

# THE IMPACT OF DIGITAL MARKETING ON COMPANY'S BUSINESS DEVELOPMENT IN CROATIA

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**University of Zagreb**  
**Faculty of Economics and Business**  
**Master in Managerial Informatics**

**THE IMPACT OF DIGITAL MARKETING ON COMPANY'S  
BUSINESS DEVELOPMENT IN CROATIA**

**Master Thesis**

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**Mentor: Prof. dr. sc. Mario Spremić**

**Zagreb, September 2020**

# STATEMENT ON ACADEMIC INTEGRITY

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# **1. INTRODUCTION**

## **1.1 Topic and Goals of the Thesis**

The topic of the thesis is to examine the effect that digital marketing techniques have on the business development of the companies in Croatia. Digital marketing consists of many different techniques and channels such as: content marketing, email marketing, SEO, social media marketing. The main purpose of all the aforementioned types of digital marketing is to attract new customers, and in turn, grow sales of the business and build brand awareness. Nowadays, to stay relevant and grow their business opportunities and also cut the cost and decrease the time consumption on marketing, most of the companies use digital marketing channels.

One of the goals of the thesis is to closely explain digital marketing and its techniques and point out how it differs from traditional marketing. Also, in this thesis, the author will analyze one of the most successful digital marketing campaigns and strategies implemented by companies and organizations such as: Apple, Mercedes, Detroit Pistons.

Ultimately, by conducting research, the author will try to prove that the use of digital marketing contributes to companies' brand building, sales growth and in turn- business development. Also, this thesis will try to show that companies that do not adapt digital marketing techniques will struggle to keep up with their competition and will not be able to grow their business.

## **1.2 Explanation of methodology**

In order to achieve the proposed objectives of the thesis the following methods were used: investigation of literature (primary and secondary data) that will be explained in the chapter Literature review, collecting and analyzing data of a relevant data sample and graphical and statistical methods for discussing the research results. Finally, primary research will be conducted, and empirical data will be collected in order to answer all of the research questions.

Literature used in this Thesis can be found in the FEB's library (Faculty of Economics and Business Zagreb), online on the internet in the form of numerous books, newspaper articles, tech websites, scientific papers, and research.

### **1.3 Structure of the Thesis**

The thesis is structured in such a way that the topic is introduced, and research objectives and goals are explained, before more complex case studies and research papers are presented. After the introduction of the topic, the author reviews the literature with similar research topics and goals and draws the most important conclusions of those papers in order to compare those results with this thesis results and conclusions.

Next, the reader is familiarized with digital marketing in general, the beginnings of digital marketing and comparison between digital marketing with traditional marketing is made. Furthermore, the thesis explains in detail and with examples most important digital marketing techniques and tools.

Next, the author demonstrates the application of digital marketing techniques through the analysis of various case studies, where successful companies used digital marketing techniques and strategies to their benefit.

After that, the research is conducted by the author. Managers, CEO's, or company owners answer survey questions in order to answer research questions of the thesis that are:

- What companies in Croatia regard as a success?
- How significant is the impact of digital marketing on a company's business development in Croatia?
- Which of the digital marketing channels are used the most in Croatian companies,
- How much are companies in Croatia willing to spend on digital marketing campaigns?

In conclusion, empirical evidence is connected to theory and prior research, and the author explains what has been done and achieved in this thesis. Finally, the author concludes the thesis with the list of all the references in order and appendix that contains all the graphs and figures shown and explained in the thesis.

## **2. LITERATURE REVIEW ON DIGITAL MARKETING**

In this part of the thesis, the most important literature that is concerned with digital marketing is investigated. Digital marketing is defined and explained in detail. The author writes about the history of digital marketing, since its early beginnings to the present day, and the comparison between traditional marketing and digital marketing is made. After that, most important digital marketing channels are presented and explained in detail and some interesting examples of each of the channels are showcased.

### **2.1 The overview of digital marketing**

In this part of the thesis, the author introduces the reader to the concept of digital marketing. Digital marketing is defined and explained in detail. Next, the author writes about the history of digital marketing, since its early beginnings to the present day, and the comparison between traditional marketing and digital marketing is made. Finally, benefits of digital marketing and its advantages and disadvantages with respect to traditional marketing are presented and explained.

#### **2.1.1 Definition of digital marketing**

In this day and age, where more than 4.5B people use the internet on a daily basis (according to Statista), the majority of the people should be familiar with the basics of digital marketing since digital marketing gives people a range of opportunities to boost and grow their businesses. 'Digital marketing encompasses all marketing efforts that use an electronic device or the internet. Businesses leverage digital channels such as search engines, social media, email, and other websites to connect with current and prospective customers.' (Alexandar, 2020)

In simpler words, digital marketing helps companies in product or brand promotion through a range of digital marketing channels which can easily reach company's target customers. Nowadays, digital marketing is crucial for business and brand awareness, and companies that struggle to adopt digital marketing strategies and implement them in their everyday operations are likely to fall behind their competition and eventually stop doing business.



### 2.1.2 The emergence of digital marketing

According to Monnappa (2020), the digital revolution started in the 1990 with the introduction of the Internet and the Web 1.0 platform. The possibilities on this platform were very limited with the respect to the platforms we use today, as users were not allowed to share any information, and there were no interaction opportunities. The only thing that Web 1.0 offered was the reading of requested information. Also, in that same year, the first internet search engine was launched, and it was called “Archie”. It was developed as a tool for mass discovery. The developers filled the engine’s servers with anonymous FTP host directories. It was used to locate specific file titles as the list was linked to a searchable FTP sites database (Li, 2002).

Today, people do not generally click on ad banners, many of them even use ad blockers as those banners are in most cases unattractive and intrusive. However, in 1993 the first clickable banner (Figure 1) was made and purchased by AT&T on Hotwired.com, and 44% of the people who saw that banner clicked on it (Lafrance, 2017).

*Figure 1: First clickable banner*



Source: theatlantic.com (2017)

In the following year new technologies were created such as e-commerce. In 1994, the first e-commerce transaction took place. That transaction was made by Dan Kohn who was 21 at the time and ran a website called NetMarket. He sold a CD to his friend who used a credit card to pay 12\$ plus shipping cost for the CD (Grothaus, 2015).

In that same year, Yahoo was launched and immediately it recorded a success - it received 1 million hits in the first year of existing. This occurrence changed the stance that companies had towards digital marketing as they saw the amount of people present online, and endless opportunities to improve their sales, companies started optimizing their websites in order to rank as high as possible on the search engine. In the next couple of years, following Yahoo’s success, other search engines such as HotBot, LookSmart, and Alexa were launched.

In 1998, one of the most important moments for digital marketing happened- Google was launched and used as the most common search engine, and it played a crucial role in optimization of digital

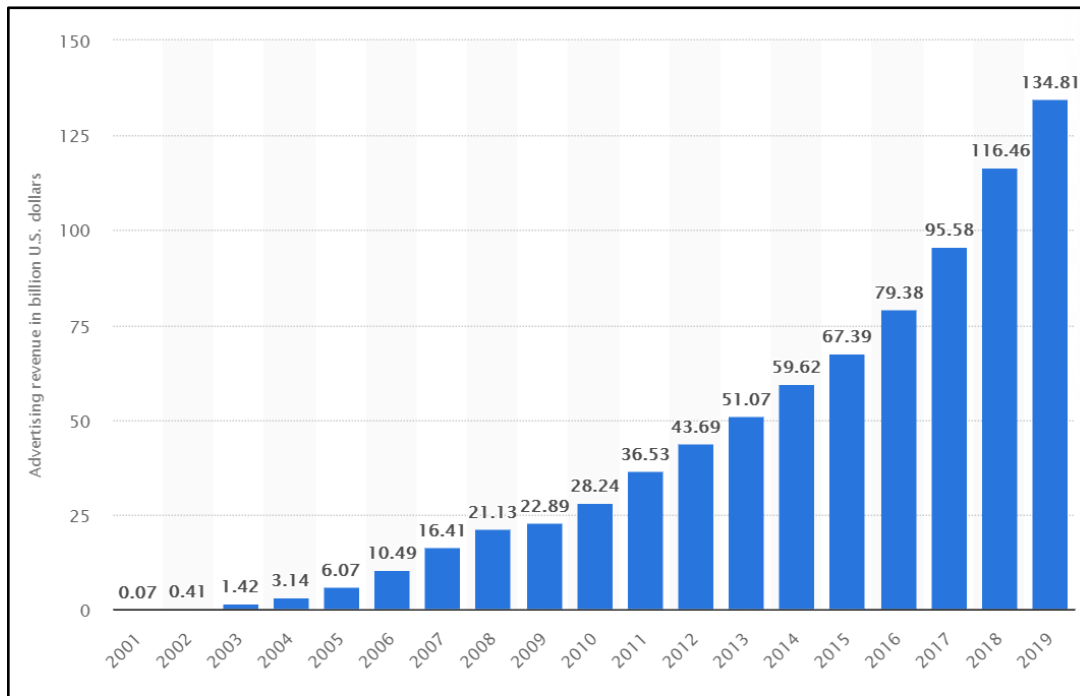
marketing campaigns and search marketing (Tiwari, 2018)

Soon enough, marketers started implementing SEO strategies to boost their site ranking on Google. Also, Google learned to analyze data that was searched for, and developed algorithms, with aim to show target people with advertisements pertinent to their interest.

In 2004, Web 2.0 appeared on stage. Users were no longer passive readers of information; they were now able to interact with other users and businesses. Because of this web evolution, various networks, and social media platforms such as LinkedIn, Facebook, MySpace, YouTube and Twitter were created, which enabled users to communicate and interact with each other. Many companies saw these new websites as opportunities to market their goods and services, and by the end of 2004, in the United States alone, Internet advertising brought nearly \$3 billion.

In figure 2, it can be observed how incredible the increase in Google’s online advertising revenue has been from 2001 to present day.

*Figure 2: Advertising revenue of Google from 2001 to 2019*



Source: Statista (2020)

At the same time, websites started using cookies. ‘Cookies are little data files that are saved to an Internet user’s computer. These files track purchases loaded into online shopping carts, record how many times a user has seen a certain banner advertisement.’ (Singleton, 2000). Initially they were

developed with the goal of analysis of user's browsing habits, but they have since evolved into an important piece of the e-commerce sector as they authorize for literal data collection.

Also, because the dot com bubble had burst, distinguished 'Software as a service companies' (SaaS companies) such as Oracle, PeopleSoft, Siebel, and SAP embraced the digital transformation model and started treating the internet as a main aspect of their services.

In 2009, Google launched Google AdWords, which are 3-line words that pop up in the corner of search engine results, and Google AdSense, which works on a cost-per-click principle. Also, at that time, Google started with target advertising and separated themselves as leader of the digital business world. In 2010, mobile marketing experienced its own boom and prosperity. According to Badenhorst (2010), in the period between 2008 and 2010 there was an 25% increase in the use of the internet via mobile phones (mostly by young audiences). This was triggered by the entry of the smartphones such as iPhone and HTC in the mobile market and since they became more reasonably priced and user friendly, marketing campaigns were designed to encourage people to use their smartphone for web browsing. As an attempt to remain the industry leader, Google started acquiring numerous mobile and social based companies and spent \$750 million on AdMob alone. What is more, in 2014, the number of smartphone and mobile phone users exceeded the number of PC users, which encouraged companies to put even more emphasis on mobile marketing (Vivek, 2017).

Another search engine called Bing, developed an app that allows them to be the default search engine from the first time the app is used on a mobile phone. By doing research, Bing realized that half of the mobile searches have local intent, which helped them to give users relevant information and remain users' preferred search engine and by doing so, impose great threat to industry leader Google. As can be seen from this chapter, digital marketing experienced tremendous growth over the last 30 years, it has gone through significant change and will continue to change and grow exponentially in the years to come.

## **2.2 Digital marketing vs traditional marketing**

Before digital transformation had taken place, traditional marketing, as we call it today, was the only form of marketing.

Traditional marketing is a very wide term that includes various forms of marketing and advertising. According to Durmaz & Efendioğlu (2016), the main objective of traditional marketing is to

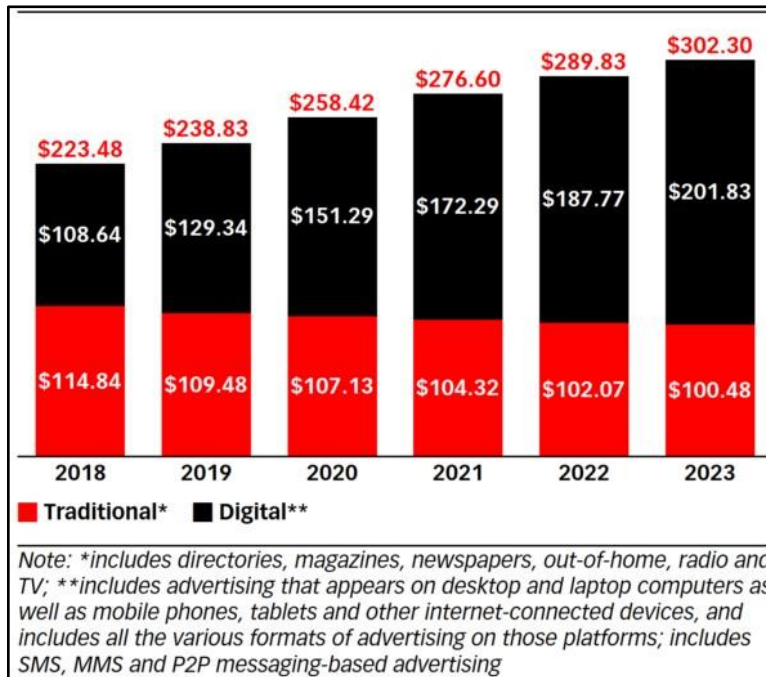
provide time, place, and possession utility, to create value for customers and convince them to buy what the company is selling. Traditional marketing is made up of all the channels that had existed before digital marketing came to the equation. It is usually divided into two groups: ATL (above the line marketing) which reaches more users than just target audience using high-reach channels such as TV ads, conferences, billboards, radio ads, and BTL (below the line marketing) which has an objective to reach only target audience using guerilla campaigns, mail, telephones, sponsorships (Sloan, 2020).

In the last few decades, traditional marketing might have changed and advanced, however, selling techniques used today, depend heavily on well-known four P's of marketing: price, product, placement, and promotion. Seemingly, digital marketing may appear different to traditional marketing, but it does not ignore any of traditional market's four P's. It rather uses each of them in a distinctive manner, often in a superior way than traditional marketing.

Running a successful business is not all about selecting the right market or having great products, it also has something to do with choosing the right marketing strategies, which help companies reach their target audiences and convert them into their customers.

