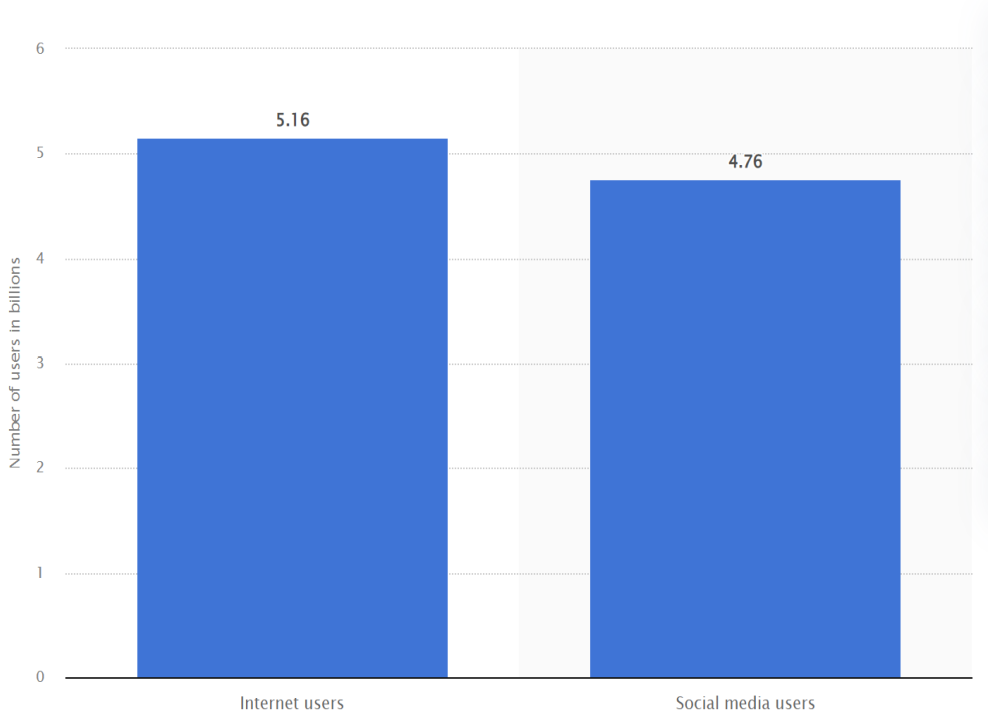
CONCEPT OF DIGITALIZATION

The term "Digitalization" is frequently used in literature, but there are varying definitions provided by different authors. Bharadwaj et al. (2013) define it as an organizational strategy that utilizes digital resources to create unique value. Rauser (2016) describes it as the strategy a company employs for all its digital initiatives, encompassing activities such as gathering necessary information, planning, identifying risks and opportunities, maintaining the digital strategy, and developing sub-strategies like digital marketing.

The daily presence and use of digital technologies profoundly reshape the strategic context of companies. It reshapes the structure of competition, business management, and as a result, industry performance. As a consequence, digitization continues to attract greater attention. Some even associate it with the "fourth industrial revolution" (McKinsey, 2022). The term "Digitalization" is frequently used in literature, but there are varying definitions provided by different authors. Bharadwaj et al. (2013) define it as an organizational strategy that utilizes digital resources to create unique value. Rauser (2016) describes it as the strategy a company employs for all its digital initiatives, encompassing activities such as gathering necessary information, planning, identifying risks and opportunities, maintaining the digital strategy, and developing sub-strategies like digital marketing.

Hence, digitalization encompasses every process and activity enabled by digital technology, emphasizing its significant impact on everyday life. Considering that 64.4 percent, or 5.16 billion people, of the world's population are active internet users, with 59.4 percent, or 4.76 billion people, using social media, it is evident that digital technology holds immense importance in an individual's life. (Statista, 2023)

Picture 1.



