Digital Strategy Implementation in Marketing: New Performance and Risks

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INTRODUCTION

Digital technologies are becoming an integral element of contemporary life, as this sphere is expanding very quickly. Global digital growth shows a million new people around the world coming online every day. 45% of the world’s population are now social media users: a whopping 3.5 billion people (Global Digital Report 2019). According to Mediascope, in 2019 the Runet audience reached 93 million people, growing over the past three years by 7%. According to data for 2018–2019, 76% of the Russian population aged 12 and over used the internet at least once a month (Mediascope News 2019).

More and more potential consumers spend a long time on social media and use mobile applications, possibly even integrating them into their work and household tasks; consumer behavior and consumer choice models are changing dramatically.

The growth of the scale and forms of digital communications is inevitably followed by the development of electronic markets and digital...
management strategies, based on the use of technologies for collecting big data and automating their processing. Russia is, in terms of volumes and growth rates of the e-commerce market, one of the ten leading companies in the world. According to Yandex.Market, in 2019 trade turnover exceeded a trillion per year (Sahno 2019). This, in turn, creates the conditions for the emergence of new business models and management tools, primarily in the field of market interactions and marketing.

Marketing is also becoming very dynamic as markets become digitalized. Modern companies are facing global environmental changes, the most serious of which include technological and competitive changes that require quick adaptation to the emergence of virtual tools and new IT solutions. Therefore, new methods of strategic competitive analysis on the internet are emerging (Gerasimenko and Golovanova 2018). Employees’ competencies are changing: businesses need internet analytics, software specialists, digital logistics, and digital marketing strategies.

There is also growing scientific interest in the socio-economic consequences of using digital technologies in management. As a rule, the main aspect affecting this issue is the threat of reduced employment due to the digitalization of management and the replacement of human labor with machine labor (World Economic Forum 2016). Foreign studies predict that in the next 15–20 years, about 30–40% of jobs in advanced economies are likely to be cut (Valenduc and Vendramin 2016). It is assumed that there is a causal relationship between technological innovations (such as machine learning and robotics), and productivity growth. Productivity increases not only due to new technologies, but also due to organizational and labor changes that may be instigated by their application (Freddi 2017).

As for company management, digitalization is becoming a condition of competitiveness, especially for high-tech companies. Using digital strategies, the company detects market trends, creates new consumer values, reduces marketing costs, and finds insights for promotion in the digital environment (Gerasimenko 2019). Digital transformation simultaneously affects several areas in the organization, and there are many stakeholders involved in determining the transformation strategy: for example, marketing, IT, product development, strategic management, or HR. All these groups need to develop an understanding of the digital transformation priorities. Research results (Berghaus and Back 2016) have shown that most companies are already using digital technologies in management. However, creating a personalized customer experience based on big data analysis or process automation shows lower results.
According to research by Russian experts (Smirnov 2019), the main factors pushing businesses to start digital transformation are changed customer preferences (55%), prospects for developing in new markets (53%), and increased competitive pressure (49%). Most companies need to win new market shares, increase revenue, reduce costs, rebuild, diversify their businesses, build up from competitors, and sometimes change completely (Gorlin 2019).

According to Russian surveys, more than 80% of companies consider digital transformation critical (Koptelov 2016). However, the desire to transform often is not based upon real understanding, and this is one of the main reasons for failure in digital marketing. Transformation without reference to the real needs, tasks, and problems of the business is a utopian idea. At best, the company has a vision of the business model and processes, and their way of thinking remain unchanged; in this case, the implementation tools become more complex and more expensive. According to expert estimates, the employees of many companies are not sufficiently prepared for digital transformation (Dudareva 2018). Sometimes, top management starts implementing changes, middle management does not support them, and employees do not understand what is happening at all.