Traditional marketing plays significant part in appealing to the local audiences, and it is valued and appreciated more by older audiences as they struggle to keep up with constant progress in technological trends. In today's world, spending on digital and traditional marketing is represented equally, however it is projected that digital media expenditure will surpass traditional media expenditure as can be observed from the figure 3.

Figure 3: Total media spending in the US, traditional vs digital, 2018-2023



Source: eMarketer (2018)

In this part of the thesis, main advantages, and disadvantages, as well as the biggest differences of digital and traditional marketing will be explained.

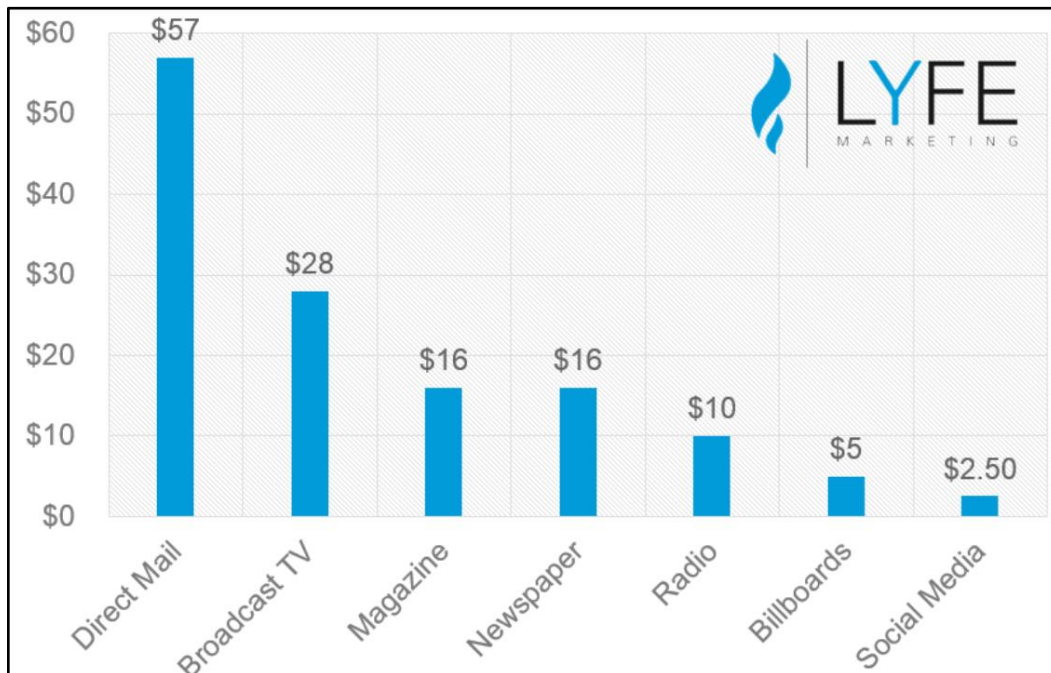
### 2.2.1 Advantages and disadvantages of digital marketing

As it was stated in the previous chapter, digital marketing is in essence, the use of internet platforms to promote brands, products, and services. The advantages of digital marketing are becoming more and more widespread every day. According to Forbes, 82% of retail store customers conduct their research online (Forbes Press Release, 2016), which basically means that even before customers realize what product or service they want, they go online to look for the solutions for their problems and to better understand the issue at hand. Data like this encourages even small businesses to implement some of the digital marketing strategies to expand their reach. First advantage of digital marketing is the fact that marketers can analyze traffic information which helps them understand user’s habits and preferences and enables them to build their strategies accordingly.

One of the crucial advantages of digital marketing is that it is much more cost effective with respect to traditional marketing channels. This gives opportunities to small businesses and startups to reach

their audiences without spending a fortune of traditional marketing channels e.g. TV commercials. Figure 4 shows what the cost of an each of the marketing channels to exposure to 1000 people is.

*Figure 4: Cost of marketing channels for exposure of 1000 people*



Source: Lyfemarketing.com (2019)

As can be concluded from the Figure 4, there is a tremendous difference in price to reach the same number of people, for example, it is more than 20 times cheaper to use advertising through social media than direct mail, which makes it much more appealing to use, especially for small businesses.

Another important advantage of digital marketing is that it allows companies to pinpoint their ideal customers. By looking at social media analytic tools, companies are able to identify different types of personas to define each segment of a company's customer base. In order to develop the image of a persona, companies acquire additional details such as customer's age, gender, hobbies, lifestyle, salary, worldview etc. (Owen, 2020). The aim is to put themselves in 'customer's shoes' to recognize the problem that their product or service helps solve. If this is done in the right way, it will help a company optimize their marketing budget and that their content will reach their target customers. In some traditional form of marketing such as handing out brochures, purchasing a billboard space or sending direct mail marketers cannot be sure if people have actually bothered to read the content. On the other hand, digital marketing allows marketers to measure the exact

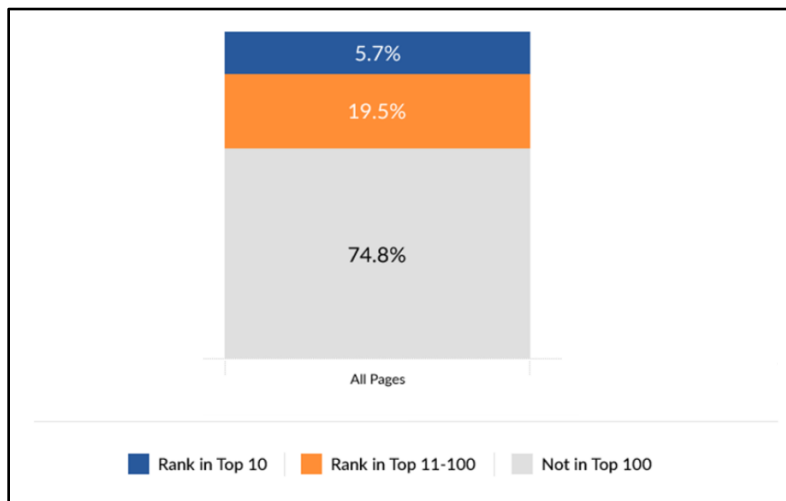
number of people that have read their content, generate qualifying leads and as a result, grow their customer base and build better brand awareness.

The real time data analysis enables companies to understand if their marketing strategy is successful, and consequently, companies can act on that feedback by either shutting down a campaign or making improvements, and use this experience and knowledge to make future campaigns better.

Possibly one of the most beneficial digital marketing advantages is the improvement of the company's conversion rate, which is a direct consequence of specific lead targeting (Storm, 2020). Higher conversion rates lead to higher revenue which helps companies grow their businesses and expand their operations.

Although digital marketing has many advantages, there are also some downsides. First disadvantage that is worth mentioning is that digital marketing is time-consuming. Digital marketing tasks such as writing blogs and optimizing websites to rank higher in search engines, creating online campaigns, take a lot of time of a working day to be completed. According to Cyber Planet (2019), 60% of digital marketing workers report spending at least 6 hours per day on digital marketing. Also, search engine optimization requires time and patience before seeing concrete evidence of it actually working. Many digital marketing companies state that it takes four to six months of SEO to start seeing progress in the ranking of a website. In figure 5, it can be observed that only 5.7% of all pages in a study ranked in top 10 for at least one keyword within the first year (Soulo, 2020).

*Figure 5: Ranking performance of pages within year from “first seen”*



Source: Ahrefs.com (2020)

Another disadvantage is that digital marketing strategies are often subject to piracy. Many have copied content from other marketers who worked very hard to create their content and used them as their own. Furthermore, some use photos and images that are misleading and do not represent their businesses for what they are, which is unfair towards their competitors (Vengadesh, 2019).

While on the subject of competition, it is noteworthy to point out that since every company in the world has some sort of online presence, the competition in digital marketing is fierce. In order to stand out from the others, it is crucial to devote a good amount of time, money, and effort to digital marketing. Also, marketers have to keep up with Google's altering of the SEO rules. Google constantly adjusts their algorithms, which can be really frustrating for the business owners as they may be investing in marketing strategies today that could be less effective in the near future (Weber, 2018).

Finally, there is a security issue. There are a lot of hackers on the internet who can hack social media accounts, breach through security and access valuable private data. Additional problem could be if the company does not present whole information about their goods or services online, customers may use this against that company and sue them.

### **2.2.2 Advantages and disadvantages of traditional marketing**

While digital marketing can increase brand exposure, there are some advantages that traditional marketing has over digital marketing. To start with, traditional marketing is great for the local audiences. For example, radio ads, local newspapers and flyers are one of the most successful methods of traditional marketing when targeting the local audiences. Elderly are more inclined to methods of traditional marketing as they struggle to keep up with technological advancements that happen every day. This is another benefit of traditional marketing because in developed countries, the percentage of elderly people is around 15% (almost 20% in Europe), and those people would rather receive a flyer to read than an email that, in most cases, do not even have.

According to Todor (2016), if the ads are placed appropriately and if they are suitable for the company's targeted audience, traditional marketing methods deliver faster and more effective results than digital marketing channels that, in some cases, can take more than a year to accomplish their objectives (SEO).



It can be observed that tangibility is an advantage that traditional marketing has in this digital age. In one study, it was proven that people are more likely to remember what they read in printed advertisement than digital advertisement (Widjaya, 2017).

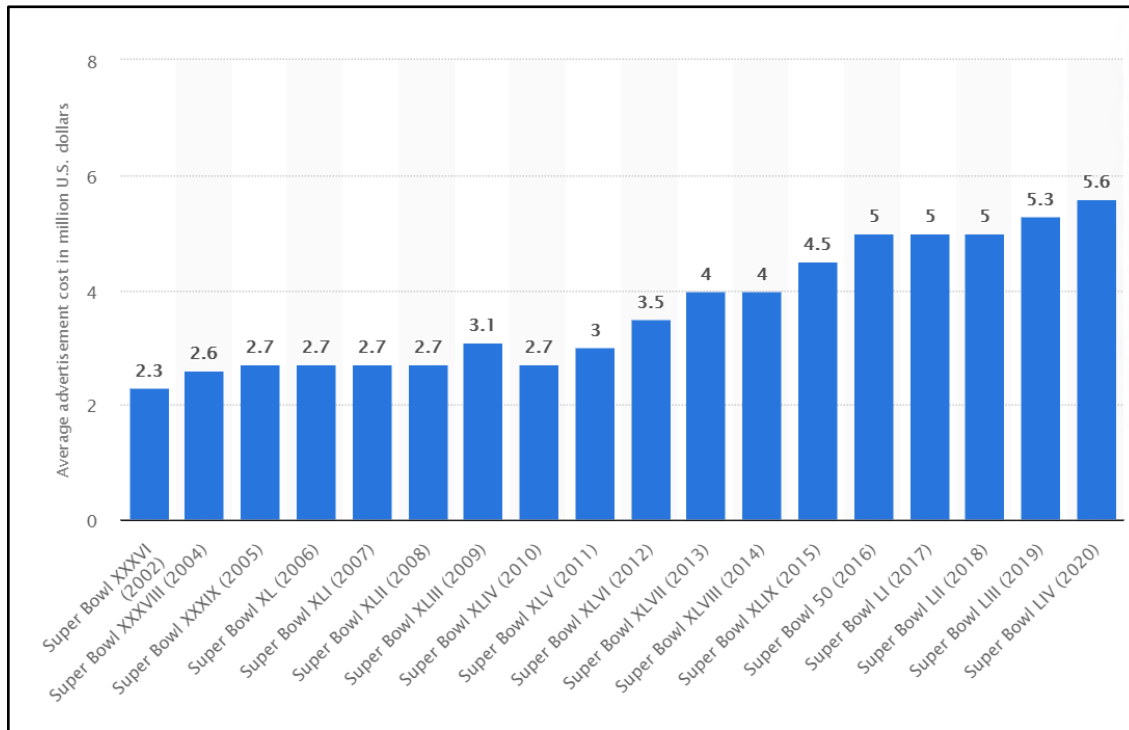
People sometimes save flyers and read them in their own leisure time e.g. if they received pizza flyers in their mailbox, rather than searching for the pizza place's offer online, they will read the flyer to see what the pizza place offers. Tangible marketing channels are useful because, instead of waiting for the potential customers to find you online (and possibly in the process, stumble upon company's competitors), companies are able to bring their brand to the customers. Traditional promotional strategies, such as sending Christmas cards with promotional offers through direct mail, enables companies to establish a personal connection that may attract target customers to buy their products and services.

Finally, traditional marketing is a much more tested and reliable form of marketing, and even though it does not reach as many people as digital marketing, it has a higher success rate than digital marketing.

With the rise of digital marketing, disadvantages of traditional marketing became more apparent. Many traditional marketing methods are expensive and cost prohibitive (Lilyquist, 2019). For example, buying television commercials may be too expensive for many small businesses who often resort to methods of digital marketing. Average time of a TV commercial is around 15 seconds which further proves that companies are trying hard to squeeze their messages to pay less for their commercials.

In figure 6, the average cost of a 30-second TV commercial in the Super Bowl is presented and it shows how expensive it is for companies to advertise their products and services on prime-time TV.

Figure 6: Super Bowl average costs of a 30-second TV advertisement from 2002 to 2020



Source: Statista (2020)

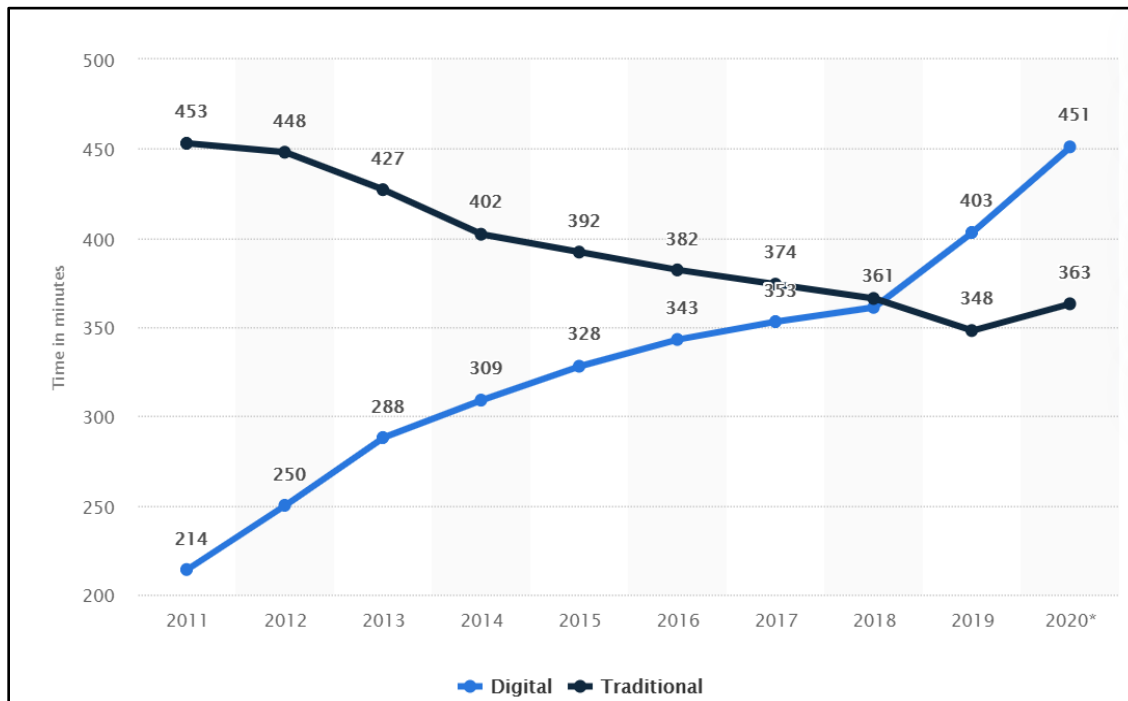
Another issue is that, in traditional marketing, marketers have a lack of time to update their advertisements. They have to plan the content of the commercial days or weeks in advance, and it is hard to adjust once the commercial is out. On the other hand, digital marketers can update their content quickly, whenever they wish to do so.