Source: Statista (2023)

Global digitization has multiple effects on the corporate world. By reshaping business landscapes under the influence of digitization, key drivers of value creation and acquisition are changing. This is why companies need to continuously evaluate and examine their strategies to adapt and compete in the evolving environment, especially during times of crisis. Many companies worldwide are aware of the need to introduce changes in their corporate operations by utilizing digital technology. In this context, numerous studies have been conducted, such as the one by Forrester1 in 2015, which demonstrated the awareness of the potential that digital technology has in transforming businesses and driving their performance (Fenwick, 2015).

The obtained results have confirmed that the failure to undertake any activity related to digital technology would question the competitiveness of a business. Additionally, there are studies that reveal that digitally advanced sectors within their respective industries have increased their productivity and improved profit margins three times more than the average rate compared to other sectors in the specific industry (Manyika et al., 2016). Furthermore, these studies have demonstrated that digitally transformed businesses excel not only in terms of the products and/or services they offer but also in terms of innovation in their business models and revenue growth. However, despite the numerous benefits of digitization for businesses, it seems that many businesses have not embraced significant changes until the emergence of the COVID-19 pandemic, when they were already forced to do so. This practice is highly likely and can be considered a reality for companies in the Republic of North Macedonia.

However, it is clear that digital trends are reshaping the competitive landscape of companies, indicating that digitization brings about many changes. Some of these changes prompted by digitization are presented in Table 1.

Table 1.

Changes	Explanation
Borders and industry	Digitization erases boundaries and redefines industries. Therefore, all companies should look beyond their traditional boundaries. New entrants can emerge anywhere and create "collateral damage". In addition to erasing boundaries, digitization provides impetus, among other things, for a new generation of companies with different business models, such as Amazon.
Barriers for entry and sources of differentiation	Digitization reduces barriers for entry and sources of differentiation, allowing unexpected competitors to emerge.
Consumer behavior	Digitization is constantly reshaping consumer expectations and behavior. Today, more than 86% of the population prefer to search for something online before making a purchase, rather than going to physical stores (Alaimo, 2018). Additionally, the trend of online shopping continues to grow. Furthermore, by embracing technology and connectivity, using applications and information to find what they want, where they want, and/or when they want it, consumer behavior is further empowered. This, in turn, increases the pressure on companies to provide a similar experience on a global level in order to meet consumer demands.
–Sources of knowledge	Digitization increases the sources of available expertise. Companies need to be aware that knowledge can lie beyond traditional boundaries. They must learn how to bring –together collaborative groups in a way that contributes to development while creating economic value. The critical point here is knowing how to connect with external communities and when and how value can be derived through ownership or management of the process elements. In summary, digitization enables different people to group together and significantly influence businesses in creating and acquiring value.

Data and skills	The economies of scale in data and skills are often crucial. Those "players" who are able to attract and retain digital expertise and create an engineer-friendly culture have a greater chance of success. This will strengthen consolidation within the industry and challenge others. Software partially replaces labor, and digitization involves multiple knowledge roles within the company. This leads to growing skill gaps, resulting in a changing demand for skills.
Timeframes and uncertainty	Digital technology shortens time horizons and increases uncertainty, forcing companies to look several years ahead and develop various business models to respond to market shifts and potential disruptions.
Relevant pillars	Digitization modifies the relevant pillars that someone considers when creating a business strategy. These pillars include, among others, Porter's Five Forces model.
Transaction costs	Digitization reduces transaction costs. For example, it allows companies to test their assumptions about future directions.
Prices and margins	Digitization enables close to perfect transparency, which puts downward pressure on prices and margins. Prices, service levels, and product performance can be easily compared. Therefore, the risk of changing service providers is reduced.
Compliment tools	Complimentary tools are new tools in the market that complement the best metric tools like Google Analytics and others. With their proper use, they strengthen the performance of companies.
Competitive advantage from using the "digital edge"	Digitization can provide a competitive advantage through the use of the "digital edge." The digital edge delivers advanced, stable, secure, efficient, and aligned services to customers who work with IT systems. The digital edge can be created by combining digital and physical resources in innovative ways to deliver new value. Any company today can leverage digital technology to develop a winning digital edge.