Companies implementing digital technologies face similar problems in different countries. This was shown, in particular, by a recently published study by the New York Times. “The biggest barrier to getting technology rolled out is the organizational resistance to adoption,” said Eric Brignolfsson, the head of the Digital Economy Initiative, Massachusetts Institute of Technology, “so companies need a strategy not only for how to get it to work, but also how to get the work force behind it getting rolled out” (Condliffe 2019). Digitalization of markets requires companies to initiate the changing of their business models and creating new competencies for employees (Gerasimenko and Molchanova 2017).

Therefore, researchers should pay special attention to the current trends of digitalization in management and marketing, as well as to problems such as resistance to change and challenges for management. These issues require special research and analysis.

**Methodology**

In order to understand which areas of digital marketing and management strategies are being implemented in Russian companies and what
competencies are under development by Russian managers, the author conducted 2 surveys of managers in 2019 and in 2020.

The methodology of the research is an electronic anonymous survey. The target group and the survey participants are top managers, and managers of large and medium-sized businesses. The survey was conducted among graduates of MBA programs of the faculty of Economics of Moscow State University, a homogeneous group of people representing the target audience of the survey. 132 people took part in the survey 2019, including 44% of top managers and 56% of heads of divisions and departments. About half of them represented various companies registered in Moscow and Saint Petersburg (both Russian and foreign), while the rest were companies represented in the regions of Russia, as well as several of our graduates from neighboring countries of Kazakhstan and Azerbaijan (about 10%). The second study, conducted in July 2020, aimed to examine the impact of restrictions related to the COVID-19 pandemic in April–July 2020 on the use of digital technologies in management and marketing. The same target group was used, and the same research methodology and questionnaire were applied. A total of 131 people from the same group of respondents took part in the 2020 survey.

The homogeneity of the target audience ensured that the study was representative, as did the fact that graduates of MSU (the country’s top university) MBA programs are advanced managers with modern competencies and knowledge of strategic management and marketing. We set the purpose of the surveys to find out how these top Russian managers evaluate the content, current value, and implementation of digital strategies and tools in management and marketing, and how they assess relevant competencies and risks in this area and what changes have been observed under the influence of the challenges caused by the COVID pandemic.

**Results**

Through the study in 2019, it was possible to understand how top managers and company leaders evaluate their implementation of digital strategies in company management. We wanted to evaluate the understanding of market digitalization and the use of digital technologies and strategies in different companies. Therefore, the question was the following: “If you imagine an organization in your market that makes the most of the current opportunities of digital technologies in the development and implementation of market strategies, how would you assess the
situation in your company?” It should be noted that only 8% consider the situation excellent, while 39% call it good. More than half of respondents (53%) rated the actual use of digital strategies in their companies as merely satisfactory (31%) or even unsatisfactory (23%). According to the survey, digital tools and strategies have been used most successfully over the past three years in the areas of working with clients through a corporate website (27%), managing customer relationships through CRM systems (21%), or actively developing technologies for working in social networks (17%). At the same time, other areas—including such important areas as logistics management—are still poorly covered by digital technologies.

In companies where digital strategies have been introduced into management and marketing, the majority of respondents believe that the effect meets expectations (58%) or even exceeds expectations (10%); for this large number the effect is evaluated very positively.

This makes us think about the pace and contradictions of digitalization in companies. If managers evaluate such efficiency so highly, a logical question arises: why is the transition to digital management strategies so slow, according to the same top managers and business leaders? What is holding back this process: the lack of technology, or the employees themselves? Why are there still obstacles? In our survey we tried to get answers from managers to these complex questions.

It should be noted that the range of digital strategic management tools available today in management and marketing is widely esteemed by business representatives. These are, first of all, big data and business analytics, the use of social networks in marketing, mobile technologies in marketing, multi-channel marketing, and trading technologies. Cloud technologies and interactive interfaces are being introduced. Digital tools—artificial intelligence and machine learning, virtual and augmented reality technologies—are beginning to be actively used in market strategies.