In addition, according to Ashe-Edmunds (2017), traditional ads provide less information as the print and broadcast media do not offer enough space nor time for a company to present and explain all of its different products and product information. On the other hand, customers can easily find all of the information they want on a company's website.

While digital technologies use customers' personal information that is available on websites that allow marketers to target potential customers more accurately, traditional methods provide media kits with audience demographics. However, once the ad is delivered (print or broadcast), there are no means for determining if potential customers actually read or saw the ad.

Lastly, as can be concluded from the figure 7, it is important to note that we live in an era of digital revolution, where shift from traditional to digital is more than obvious.

Figure 7: Time spent per day with digital vs traditional media in the USA 2011-2020 (in minutes)



Source: Statista (2020)

This means that some forms of traditional marketing are rapidly becoming obsolete, and that more and more businesses and customers prefer digital marketing channels to traditional marketing methods.

### 2.3 Defining and explaining crucial digital marketing channels

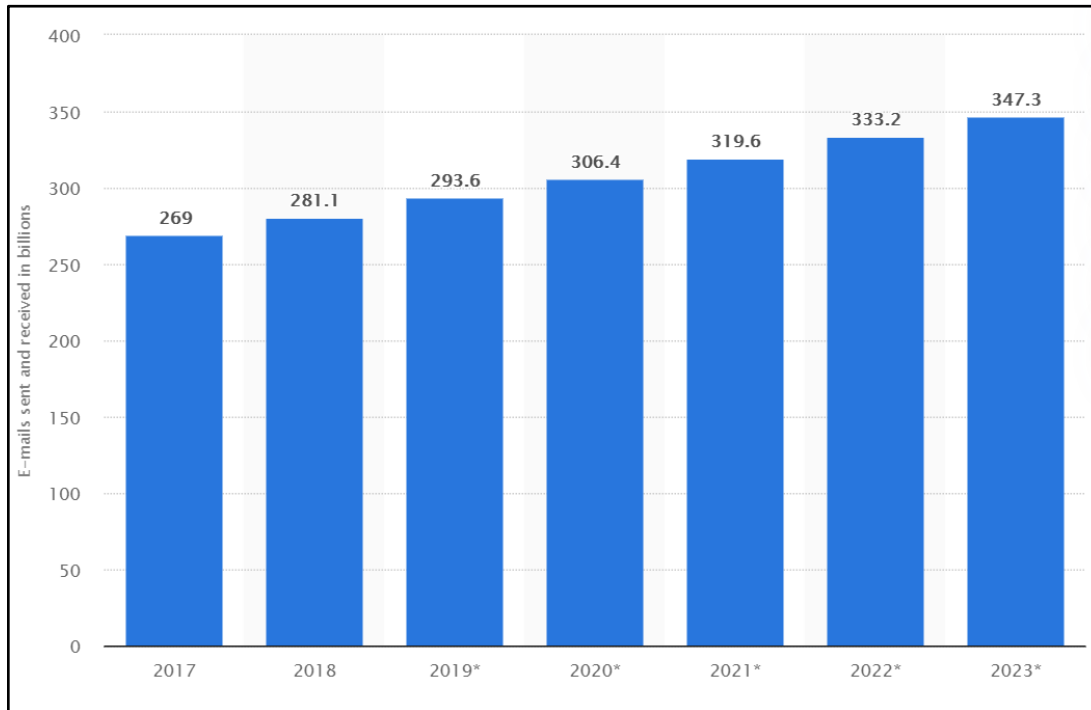
The internet opened a whole new area of opportunities for marketers. Digital marketing channels became much more common as they are affordable and easy to explore, especially for small businesses with less money and workforce. In this part of the thesis, the most important digital marketing channels will be defined, analyzed, and exemplified.

#### 2.3.1 Email marketing

According to Stokes (2011), email marketing is one of the oldest and most influential forms of direct marketing, which uses electronic ways in order to deliver commercial and promotional messages to potential and existing customers. Research shows that there are almost 4 billion email users in the world, and that in 3 years' time, there will be 500 million additional email users (Vujasin, 2020). The figure 8 shows that every year the number of emails sent/received is

increasing, and projections show that in the period from 2017 to 2023 there will be 30% more emails sent/received.

*Figure 8: Number of sent and received emails per day worldwide 2017-2023*



Source: Statista (2019)

Therefore, email marketing is mostly valued by companies, as the fact that every other person in the world has an email address enables them to reach a wide target audience.

There are two main types of commercial emails: promotional emails and retention-based emails. Promotional emails are more direct and aim to attract users to take immediate action. On the other hand, retention-based emails (also known as newsletters) are more focused on providing valuable information, with the goal of building long-term relationships with users. Aside from promotional and retention-based emails, there are also: transactional emails, catalogues, alerts, invitations, and communicational messages.

There are many advantages to using email marketing as a part of a company's digital marketing strategies. First of all, companies can segment their customers into different groups and send personalized content and messages, based on customers' preferences.

By adjusting content for different audiences, companies make certain that their emails appeal to every segmented customer group.

One of the great advantages of email marketing is the possibility of completely automating it, by creating specific triggers. The company decides when to send personalized messages to potential customers. That trigger can be based on particular time of the day or particular action that potential customer had with previous content. For example, a customer is browsing through a company's e-commerce website, and decides to put an item in the cart. However, something happens, and they decide to abandon the cart in the middle of the purchasing process, which is a common issue in the e-commerce business. Numerous companies send an email a day or two later, to remind customers of the abandoned cart, and sometimes offer special discounted offers for that particular item to give the customers additional push to buy the product. Also, email marketing methods are easy to measure, and this is important for companies to understand if their email marketing strategy is working or if it needs improvements. Metrics and reports are available to show: click through rates (CTR), which reveal how many customers actually went through email content (the average click-through rate across all industries is around 7% (Bhujwala, 2019)), open rates, which show how many customers have opened the email, and finally conversion rates, which reveal how many customers followed through on the action that email asked them to.

If there are relevant links to the company's website or blog included, email can be a good way to direct customers to other content that can be explored by customers. For example, language schools can send emails to customers to inform them about new language courses created, or that particular language courses are almost full or starting soon. By doing this, language school calls customers to action, and all of the seats will probably be filled.

Finally, email marketing is extremely cost effective due to a low cost per contact, and has a high return on investment- in 2020, on average, for every dollar spent on email marketing, the company made 38\$ (Serrano, 2020).

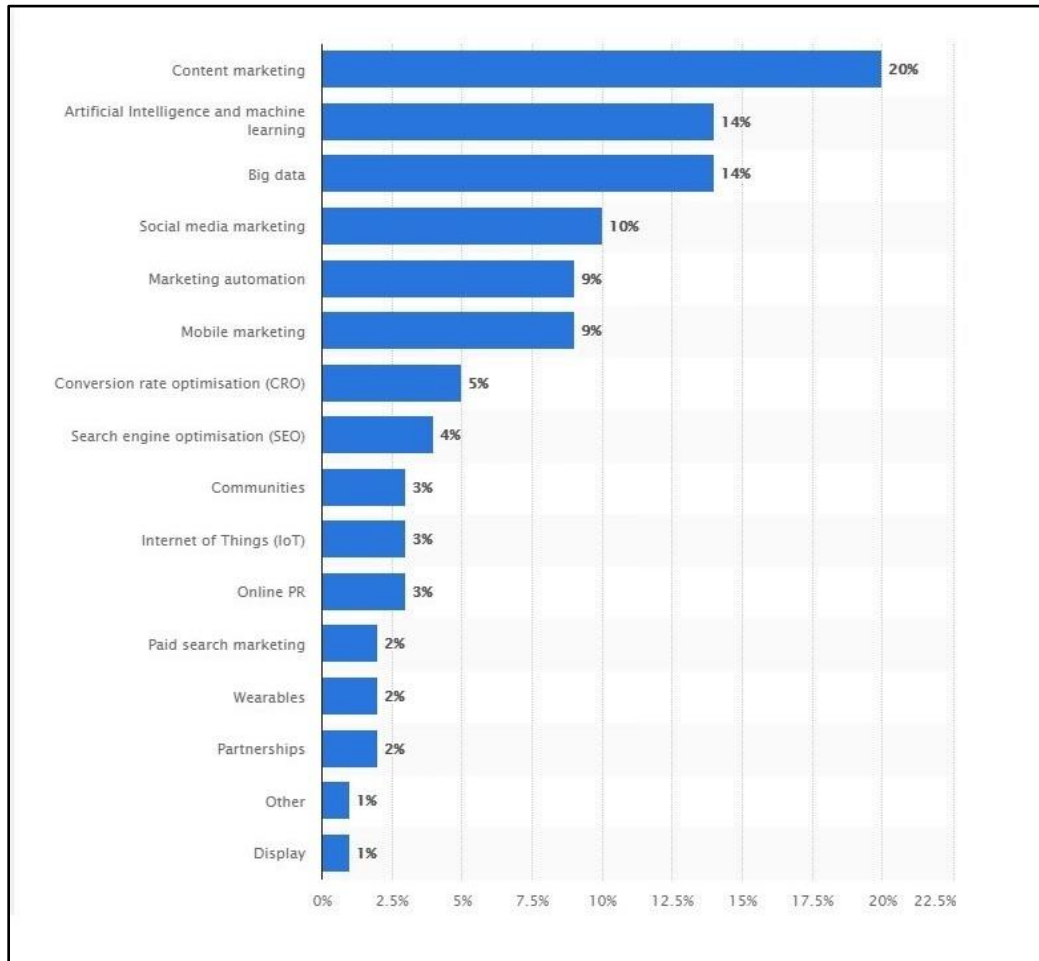
### **2.3.2 Content marketing**

According to Content Marketing Institute, 'Content marketing is a strategic marketing approach focused on creating and distributing valuable, relevant, and consistent content to attract and retain a clearly defined audience — and, ultimately, to drive profitable customer action.'

In other words, content marketing is a type of digital marketing channel that companies use with the aim to build strong relationships with their target customers by providing high quality and relevant content. Statistics retrieved from neilpatel.com reveals that 60% of marketers create at

least one piece of content on a daily basis, 57% marketers report custom content as their top priority in 2014, content marketing cost 62% less than traditional marketing and generates 3 times as many leads. Figure 9 proves the importance that content marketing has for marketers, as the most of them pointed to content marketing as the digital marketing channel that makes the largest impact on their or clients' businesses

*Figure 9: Most effective digital marketing techniques according to marketers worldwide in 2018*



Source: Statista (2018)

Great example of content marketing done right is hubspot.com. They write in-depth blog posts about particular problems that users are looking to solve, add eBooks to their blog posts and create Facebook videos and use LinkedIn to send traffic to those videos.

Regardless of what type of digital marketing strategy company employs, content is the key ingredient for that strategy to be successful. For example, because Google strives to provide their users with great experience, in a sense that they want to deliver the most accurate information users

are looking for, Google's algorithms are written in a way that rewards websites that create great content. Without great content, SEO, social media PPC campaigns will come to nothing.

Also, good content marketing strategy leads to increase in sales. Most of the company's first-time customers go through the decision buying process before actually purchasing a product or a service. This especially applies to more expensive purchases such as smartphones, computers, cars etc. Before making a purchase, many customers do extensive research by browsing through the company's website. If content is well written, transparent, and engaging, customers are more likely to make a purchase, as they feel reassured by that content. This way, content marketing helps companies in bringing potential customers one step closer to making a purchase, and it helps building a relationship with customers.

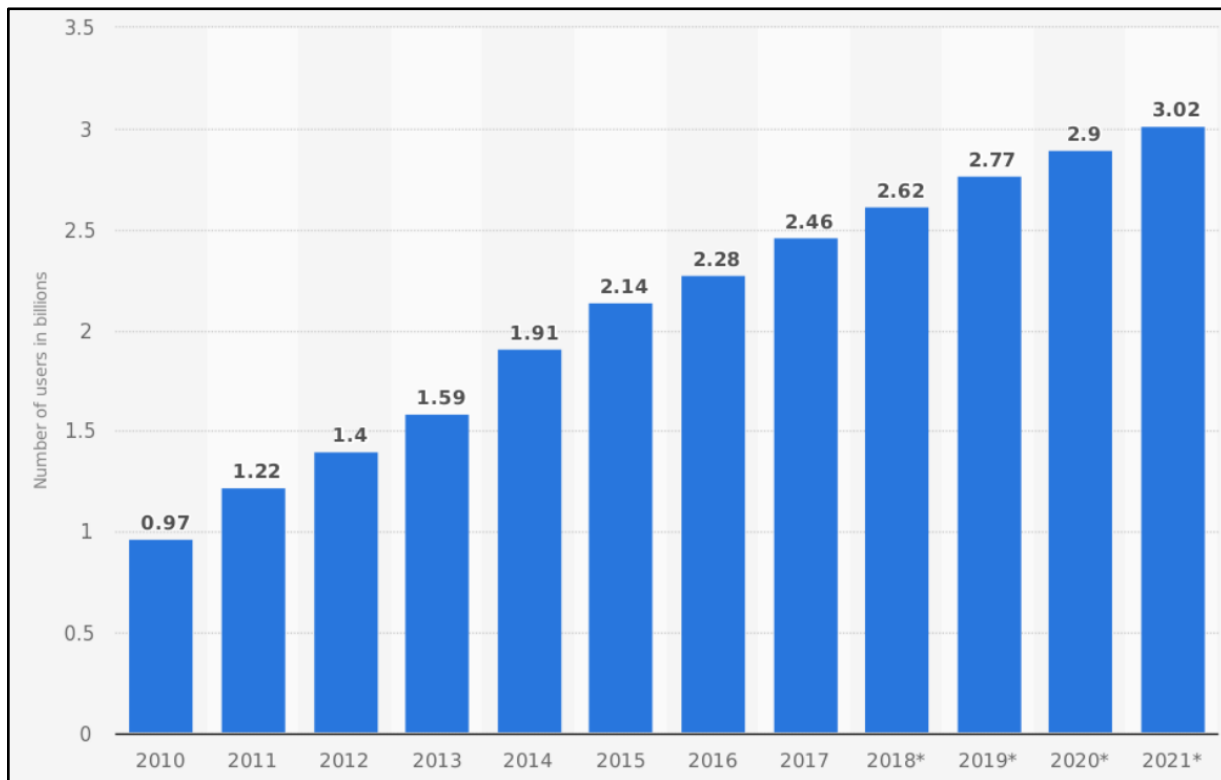
Sometimes customers are not able to find desired information online, which can lead to repetitive questions that customer service teams have to deal with. If that is the case, content marketing can be used to relieve the workload of the customer service team. If customer service answers the same question every day, marketers can solve this problem by writing a blog to answer all questions and inquiries in demand. By investing in content marketing, companies are able to amplify their brand awareness and credibility (Ahern, 2020) For example, if an accounting company writes an useful and informative article about how to apply for and get money from EU funds and article ranks in top 3 results of google search, thousands of people search for that information on a daily basis, which exhibits the company's name and services to hundreds and thousands of people per year. If the article was really helpful, people will start to perceive that company as a credible source and Many of them will become company's customers.