Based on what is mentioned in Table 1, it is evident that digitization contributes to providing new ways of creating value, but it also increases the challenges of capturing that created value. Digitization affects not only companies in the information and communication technology sector but also all other industries and every type of activity within their scope. Therefore, it can be freely said that all companies are in some way affected by digitization, regardless of their industry or size. Hence, understanding the value and importance of digitization is particularly important for achieving a competitive advantage.

Interestingly, digital startups do not pose a real threat to existing companies. The real threat comes from companies capable of improving their performance by combining digital technology with physical resources, organizations that understand and undertake relevant activities related to digital technology.

DIGITAL STRATEGY AND THE NEED FOR ITS CREATION

Although the terms “digital” and “strategy” are relatively well-known, their shared understanding has been revised through organizations’ experience with digital technology. On one hand, “Digital is more than a collection of technologies” (Christensen et al., 2015). “It is about the capabilities that these technologies create” (Christensen et al., 2015). “Digital is the application of information and technology to enhance human performance” (Christensen et al., 2015). Therefore, digital technology is just another technology when investments do nothing to change what people do in ways that improve their performance and are limited to marketing.

On the other hand, "strategy is setting directions, sequencing resources, and making commitments" (Christensen et al., 2015). M&BD Consulting combines the two terms and defines digital strategy as "a set of maneuvers that enables the company to successfully lead its competitive conquest in the digital world. It is a process of intentional and proactive decision-making and actions. It is through this process that the company defines its priorities in the digital world, allocates and reallocates its resources."

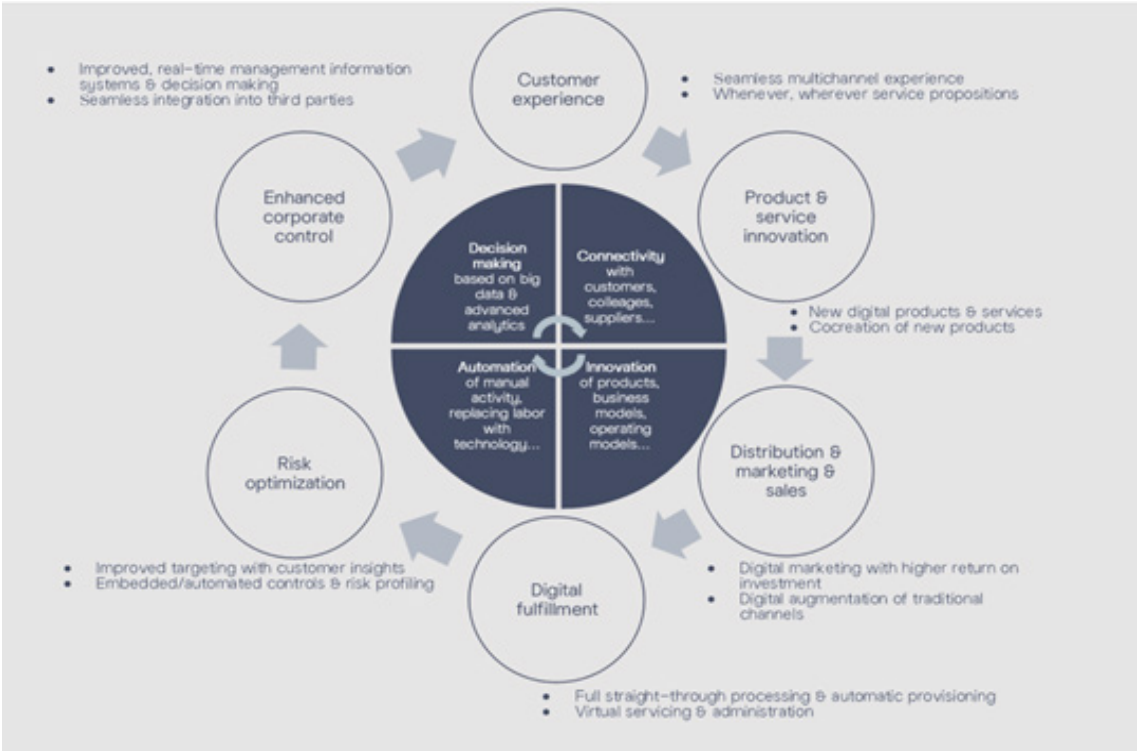
Until recently, digitization was generally part of IT strategy. In this context, it should be emphasized that IT strategy is different from digital strategy. The main difference lies in the fact that most IT strategies consider technology in isolation. This means that a company may have a social strategy, a cloud strategy, and even a mobile strategy, but all these types of strategies are isolated or independent from each other. Until a few years ago, having an IT strategy was sufficient for companies to be competitive in the market, but today, IT technology alone no longer creates sustainable value.