The second study, conducted in July 2020, showed how quickly the situation changes in a crisis. The urgent need arose to manage the work of companies remotely, ensuring all departments, as well as contacts with customers and partners, worked at a distance. This dramatically accelerated the introduction of remote technologies in management and marketing, including the transition to online communications, using modern software products such as Zoom, Microsoft Teams, Google Meet, and other resources. The answer to the question on how managers
assessed the range of digital tools available in marketing today looked different now, compared to the estimates in 2019 (see Table 2.1).

In other words, the set of digital management tools available and already being introduced to marketers is quite wide; dealing with these technologies, however, or marketers’ willingness to use them, proves less successful. This implies the need to analyze the causes for this, and search for ways to overcome these obstacles to management digitalization. As our survey showed, many managers tend to think that management digitalization is slow because of the lack of awareness. Thus, according to respondents’ estimates, only 14% of managers have the necessary information to implement digital methods in the company’s marketing strategy. The rest reported a lack of information (79%), while many of them noted the prioritization of other business development strategies (34%). At the same time, when it came specifically to their company, the importance of digital management technologies were assessed much more cautiously. Accordingly, only 16% of respondents indicated that digitalization of management and marketing allows them to become market leaders today, and only 13% believe that these technologies allow them to open a fundamentally new line of business.

An interesting transformation has occurred in 2020 in assessing the effectiveness of digital technologies in the management and marketing of a company. If, previously, managers were quite cautious, now top

| Question: “Which digital technologies have an impact on management and marketing today?” | 2019 (%) | 2020 (%) |
|---|---|---|
| Big data and analytics | 20 | 57 |
| Social media marketing | 17 | 45 |
| Mobile marketing | 15 | 63 |
| Omnichannel marketing | 13 | 34 |
| Cloud technologies | 11 | 36 |
| Interactive interfaces | 9 | 41 |
| Artificial intelligence, machine learning | 7 | 38 |
| Elements of virtual and augmented reality | 2 | 20 |
| Other | 7 | 16 |

*Source* Created by the author
managers were more confident in assessing the effect of their application in all possible directions (see Table 2.2).

The above estimates of effectiveness seem rather cautious. Therefore, it was interesting to find out their causes, analyzing how the survey participants evaluated the problems that managers face when implementing digital strategies. As for the main difficulties in implementing digital strategies, 20% mentioned the lack of qualified managers and marketers; another 19% noted a lack of experience in implementing digital strategies in practice; 18% indicated the poor interaction between the company’s divisions; 17% believe that the lack of involvement and employee interest in digitalization is a hindrance; 14% mentioned technological incompetence; and finally, 12% indicated the poorly timed provision of software resources for using big data and other digital technologies in marketing.

It is important to note that today, as the crisis unfurls, managers are seeing the effects of digitalization not only in maintaining competitive advantages (54%) and surviving in a crisis (40%), but in other areas too. The share of managers who are convinced that the active use of modern digital technologies in management and marketing will allow them to become market leaders has grown significantly (34%), and the share of those who believe that digital technologies will help to open a completely new promising business direction has grown (22%).

In general, the managers’ view of the problem now seems more optimistic. This confirms the idea that an economic crisis always opens a window for new opportunities and innovative technologies. The dynamics of the described changes in the estimates of available digital management tools are shown in Fig. 2.1.
Conclusions/Recommendations

Our study confirms that digitalization is developing rapidly, but unevenly. Managers’ assessment of the range of digital tools currently available in management and marketing shows broad prospects for the development of digital strategies.

The estimates in this study show that the effectiveness of digital strategies is not always high, there are currently problems with the implementation of digital strategies, and the main risks in management digitalization lie mainly on the side of management competencies.