### **2.2.3 Social media marketing**

In today's modern world, social media is highly interactive and allows everyone to share their thoughts, ideas, and beliefs, which consequently influenced the way that companies started interacting with their customers and market their products and services. Neil Patel defined social media marketing as a process of creating tailored content for each individual social media platform in order to increase user engagement and sharing.

In the last decade, social media experienced explosive growth as is evident in the increase of the number of social network users in the last ten years. It can be observed from Figure 10, that the number of social network users almost tripled in the period 2010-2020.

Figure 10: Number of social network users worldwide 2010-2021



Source: Statista (2020)

Yet another indicator of this boom is that 97% of marketers are using social media marketing.

Social media marketing enables companies to directly connect with their customers which increases customer loyalty, improves sales, helps in building brand equity and brand awareness. Well thought social media strategy involves developing content that individuals will share with their friends, family, and colleagues, and relying on word of mouth strategy. By doing this companies increase the reach of their messages, and their messages carry implicit endorsement when shared by people close to the recipient (Kenton, 2018).

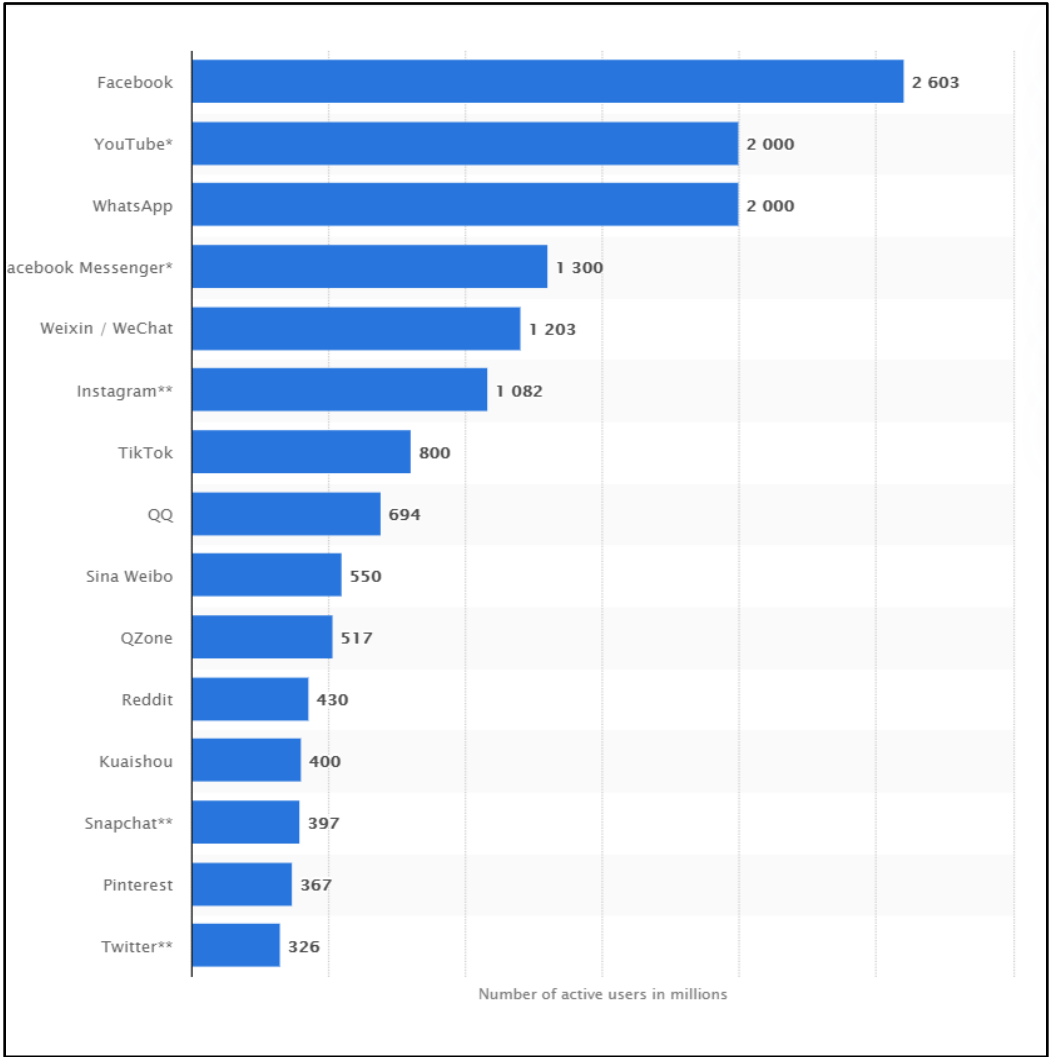
Social media marketing increases exposure which leads to the increase in traffic and more revenue. Also, because most small businesses have a limited marketing budget and they are cautious when investing in marketing strategies, the majority of them use social marketing media to increase sales and reach target customers, as social media marketing is one of the most flexible and cost effective marketing channels.

The most important social media platforms that impact digital marketing the most are: Facebook, YouTube, Twitter, WhatsApp, WeChat, Instagram and most recently TikTok.



As the figure 11 shows, Facebook is the most used social media platform in the world, and because of this, Facebook is used by 94% of the social media marketers to promote their businesses (Guttman, 2018).

Figure 11: Most popular social media networks worldwide as of July 2020 ranked by the number of users



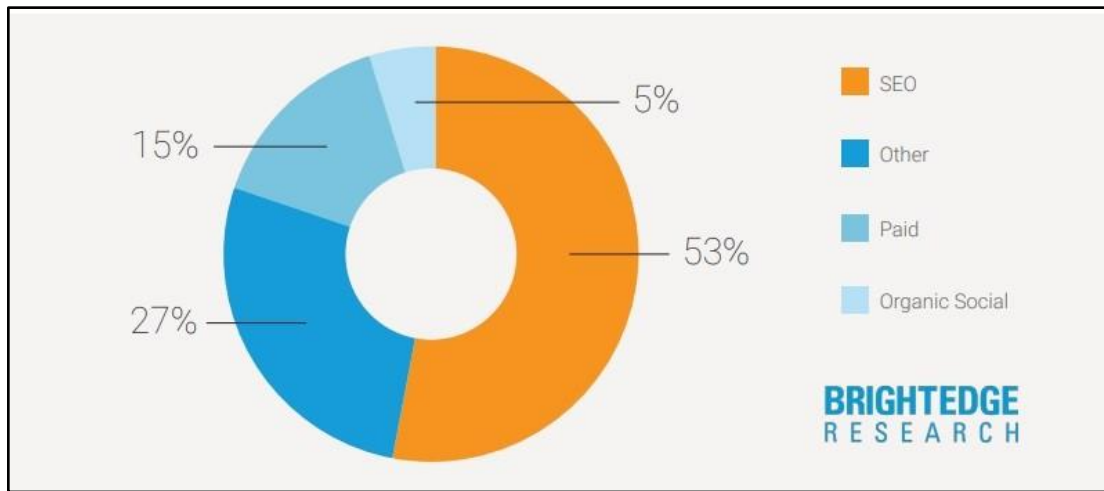
Source: Statista (2020)

Even though there are a lot of advantages of social media marketing, there are also some problems that may arise. For example, if a customer is disappointed in a company's product or a service, they are able to voice their opinion on any social media platform, and by doing that, harm brand image and affect purchasing decisions of other potential or even existing customers, especially the ones that are close to that unhappy customer.

## 2.2.4 Search engine optimization

Search engine optimization, better known as SEO, refers to all the techniques applied to search engines that improve website's visibility by making it rank higher in search engine results such as Google, Yahoo and Bing. It is one of the most powerful forms of digital marketing. As can be observed from the figure 12, organic search is the dominant source of trackable web traffic with 53% of all trackable searches being sourced from organic search.

*Figure 12: Source of web traffic in 2019*



Source: BrightEdge (2019)

Alongside PPC advertising, SEO is a part of social engine marketing, but unlike PPC, SEO improves website's ranking in the non-paid (organic) section of the search results. SEO's objective is to optimize website pages, conduct keyword research and get backlinks.

As mentioned before, Google (and other search engines) is focused on providing quality content to their users. They are able to do that by writing real time algorithms to bring, what they consider to be, the best results. Search engines have crawlers that go from page to page to gather information about all the content that can be found on the internet. After all the data is gathered, search engines build an index (library of internet pages), which is fed through an algorithm that attempts to match all the data with the requested query. In order to show best results, search engines based their ranking on various factors.

First and most important factor is relevancy, which means that it is crucial that Search engines look primarily for closely related pages to search keywords, which means that it is crucial for a website to offer the information that user is looking for (Google considers over 200 factors when determining the relevance of the content). However, due to the fact that there are thousands of

relevant pages for every search term, search engines do not simply rank the most relevant pages at the top. It is important to rank as high as possible because as it can be seen from the figure 13, top five search engine organic results almost 70% of all the clicks.

*Figure 13: Organic search click through rates in 2020*



Source: Advanced web marketing (2020)

In order to put the best content on top of the search results they rely on other elements of the algorithm. For instance, authority. This means that search engines look for content that is accurate and trustworthy. The best way to influence a page's authority is to increase the number of links that link to that webpage, especially by getting external links from existing high authority pages. Another important element is usefulness. Even though a website is authoritative and relevant, if it is not useful, search engines will not position that site at the top of the search results. According to Backlinko (2020), this means that when a user clicks on a website, the information they are looking for has to be easily found. If that is not the case, users will click back and look for an answer on a different website.

Other factors that search engine algorithms take into consideration when determining the rank of the website are geographical location of the user, clicks, bounce rates, keywords, meta tags, pictures, HTML of webpage and link types.

There are two SEO practices: on-page SEO and off-page SEO. On-page SEO refers to all the elements that can be optimized directly within the website with the goal of positioning higher in the search engine rankings. It includes content optimization (text, structural text elements, image, and video optimization), meta description and title tag refinement, internal linking, use of search engine friendly URL structure and mobile optimization. Apart from the fact that on-page SEO

helps in achieving higher SERP (search engine result page) rank and in earning more relevant traffic, it also helps searchers in a way that allows them to quickly and clearly understand page content and if it answers their problems.

Off-page SEO refers to all the activities that are done away from the website in order to increase the webpage rank in search engines. The main off-page SEO activity is link building. Links are extremely important for search engines and they are not able to determine the value of the webpage if there are no links directed at it.

There are two main types of SEO which are determined by how close SEO tactics follow Google guidelines. White hat SEO are all the tactics in line with terms and conditions of search engines. On the other hand, black hat SEO opposes search engine guidelines and manipulates them in order to get a higher SERP rank. This type of SEO is generally unethical, and it is risky as it may lead to the webpage being completely removed from search results. Some of numerous techniques involved in black hat SEO involve: keyword stuffing ( filling content with irrelevant keywords to rank higher), cloaking (present different content presented to users is different to the content shown to search engines), sneaky redirects (using them for different purposes than intended), poor quality content (copied content), paid links.

To sum up, SEO is the main source of leads, brings higher close rates and conversion rates, lowers advertising cost (as it is organic), and builds brand awareness and credibility.

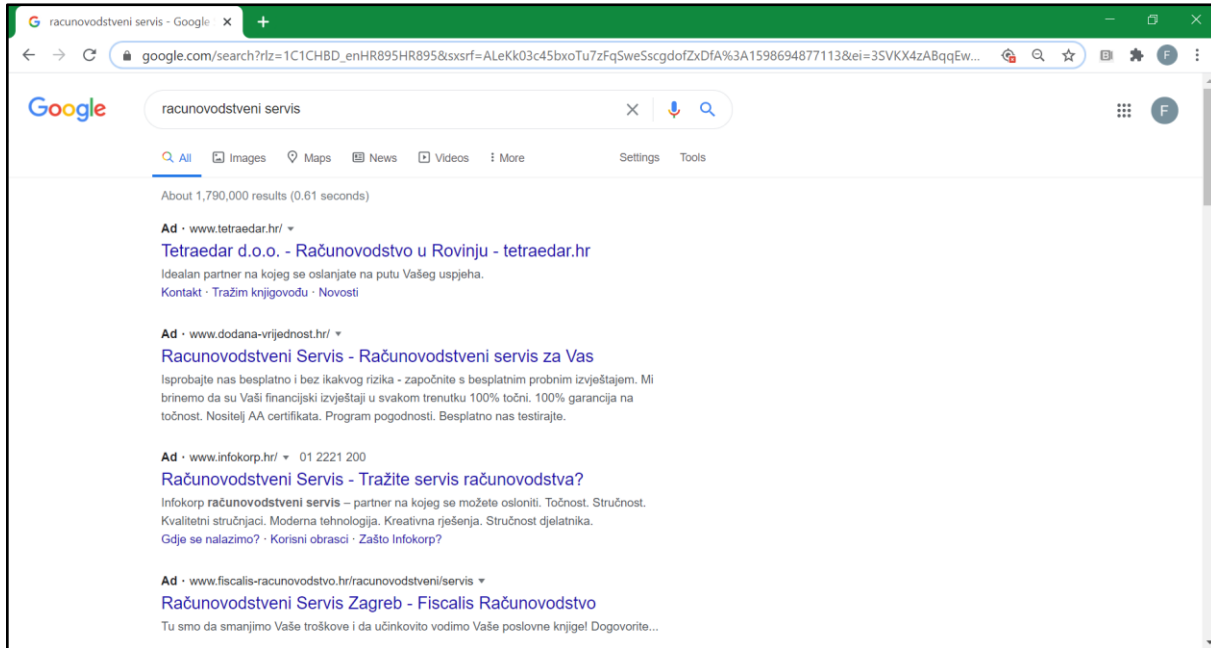
### **2.2.5 Pay-per-click marketing**

As opposed to organic search methods, PPC marketing is a method of using search engine advertising to generate clicks on the website. According to Sentance (2018), PPC marketing allows businesses advertising opportunities in the sponsored listing section of a SERP, by paying a fee every time the ad is clicked on. Although organic search is more cost effective than PPC, there are certain circumstances when it is more useful to choose PPC over SEO. For example, if a company is in need of immediate results, they will choose PPC as their ads will be displayed instantaneously for thousands of people to see (e.g. launching a new product or a service, or if SEO campaign fails and the offer expires soon) (Kim, 2020).