Therefore, in the current conditions of rapid changes and developments in the digital environment, every company needs to develop a digital strategy in order to be competitive. However, digital strategy is not a complete replacement for any other strategy, even though it is based on automation and replacing physical resources with digital ones. Therefore, in order to generate value and revenue, businesses need to combine digital and physical resources, that is, combine digital strategy with other types of strategies. Hence, companies that want to achieve this goal need to transform processes, business models, and customer experiences by using digital connections between systems, people, places, and things. They must integrate digital technology, information, and physical resources to enhance capabilities as a whole. In short, it is necessary to incorporate digital principles into the company's strategy, business model, culture, and business operations.

The need for a digital strategy in modern working conditions arises from several factors. The primary factor is the risk of falling behind competitors. As mentioned earlier, some studies have shown that companies with above-average levels of digital revenue in their industry outperform their peers, grow faster, enjoy higher margins, are more capital-efficient, and offer more shareholder value.

Having a digital strategy today is of crucial importance, especially because the digital strategy changes the rules and thus affects the effectiveness of past practices. As illustrated in Picture 2, and according to McKinsey's analysis, the digital strategy can transform every aspect of a modern business.

Picture 2. Analysis of the impact of the digital strategy on aspects of modern business



Source: McKinsey (2022)

The digital strategy must surpass traditional functional areas and business processes enabled by IT. While it involves the digitization of products and services, as well as information about them, the digital strategy extends beyond rigid boundaries and supply chains to dynamic ecosystems that transcend traditional industry borders.

Given that ecosystems are dynamic and interconnected, the strategy cannot evolve without considering the business ecosystem, alliances, partnerships, and competitors. Therefore, in order to make informed decisions and develop the most suitable and adaptable digital strategy, companies need to study and understand the transformations and disruptions they face, rather than focusing solely on specific actors who may initiate such changes. This can be achieved through assessing supply and demand. Assessing supply and demand leads to a better understanding of the threats faced in the digital world and enables proactive exploration of opportunities.

CONCLUSION

Ultimately, we can conclude that the continuous advancements in technology and the process of digitization are enabling companies to leverage new technologies and tap into new markets. By implementing digital strategy, companies can seize more market opportunities. This empowers them to discover new customers, expand their reach globally, facilitate seamless information exchange, and customize marketing campaigns to target potential clients.

All companies are in some way affected by digitization, regardless of their industry or size. Understanding the value and importance of digitization is particularly important for achieving a competitive advantage on the market.

It is imperative for companies to incorporate a digital strategy into their overall corporate strategy in order to maintain competitiveness. Creating a digital strategy is essential to effectively harness the advantages of digital infrastructures.

As technology advances, companies must keep pace with the trends and adapt accordingly, as failing to do so can jeopardize their future.

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