Scientific research in this area should bear in mind that new digital strategies emerging in global markets shift the focus of marketing from promoting a product to acquiring and retaining a target consumer through a personalized internet communications system. In this area, we can identify several new areas that will need to be explored soon:
– blurring the line between offline and online trade, developing omnichannel marketing strategies;
– developing cross-border online trading strategies, globalizing markets;
– developing strategies based on the use of Big Data technology and machine learning;
– including mobile technologies in marketing, using social networks for communicating with consumers on mobile devices;
– developing personalization strategies for marketing and sales based on innovative digital solutions and artificial intelligence.

Digitalization of marketing is an irreversible process; it is caused by revolutionary technological changes. The costs of using marketing analytic technologies in the US and UK companies exceed their advertising budgets. For example, Gartner’s annual study “CMO Spend Survey for 2018-2019” indicates that the largest share of marketing budgets (29%) was spent on marketing and analytical services in 2018; compared to 2017, the share of investment in technology increased by 7%, while the expenses on paid promotion decreased from 25% in 2017 to 23% in 2018 (Pemberton 2019).

The rapid development of market analytics internet tools based on Big Data processing offers up wide opportunities for their use in developing marketing strategies. Furthermore, practice shows that using analytical internet services entails a reduction in research costs and better reasoning behind managerial decision-making (Gerasimenko 2019; Omiyale 2016). Modern market analytics involve using those information systems that transform raw data into meaningful information, thus helping to reduce uncertainty in decision-making (Torres et al. 2018).

It is important to emphasize that the risk of lacking managerial competency, noted in our study, is global. According to surveys by Hays (a major British recruitment agency), only 18% of marketing leaders rate their digital skills as very good. When it comes to the technical skills that are most lacking, 46% of marketers say they need digital project management skills to successfully automate processes, 57% point to strategic marketing skills, and 70% to data analytics (The Hays 2019).

The difficulties of this process are not yet sufficiently understood. COVID-19 is catalyzing big changes; the shock caused by communication restrictions during this pandemic in 2020 has served as a strong catalyst for the digitalization process in management. “This crisis is bringing to
the surface all kinds of innovative ways to use technology and other means to serve customers. In many cases, new solutions and products might have already been in your pipeline or on your mind, but current needs are giving you reason to accelerate development and launch” (Adams and Hart 2020).

The crisis of 2020 has shown that digital technologies in management are a valuable resource for overcoming existing problems and starting future development. Large reserves for cost savings are provided by the transition to cloud infrastructure in company management. In the coming years, more and more organizations will use the services of cloud providers and create cloud services that are necessary for remote work and training. We can expect that companies working in various fields—in particular, in the financial sector, medicine, healthcare, and retail—will gradually come to the “cloud only” model; in other words, using cloud infrastructure will be their only option.

Many companies will invest in machine learning and artificial intelligence. While artificial intelligence is most often used to automate customer service and sales, or to search for and prevent threats, machine learning helps to extract useful information from any data, which means that management decisions can be made based on Analytics, not on intuition.

Significant investments in the development of artificial intelligence systems can be expected in the retail and banking industries. Retailers are investing in customer service automation. The banking industry will invest in developing automated credit scoring systems and preventing threats.

Businesses will make greater use of data from IoT devices to search for hypotheses and forecasts. For example, retailers can use sensors to monitor inventory, saving on staff. Smart shelves have already appeared—they monitor the number of products and give a signal if the products are out of stock or placed incorrectly. With the development of IoT, the amount of data received from smart devices increases, and their processing moves to the cloud. It is important to note that IoT platforms will deliver reliable big data for machine learning.

By processing this data, companies will be able to develop business hypotheses. For example, they may be able to find solutions to attract new customers or increase profits. In this regard, businesses will be interested in cloud IoT services. These will help companies save resources for
developing special platforms, quickly implementing Industrial Internet of Things systems without significant costs.

All these trends reflect the current stage of business digitalization across the world and in Russia. In the near future, all new routine operations in infrastructure can be performed through providers of infrastructure and platform cloud services.