Additionally, PPC ads are customizable which allows for many small adjustments to improve their performance and they are easy to measure and track return on investment. Also, PPC allows companies to focus on candidates based on their demographic characteristics. They can show their

ads and target customers based on their age, gender, education, relationship status or even hobbies, which is a convenient way to lead the right people to a company's business to their website. It can be seen in a figure 14 that another advantage that PPC has over SEO is the position on the SERP. PPC results are positioned above the organic search results, and many people will click on the first thing they see in SERP.

Figure 14: Search engine result page for “racunovodstveni servis”



Source: Author’s work

Google Ads is the most popular PPC advertising system in the world. Users create Google campaigns; each campaign has a group of ads that contain different keywords that users are trying to rank. Each of those keywords has its own price depending on the frequency that that keyword is being searched for. The cost of keywords may vary from 50 cents to 50 dollars. Cost is determined by the competition level and the industry that the company is in. In figure 15, there is an example of how the keywords are displayed in the keyword tool.

Figure 15: Keyword tool example

<input type="checkbox"/> Keyword (by relevance) ↓	Avg. monthly searches	Competition	Ad impression share	Top of page bid (low range)	Top of page bid (high range)
<input type="checkbox"/> top marketing agencies	880	Medium	–	\$5.27	\$13.40
<input type="checkbox"/> agent marketing	1,900	Low	–	\$0.67	\$7.40
<input type="checkbox"/> best marketing companies	880	Medium	–	\$3.85	\$11.92
<input type="checkbox"/> website marketing company	880	High	–	\$9.88	\$46.43

Source: Revenue River (2019)

In the example, keyword “agent marketing” is labeled as having low competition and cost less, while keyword “website marketing company” is labeled as having high competition and cost much more. According to Revenue River (2019), technology industries and legal, financial and insurance industries have the highest keyword cost on the search network. Finally, it is important to mention that traffic generated from PPC ads 50% more conversion than organic search, and paid advertising, on average, has a 200% ROI rate (Milenkovic, 2019).

### **3. CASE STUDIES OF SUCCESSFUL UTILIZATION OF DIGITAL MARKETING STRATEGIES**

#### **3.1. Search engine optimization campaign**

In this case study, it will be observed how Croatian digital marketing agency Arbona, implemented an SEO strategy for a company named Encian, and increased their organic search by more than 80%. Arbona is a certified ‘Google AdWords’ partner with years of experience in planning and implementing digital marketing campaigns.

As the lack of experience and knowledge proved to be an insurmountable obstacle for Encian, they decided to hire Arbona to improve their SEO results. Encian wanted to achieve the website traffic increase, which leads to better search engine ranking and consequently this would increase conversion rate.

These two companies made an agreement that Encian would be in charge of content marketing (writing blogs, and other relevant content), while Arbona would be in charge of SEO (keyword research, SERP ranking improvement).

They set three main goals for Arbona to achieve for them:

- Increase in organic search
- Increase in specified keywords ranking
- 100 keywords in top 10 Google ranks

By doing keyword research, relevant to the Encian’s product offer, Arbona was able to determine which keywords are searched for the most. Also, it was important to do the research on Encian’s competition since many of them also use SEO, which helped in finding the most relevant and profitable keywords.

As mentioned in the theoretical part of the thesis, unique website content is a very important factor when search engines are determining which webpage to rank higher. Another important aspect of this campaign is the communication between Arbona and Encian, and because it was on a high level, they were able to react promptly if keywords fell in ranking. The optimization process began with monitoring Google Search Console, which enabled Arbona to monitor the webpage's index status as well as webpage visibility in order to react and adjust if necessary.

Moreover, in the search performance report, they monitor the number of clicks, click through rate and average/current keyword rank, and by using Index coverage (Google Search Engine report), they were able to find URL indexing issues and fix them immediately.

Later, Arbona noticed that an increasing number of users are visiting Encian's webpage from their smartphones, which put their focus on optimizing the website for mobile phones.

All of this contributed to successful results of this SEO campaign.

With the help of constant monitoring of available data, there was an 85% increase in organic website traffic, meaning that the number of users that came to the website because of the keywords increased drastically. Content optimization was responsible for a 17% decrease in the bounce rate, which means that users were satisfied with the content and it was what they were looking for. In addition, average time on page increased by 21% as users were reading the content and product information. Finally, there was a 55% increase in the number of transactions, and most importantly 40% increase in revenue with respect to the prior year.











### **3.2 Exploiting the full potential of email marketing**

As it was already interpreted from figure 8, there are almost 4 billion email users in the world. However, many companies do not realize the potential that email marketing can have and affect their business development. Great example of successful utilization of email marketing is the case of the NBA organization Detroit Pistons. Rather than using email as a static means of communication, Pistons implemented an innovative email marketing strategy in order to increase fan engagement. Pistons are owned by a company named Palace Sports and Entertainment who cooperated with Moveable ink to send emails (Interactive Gameday Guide) that would be updated every time they were checked, to the fans who were going to spectate Detroit's games (Digital Training Academy).

Before the start of the game, emails contained information about team matchups, records, current standings, previous fixtures results, head to head results, player information. When the game kicked off, email displayed all the players on the field with their matchday stats (Figure 16), and after the game email displayed the final score and every player's detailed statistics for that matchday.



Figure 16: Interactive Gameday Guide

PISTONS		ON THE FLOOR		MAVERICKS	
 34	PTS REB AST +/- 12 5 0 -13	 41	PTS REB AST +/- 19 5 2 9		
 13	PTS REB AST +/- 29 9 4 14	 27	PTS REB AST +/- 3 7 3 -3		
 0	PTS REB AST +/- 12 16 1 14	 23	PTS REB AST +/- 12 6 1 0		
 5	PTS REB AST +/- 13 1 1 -1	 5	PTS REB AST +/- 27 1 3 10		
 1	PTS REB AST +/- 7 5 8 10	 34	PTS REB AST +/- 11 2 2 3		

Source: Digiperform (2016)

Additionally, also by email, fans were provided with a live traffic map of the area around the arena in order to help them find optimal routes to avoid traffic congestion.

The campaign was rated as successful as it helped Detroit Pistons in meeting their set objectives. The email marketing campaign resulted in an 18% increase in click-through-rate, 45% increase in engagement time and 49% increase in mobile engagement (Digiperform).

Another great example of successful use of email marketing strategy is the case of Evans Cycles. They wanted to increase customer engagement in order to improve brand loyalty and make sure that they had buyers return to their stores for more products. The idea was that every time a new customer made any purchase in their store, the cashier would ask them to provide their emails with the purpose of sending them receipts for their purchases. In addition to sending receipts to the emails, Evans Cycles were also sending marketing content to customers.

For example, in the initial email, together with the receipt, there was an option to complete an online review about products that were purchased. If reviews were indeed completed, those customers would enter the prize draw with the possibility to win £250, which is a smart way to motivate customers to provide some additional and potentially useful customer data (Digital Training Academy). Also, when registering to the page with an email, customers are welcomed to the “Evans Cycle Club”, which immediately provided customers with a £5 discount.

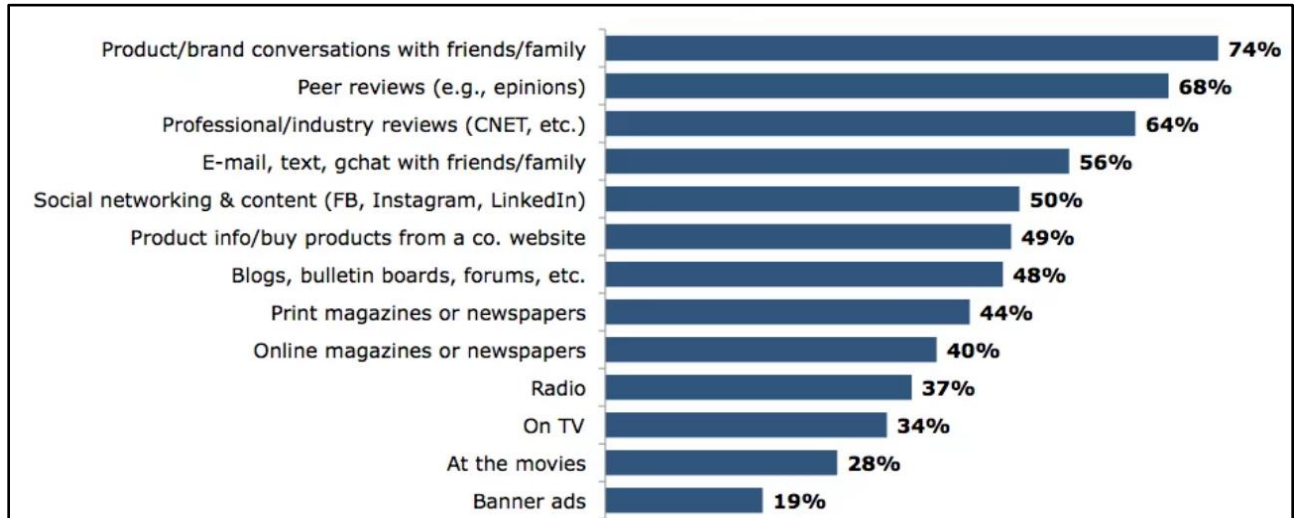
What is more, customers were offered some other benefits such as: being first to know about new products and brands coming into the stock, receiving personalized offers and exclusive voucher codes, receiving information when sales were coming up, having the right for their bikes to be checked up for free within 6 from the purchase (Moth, 2013).

This case shows how customer service satisfaction and brand engagement can be achieved by simply collecting email addresses in-store, and sending relevant, useful emails in order to connect with them on a personal level.

### **3.3 Creative social media marketing campaigns**

There are millions of social marketing ads and competition is high which makes creating a successful, eye-catching social media campaign a much more challenging task than it may seem. The first example of a successful social media marketing campaign that will be examined is tech giant Apple's "shot on iPhone" social media marketing campaign. The smartphone industry is extremely competitive. Year after year there are new smartphone releases and new industry players which is pushing companies to be more creative with their marketing campaigns. Before the iPhone 6 was launched, Apple was starting to gain a bad reputation as having a camera that was falling behind in quality and features compared to their competitors. In 2015, Apple's "shot on iPhone" campaign was launched (conveniently, on the same day as Samsung released their new flagship smartphones). The campaign had an objective to showcase iPhone's amazing new camera, to increase user engagement and to use their own customers for brand marketing (completely free), which is known as user-generating content campaign. Users would simply take a photo with their iPhone and use hashtag (#shotoniphone) when posting this content on Instagram. By using this strategy, Apple differentiated themselves from the competition, as younger people are more likely to trust unbiased real-life campaigns, than polished marketing messages such as expensive TV commercials (Figure 17).

Figure 17: Millennials' trust in various forms of media



Source: Crowd tap and Ipsos (2014)

The worldwide campaign included photos and videos from 77 people, in 70 different cities, in 24 different countries (Davey, 2017), which were displayed on large billboards in cities like London, Paris and Dubai to show off their new iPhone's camera performance. The fact that this campaign was named a winner of the 2015 Cannes Lions Grand Prix and received an estimated 6.5 billion media impressions proves how successful the campaign really was (Yost, 2017).

Another great use of social media marketing is evident in Mercedes' case. In 2013, they launched a very creative Instagram marketing campaign. Mercedes reached out to five young Instagram photographers with a considerable number of followers on Instagram and gave each of them highly anticipated Mercedes-Benz CLA vehicles.

It was a competition between those five photographers, and whoever got the most likes in that week was a winner, and the prize was Mercedes-Benz CLA. As a consequence of this social media marketing approach, Mercedes received 87 million organic Instagram impressions and 2 million Instagram likes (Chittenden, 2020).

## 4. RESEARCH METHODOLOGY

### 4.1. Research design & Data collection

According to QuestionPro, a survey can be defined as a research method used for data collection from a predetermined group of respondents to obtain information and gain insights into various subjects of interest.

The method that was used for the purpose of this research is an online survey. Online survey is a more intuitive way to reach out to the respondents (especially in COVID-19 period where social distancing is recommended) as it takes less time to complete and is more cost-effective than the traditional survey. The approach used in the survey is a quantitative research method. According to Bhandari “Quantitative research is the process of collecting and analyzing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations.”

As the desired information necessary to complete the objectives of the research was not easy to access, the target population was limited to the people who had full insight in the company's operation and had deeper knowledge of the topic. This means that only company owners, chief executives and managers of the companies were approached with the message (as displayed in figure 18) and provided with the survey questionnaire.

*Figure 18: Survey invitation*

Dear participant,

The following questions regarding the digital marketing and its impact on company's business success will help me understand if the use of digital marketing channels in Croatia, is as widespread as in some of the more technologically and economically developed countries. More importantly, it will help me determine if companies that have implemented digital marketing strategies, benefit from those strategies and to what extent, and how much do they spend on digital marketing overall.

It will take around 10 minutes to complete this form and your feedback would be much appreciated.

Kind regards,  
Filip Filipovic

Survey contained 21 questions, split in 5 groups of questions, first group of questions was about the respondent's personal information and involvement in their company and industry, while the rest four groups of questions covered research questions. Most of the questions were multiple choice questions. For some questions only one answer was available, and for some respondents had to pick two answers. Survey was successfully completed by 30 participants.

## **4.2 Research objectives**

The primary research objective was to understand to what extent is digital marketing represented in companies in Croatia and how much of an impact it has on company's business development. In addition. Another objective was to explore what Croatian companies regard as a success, and if they are ready to invest in digital marketing channels.

## **4.3 Research questions**

For the purpose of this research, four research questions were formulated. Three research questions cover the digital marketing topic of the research. Remaining research question should cover the topic of the company's business mentality and culture.

### **4.3.1 What companies in Croatia regard as a success?**

As the main topic of this thesis is to understand how digital marketing affects a company's business development, it is important to realize what exactly people in high positions in companies recognize as a success. There were four survey questions in this group of questions. Firstly, respondents were asked to pick the most important objectives of their respective companies. Next, they were asked to evaluate working habits of their co-workers/employees and overall, their job satisfaction. After that they were asked to assess business priorities of their companies, which they find more important. Finally, they were asked to rate how important it is for them to stay ahead of their competition.

### **4.3.2 How significant is the impact of digital marketing on a company's business development in Croatia?**

This group of questions tries to prove that digital marketing has positively affected the business development of Croatian companies. The participants were asked to answer if they agree that digital marketing contributed to the success of their companies, and if the results accomplished with implementation of digital marketing were the results they expected.

Also, they were asked if they prefer traditional marketing methods to digital marketing methods, and if that is the case, to explain their answers briefly.

### **4.3.3 Which of the digital marketing channels are used the most in Croatian companies?**

In order to understand which of the digital marketing channels are most popular amongst the companies in Croatia, respondents were asked about digital marketing channels they use in their companies, and which they find to be most effective. Furthermore, they had to answer which of the digital marketing goals were the most important for them. Lastly, they were asked to pick which of their website's features are the most important.

### **4.3.4 How much are companies in Croatia willing to spend on digital marketing campaigns?**

In the last group of questions, participants were asked about financial aspects of digital marketing in their companies. They were asked to reveal the percentage of their marketing budgets (% of revenue), and the percentage of their digital marketing budget (% of marketing budget). Additionally, they were asked if their digital marketing budget has increased in the last three years. Finally, they were asked to reveal if their digital marketing budget will change because of COVID-19 pandemic.

## **4.4 Survey questionnaire**

In this part, all 21 questions, and all of the potential answers are displayed.

How old are you? \*

20-30

30-40

40-45

45-50

50-60

60+

What is the name of the company you work at? \*

Short answer text

---

What is your position in the company? \*

- Manager
- Executive level ( CEO, CIO, CFO, COO, CMO)
- Company owner

What industry is your company in? \*

Short answer text

---

What are your company's main objectives? (Pick 2 answers) \*

- To get and stay profitable
- To capture a bigger market share
- To have a great customer value
- To have quality and reliable products/services
- To improve employee efficiency
- To improve and maintain workplace safety
- To build recognizable brand image

To what extent do you agree with the following sentence: To my knowledge, my employees and coworkers have great working habits and enjoy working in our company.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

How important is for you to be one step ahead of competition? \*

- Not important
- Somewhat important
- Very important
- Crucial



Based from your working experience, rank the following company's business priorities. \*

	Less important	Somewhat importa...	Very important	Crucial
Employee satisfact...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Revenue growth	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customer relations...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Product/service qu...	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you agree with the following sentence: Since we have implemented digital marketing strategies, our company became more successful. \*

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly Agree

Did the results accomplished by implementing digital marketing strategies meet your expectations? \*

- Expectations were fully met
- Expectations were partially met
- Results did not meet expectations

Do you prefer traditional marketing methods (TV and radio ads, newspaper and magazine articles, flyers, billboards) to digital marketing methods \*

Yes

No

If you do, can you explain why?

Long answer text

---

Which of the following digital marketing channels does your company use? \*

Search engine optimization (SEO)

Pay-per-click advertising (PPC)

Social media marketing

Content marketing (Blogs, Case studies, Videos)

Email marketing

None

Which of the following digital marketing channels delivers the biggest impact on your company's sales? \*

Search engine optimization (SEO)

Pay-per-click advertising (PPC)

Social media marketing

Content marketing (Blogs, Case studies, Videos)

Email marketing

None

In your opinion, what is the most important feature of your website, that drives customers to buy your product/service? (Pick 2 features) \*

- Ease of navigation
- Attractive and up-to-date design
- Clear and transparent product information
- Social media integration
- Company blog
- Relevant, authoritative website content
- My company does not have a website

What are the most important digital marketing goals for digital marketing plan to be achieved (Pick 2 answers) \*

- Increase lead generation
- Increase sales revenue
- Increase brand awareness
- Increase website traffic
- Improve user experience
- Improve data quality

What percentage of your revenue do you spend on marketing? \*

- 1-3%
- 4-7%
- 11-14%
- 15-19%
- 20%+

What percentage of your marketing budget do you spend on digital marketing? \*

- 0-20%
- 21-40%
- 41-50%
- 51-65%
- 66-80%
- 81-100%

Has your company's digital marketing budget increased in the last three years? \*

- Yes
- No

In 2020, COVID-19 pandemic took place and it shook the world economy. How will this crisis affect your digital marketing spending? \*

- We will have to drastically reduce our digital marketing budget
- There will be small a reduction to our digital marketing budget
- Our digital marketing budget will remain the same
- We will invest even more in our digital marketing strategies

## 5. RESEARCH RESULTS & DISCUSSION

The methodological data that was described in the previous chapter was the foundation for the data analysis and data interpretation. Also, research questions are answered, explained and each of the survey questions is graphically interpreted.

### 5.1 Demographic and personal data

In this chapter demographic and personal data about respondents working experience is displayed (Table 1).

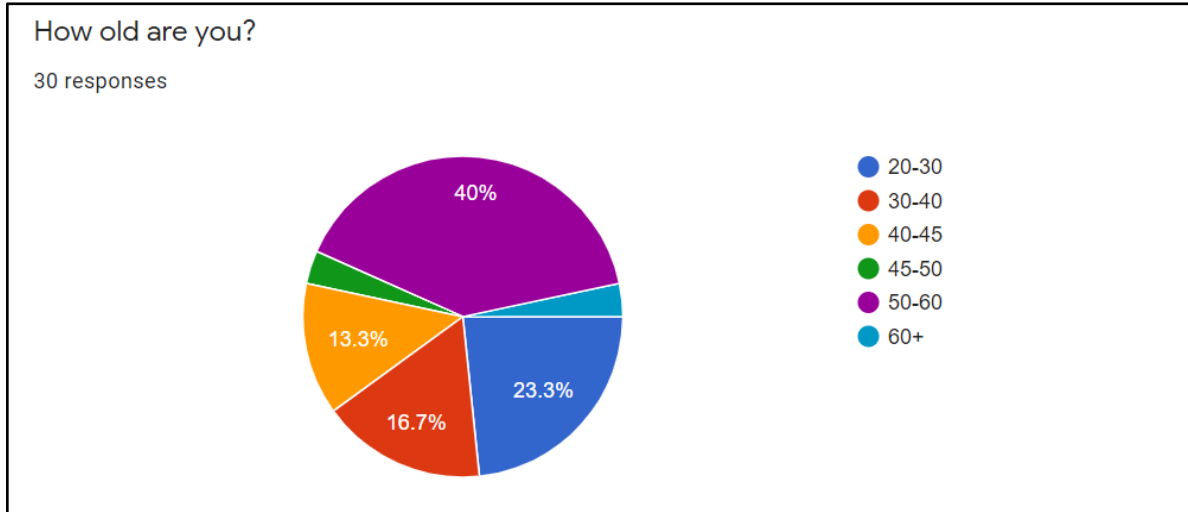
*Table 1: Summary of participants data (first group of questions)*

<b>What is the name of the company you work at?</b>	<b>What is your position in the company?</b>	<b>How old are you?</b>	<b>What industry is your company in?</b>	<b>How long have you been working in that industry?</b>
Ingressus viridis d.o.o.	Company owner	30-40	Business consulting	10-20 years
Galeb1950	Manager	20-30	Laundry	Less than 5 years
Dm-drogerie markt d.o.o.	Manager	20-30	Pharmacy	Less than 5 years
Ustanova CTZ d.o.o.	Company owner	50-60	Whole Life learning	20+ years
Librus	Manager	40-45	Education	5-10 years
Trius Nekretnine d.o.o.	Executive level	50-60	Real estates	10-20 years
Promo produkt d.o.o.	Company owner	50-60	Business consulting	20+ years
Panamera sala d.o.o.	Company owner	30-40	Wedding industry	5-10 years
Tamago d.o.o.	Company owner	60+	Accounting industry	20+ years
Apartmani Jadran	Company owner	20-30	Tourism	Less than 5 years
Plamegal-Trio d.o.o.	Manager	50-60	Plastic bottles	10-20 years
OTUU Obzor d.o.o.	Company owner	45-50	Food industry	10-20 years
Garfield gift shop	Company owner	50-60	Souvenir store	20+ years
Libor d.o.o.	Manager	50-60	Marketing	20+ years

Čarobni tim	Manager	40-45	Light box, metal construction, digital printing	5-10 years
Fortenova grupa dd	Manager	50-60	Food, Beverages, Retail, Agriculture	Less than 5 years
Ross d.o.o.	Manager	40-45	Media	10-20 years
Romi trade d.o.o.	Company owner	50-60	Nightlife	20+ years
Real Grupa	Manager	20-30	Marketing, advertising, media buying	Less than 5 years
Zvonijada jdoo	Company owner	20-30	Tourism	Less than 5 years
Croatian Chamber of Economy	Executive level	50-60	economy business	20+ years
Premium Marketing	Executive level	20-30	Telesales	Less than 5 years
VUKPAN d.o.o.	Company owner	40-45	Restaurant industry	20+ years
Restaurant Olea	Executive level	50-60	Tourism	10-20 years
CTP	Executive level	50-60	car industry	20+ years
E-plus d.o.o.	Manager	30-40	Retail	Less than 5 years
Tele 2	Manager	20-30	Telecommunications	Less than 5 years
HRT	Manager	30-40	Radio television	5-10 years
Villa Bougenvillia	Company owner	50-60	Tourism	20+ years
Samoniklo Bilje d.o.o.	Company owner	30-40	Food industry	5-10 years

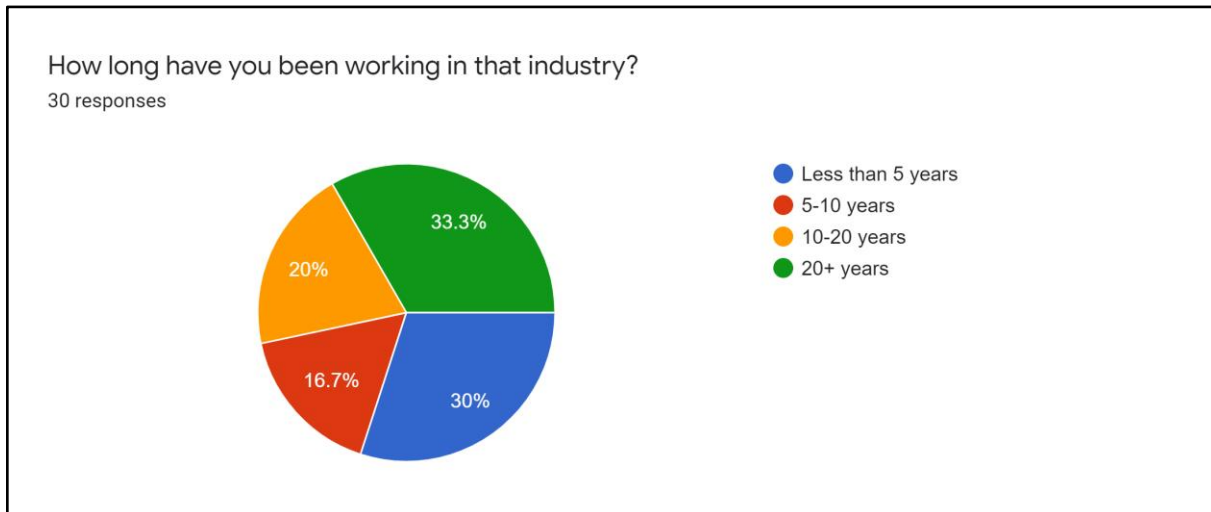
As can be observed from the figure 19, the majority of the participants belong to the 40-50 age group, which was expected as it takes time, effort, and capital to be a company owner or an executive of a company. It is not that surprising that 23.3% of the participants are younger than 30, as the author's circle of friends and acquaintances is full of young people with a lot of potential and entrepreneurial spirit, who are already company owners or working in managerial positions in companies.

Figure 19: Distribution of participants according to their age



The companies that participants work for come from a range of different industries such as: Business consulting, Pharmacy, education, real estates, accounting, tourism, telecommunication etc. This is a positive factor because it gives a better insight to the results as the goal of the thesis is to understand the impact of digital marketing on all the companies in Croatia, rather than focusing on a single industry. Also, as can be observed from the figure 20, 70% of the participants have been working for more than 10 years in their respective industries, which alongside with the fact that they have a good knowledge of a company in general, qualifies them to answer survey questions.

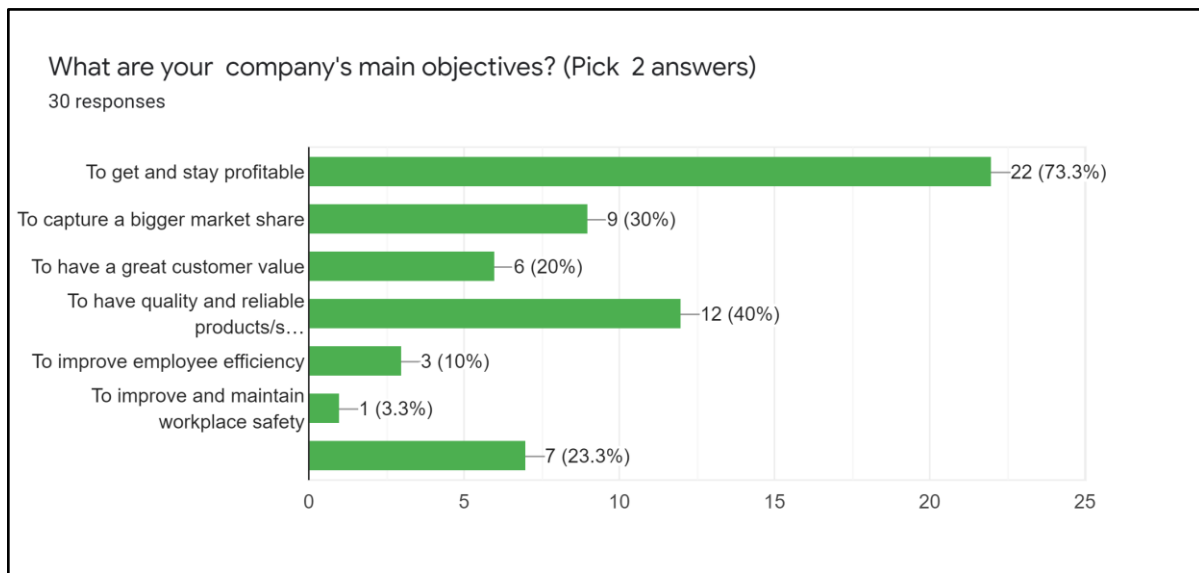
Figure 20: Distribution of participants according to their experience in an industry



## 5.2 Perception of success and business culture of Croatian companies

Participants were asked to pick their companies' two main objectives. In figure 21, it can be observed that 73.3% of respondents think that the main objective of their company is to become and remain profitable. 40% of participants believe that the most important goal of their company is to provide quality and reliable products/services. 30% of them feel that one of the most important objectives of the company is to capture the biggest market share and 23.3% of them think that brand image is a very important objective. 20% of respondents consider that having great customer value is the main objective, while 10% of them think that their main aim is to improve the efficiency of the company. Only one participant highlighted the objective of improving and maintaining the workplace safety.