Most modern IT systems include high-tech services. This can be a consultation on the architecture of a future product, a service for implementing an Analytics system, renting cloud databases, or outsourcing the company’s services management (managed services). In a crisis, new challenges appear for the company’s marketers. Digital technologies help to overcome them.

Managers were able to understand, during the crisis of 2020, that the features of anti-crisis team management are a very large number of external changes, whose speed is too high, which forced a switch to short-time management during the crisis using online technologies in management and marketing. These technologies compensate for the almost complete absence of offline communication.

The search for a work-life balance became, perhaps, a great difficulty after switching to remote operation during the crisis. The volume of work in the digital environment has increased many times, with the standard working day having become up to 12 hours. If in the short term this could be attributed to positive changes that contributed to rapid management decision-making, then after a few months fatigue will most likely accumulate and management efficiency will accordingly decrease.

During the period when offline activities were restricted, all companies switched their interaction with clients to a digital channel. Now, the volume of information—emails, ads, and invitations to various online events increases many times. Therefore, the role of information analysis and forms of digital communication with customers to maintain loyalty is increasing.

Social networks have now become one of the main channels for managing brand reputation, which means increasing the role of digital technologies, such as content analysis, in the study of consumer behavior, as well as the development of advertising on social networks.

It is necessary to constantly analyze the activities of competitors on the internet. It is important to use digital methods for competitive analyses of sites, platforms, and price parsing based on Big Data.
For marketing, it is important to analyze what has changed in working with content. In times of crises, non-standard approaches to providing content are in high demand. If a company cannot navigate the new environment and continues to post simple advertising texts describing its products on the internet, it may lose customers.

If a company starts using videos with messages of support from employees—recording videos with product presentations with an emphasis on specific benefits for consumers in the current environment—it has a greater chance not only to survive, but also to acquire new customers and increase the level of loyalty of all its customers. This is why it is important to accompany the company’s online events not only with presentations and detailed announcements, but also with video messages, in order to minimize the distance between speakers and listeners. A strategy for conducting online events with a focus on customer needs would be correct in a crisis.

A business that quickly adapts to online management technologies is more likely to survive in the new reality. Many business and everyday tasks require personal contact, even with the help of a webcam. For the management of many companies, virtualization and “zooming” (a term that arose in management due to the name of the Zoom program) have become the new norm of everyday work.

There is no choice: managers and marketers have to continue working even in difficult conditions and adapt to virtualization. The coronavirus has caused a seismic shift in industry around the world, so companies need to look wider and find new opportunities to stay connected, work productively, and restore business.

Online technologies for customer relations help to preserve such industries as fitness, restaurant business, event industry, education, and retail in the conditions of a crisis. Digital technologies help support companies in manufacturing and construction today. Although these industries have been hit hard, they can use remote work opportunities for group discussions and develop ideas to improve productivity. They can study online reviews of 3D materials, product samples, and supplier quotes.

Everyone will have to learn to live in a new way—from small businesses to large industries. Remote work, conferencing, and digital and media tools are skills that need to be mastered in order to get good results. These skills will be useful for a long time, even after this crisis has passed. These skills will open a new era of effective workplace management practices in the future. Virtual connections will become the lifeblood of companies.
The business that understands this more quickly and adapts to it will have a better chance to stay ahead of the changes and survive in the new reality.

New research is needed in this area. To overcome these risks, researchers should monitor and evaluate new technological changes, give as much information as possible and as early as possible in how markets and companies are transforming, and pinpoint who will be affected by the changes and what economic entities will get from them.

Another important area of research is to identify and show how to eliminate behavioral barriers that emerge to technological change. The difference in employee’s motivation can also be a barrier to mastering effective technologies: different people want to achieve different indicators, and in digital transformation, new indicators will appear. Such inconsistencies can greatly impede the adoption of digital technology in management. The most urgent tasks for developing modern companies include: forming digital competencies in marketing, coordinating digital interaction between different levels of management, and motivating managers. These areas should be the subject of further economic research.

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