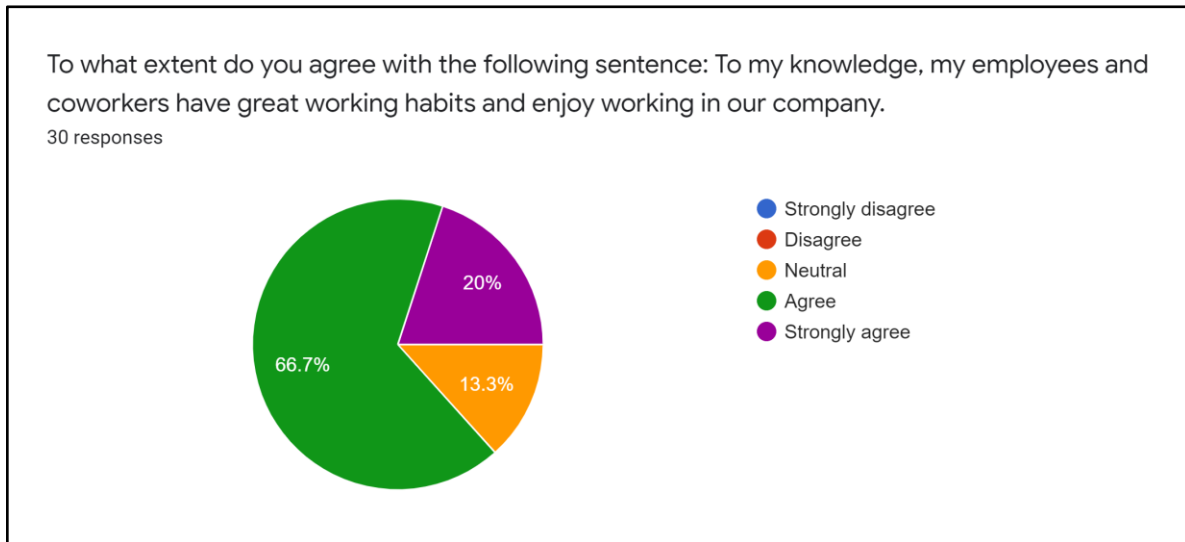
*Figure 21: Respondents' opinions on main objectives of their companies*



Next, participants were asked to assess if their co-workers and employees have appreciable working habits and if they genuinely enjoy working for their companies. As can be seen from the figure 22, almost 90% of respondents believe that people in their company like working in their working place and have great working habits (20% of them firmly believe in this). Only 4 participants are not sure if this is the case, while not a single respondent disagrees with this.

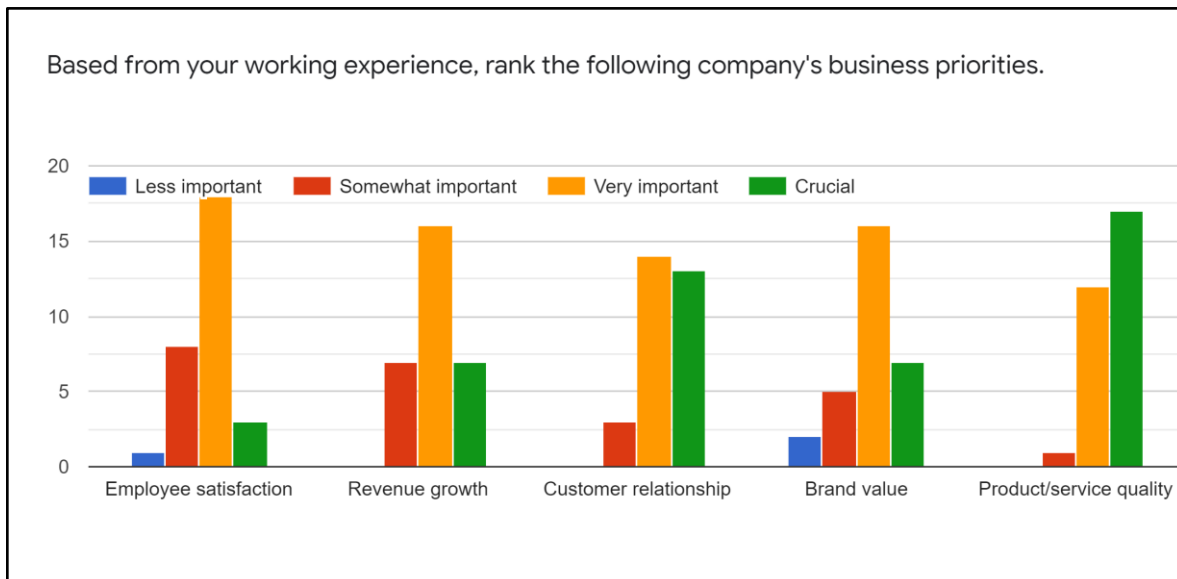


Figure 22: Respondent's assessment of their workplace environment



Furthermore, participants were asked to analyze business priorities of their companies (Figure 23). It can be noted that most of the respondents recognize all of the stated priorities as very important. Only exception is that one participant finds employee's satisfaction less important and two of them find brand value less important.

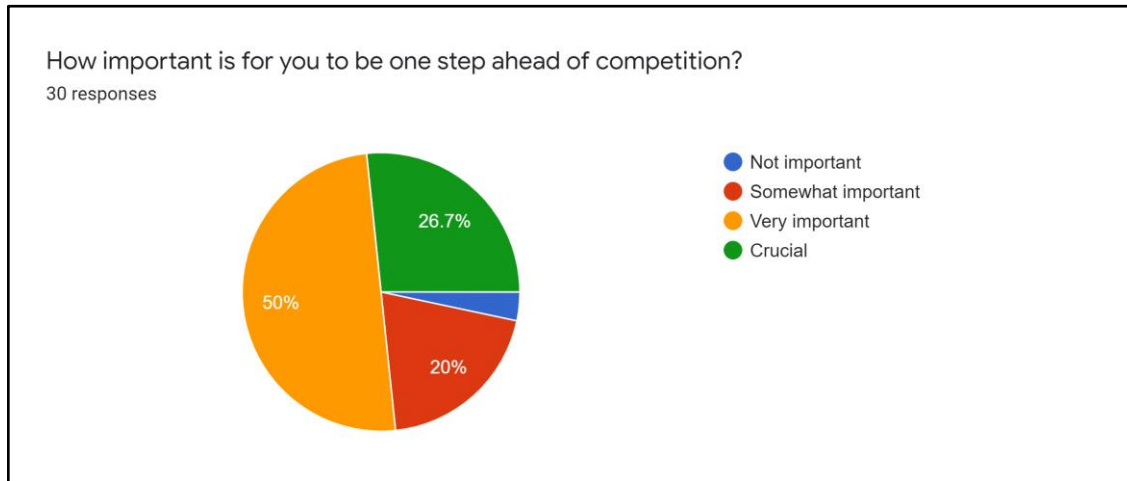
Figure 23: Respondents' views on business priorities of their companies



In the final question in this group of questions, participants were required to share their thoughts on their competition. As can be seen from the figure 24, more than 75% of respondents believe

that it is either very important or crucial to be ahead of the competition, while less than 25% of them do not recognize the need to beat their competitors as a determining factor of their success.

*Figure 24: Respondents' views on competition*

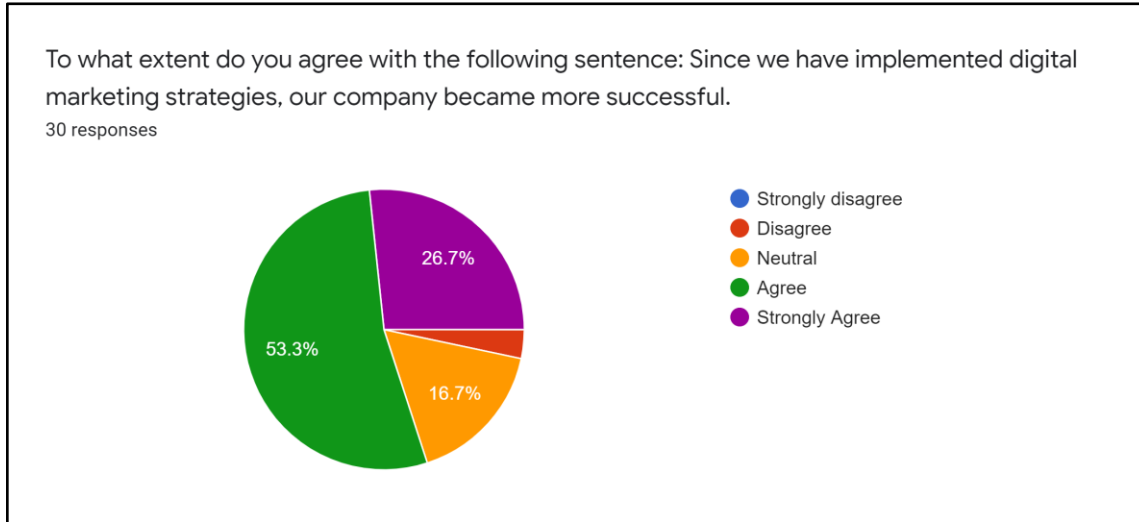


In conclusion, after analyzing this second group of questions, it can be concluded that in general, most of the companies believe that the most important factors of success are to be a profitable company that offers quality and reliable products and services, and stay ahead of the competition. Even though not many of them recognize employee efficiency and safety as an important objective, it can be observed that most of them agree that it is important to keep their employees content, and to create and maintain a healthy workplace environment.

### **5.3 The impact of digital marketing on companies' performance**

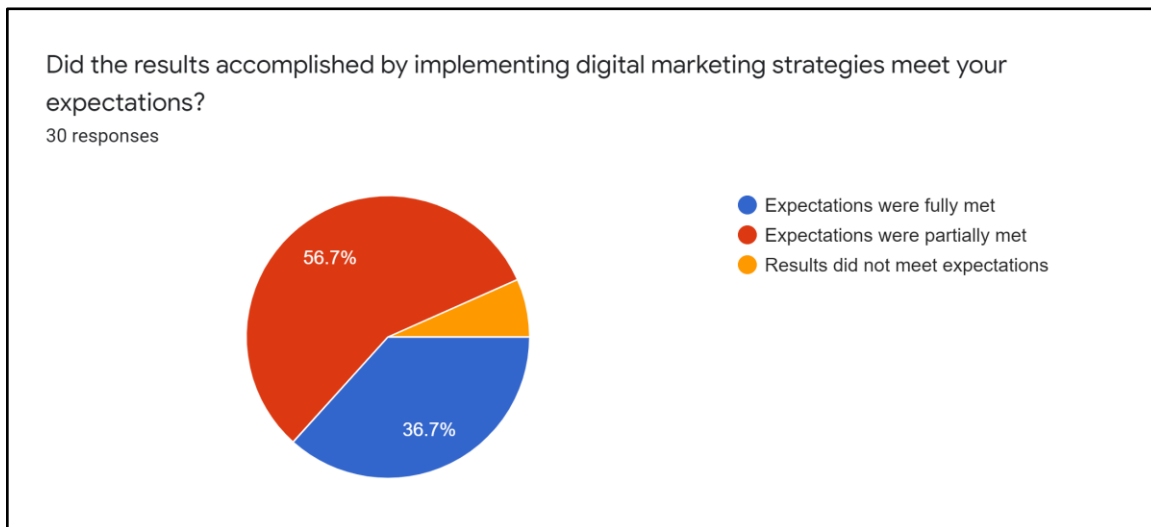
In this part, respondents were required to analyze digital marketing strategies in their companies. Firstly, they were asked if they agree that implementing digital marketing had a positive effect on their companies' success. As can be noticed from the figure 25, that 80% of the respondents believe that digital marketing contributed to their companies' success. 17% of them are neutral, which means they are not convinced if that is the case, while only one participant thinks that digital marketing was not an important factor contributing to their company's success.

Figure 25: Digital marketing impact on companies' success



Secondly, participants were asked to estimate if digital marketing strategies met their criteria, or if it did not deliver expected results. It can be observed from the figure 26 that 36.7% of the respondents believe that digital marketing strategies delivered results that were expected, while 56.7% of participants see room for improvement as the results delivered did not meet criteria completely. Only two respondents consider results delivered by implementing digital marketing strategies to be not good enough, not as expected.

Figure 26: Evaluation of the results delivered by implementing digital marketing strategies

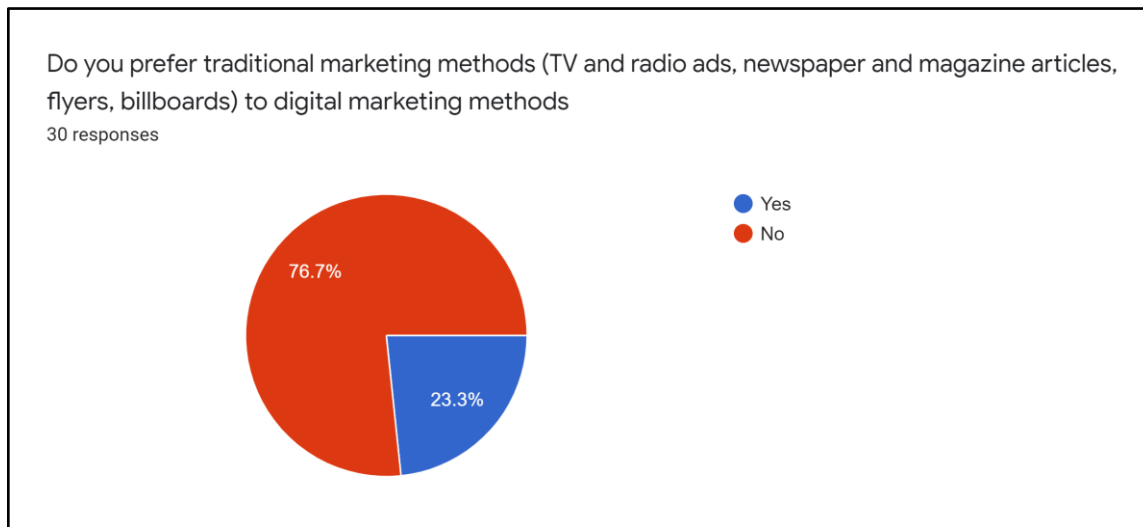


Finally, respondents were required to decide if they prefer traditional marketing methods to digital marketing methods, and in that case, they were asked to explain their choice.

As can be noted from the figure 27, 23 participants prefer digital marketing methods to traditional marketing methods, and 7 of them favor traditional marketing methods. Here are some of the explanation to why certain participants prefer traditional marketing methods:

- “Currently my target group of customers is not very internet literate, so I depend more on personal contacts I have acquired during my time in the industry.”
- “It’s not as confusing as digital marketing.”
- “Because I am more familiar with those kinds of marketing techniques.”

Figure 27: Distribution of respondents according to their marketing preferences



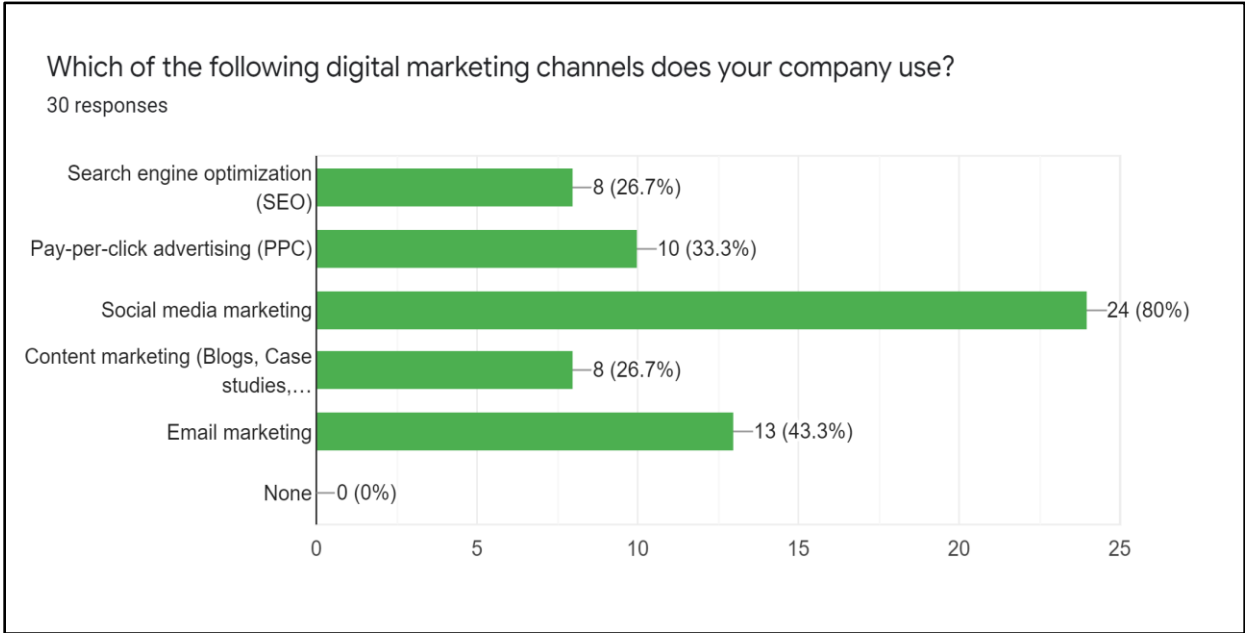
To conclude, most of the participants think that implementing digital marketing strategies in their companies’ is an important factor for business success. Additionally, most of them prefer digital marketing methods to traditional marketing methods, which is in accordance with the expectations because we live in a digital era. Finally, participants believe there is more room for progress as the majority feels that digital marketing did not in full meet their expectations.

#### 5.4 Most effective digital marketing channels

In this part of the survey, respondents were asked to analyze which of the digital marketing channels are most effective for their companies. First of all, they were required to pick which of the following digital marketing channels their companies employ (figure 28).

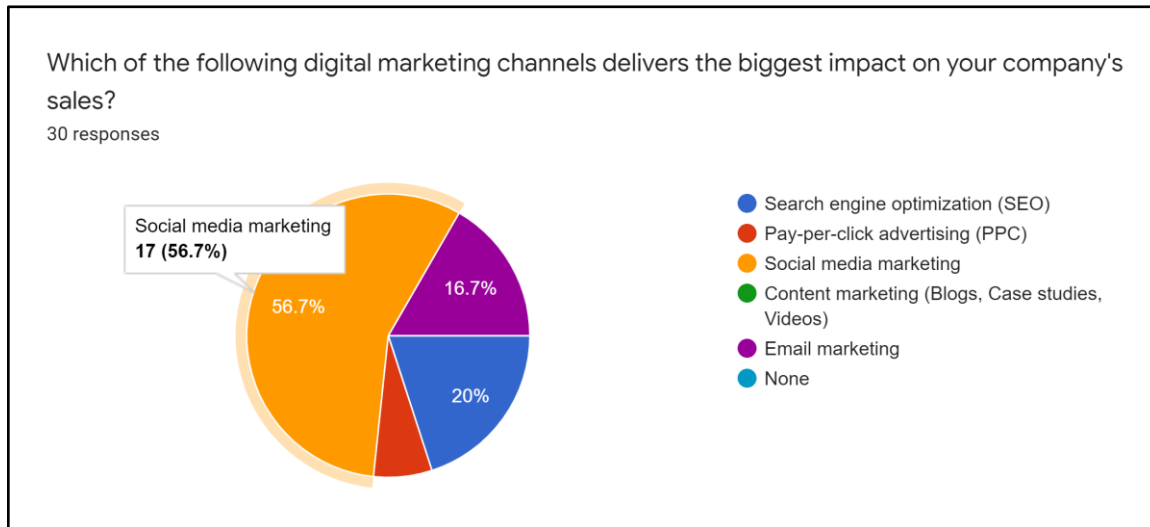
Social media marketing is used in 80% of the companies participating in this research. Next highest represented digital marketing channel is email marketing, with 43.3% using it in their marketing strategy. Paid-per-click advertising is used by 33.3% of the companies, while SEO and content marketing are represented in only 26.7% of the companies.

Figure 28: Representation of digital marketing channels in respondents' companies



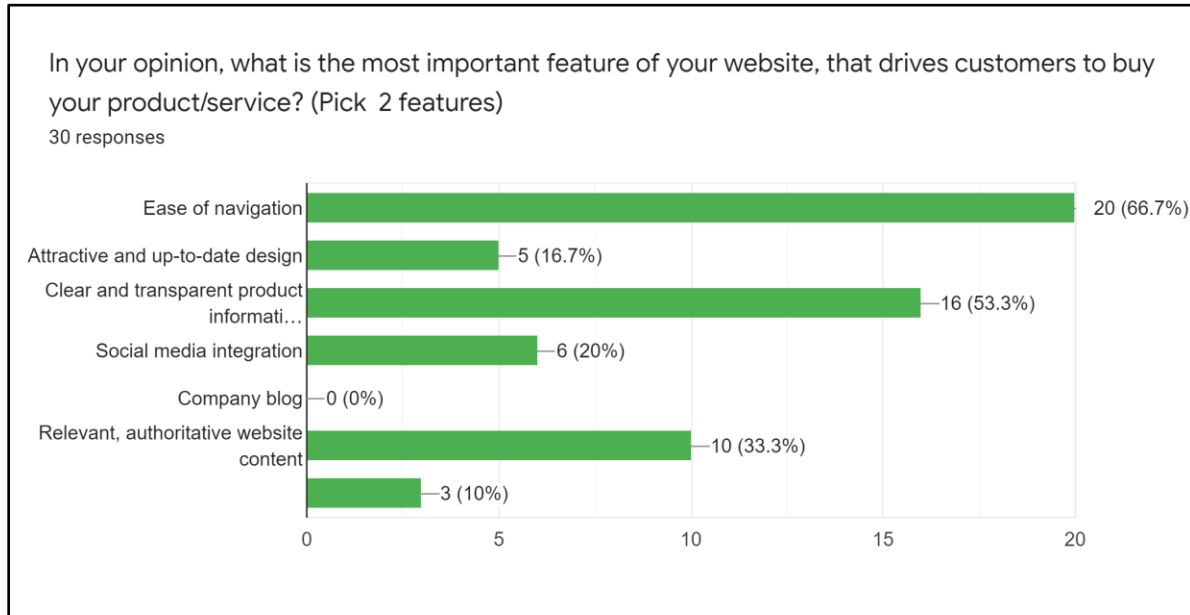
Moreover, participants were required to reveal which digital marketing channel had the biggest impact on their companies' sale. From the figure 29, it can be observed that 56.7% of the companies, state that social media marketing has the biggest impact on their sales. 20% that SEO is driving their sales the most. 16.7% of them state that email marketing improves their sales the most, while only two companies acknowledge PPC as having the biggest impact on their sales.

Figure 29: Digital marketing channel with the biggest impact on companies' sales



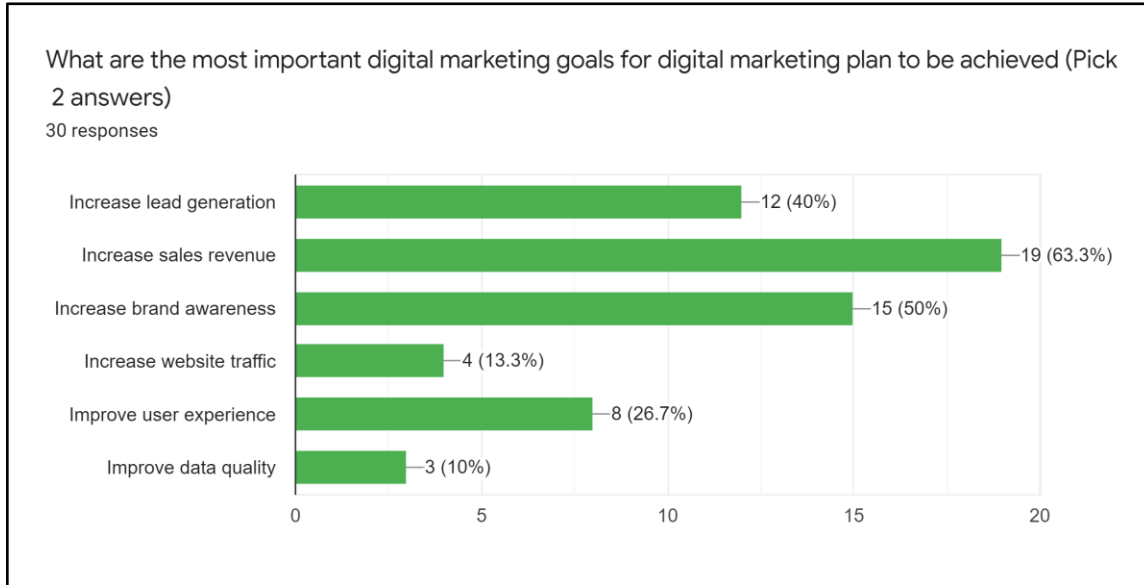
Next, as the website is a very important element of digital marketing, participants were asked to pick two features of their websites that they consider to be the most important factor in motivating the users to buy the products/service that the company is offering (Figure 30). Majority of them (66.7%) believe that ease of navigation of a website is the most important feature and 53.3% of them think that it is key to have clear and transparent product information included on their websites. 33.3% are convinced that relative and authoritative content on their websites is crucial, while 20% of them believe that it is most important to have social media integrated on their websites. 16.7% think that website design is of crucial importance, and three companies do not have websites.

Figure 30: Website features that drive users to make purchases



Finally, respondents were asked to pick two main digital marketing goals of their companies (figure 31). 63.3% of them state increase in sales revenue as the main digital marketing goal of their company, while half of them believe that brand awareness is the main objective of their digital marketing strategy. 40% of the respondents recognize increase in lead generation as the key goal while 26% state that improving user experience is the most important goal. Only 13.3% selected increase in website traffic as digital marketing goal and 10% picked improvement in data quality.

Figure 31: The most important digital marketing goals



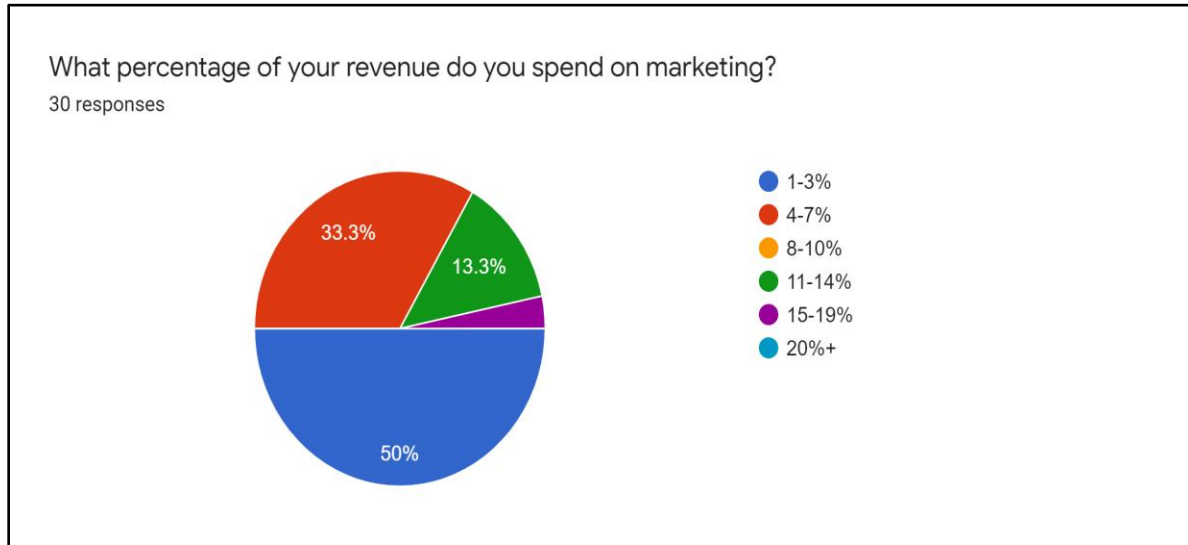
After analyzing this group of answers, it can be concluded that social media marketing is the most represented digital marketing channel in Croatian companies, and what is more, social media marketing has the biggest impact on sales, followed by SEO and email marketing. Finally, most of the respondents believe that for the website to be successful, it is important that the website is easy to use and understand, to be transparent and offer clear product/service information.

### 5.5 Digital marketing spending

In the last group of questions, participants were asked to disclose information about their companies' spending on digital marketing. First of all, in order to understand how much companies in Croatia spend on marketing, respondents were asked to reveal the percentage of their marketing budget with respect to the revenue (Figure 32). Half of the companies spend up to 3% of their revenue on their marketing budget, 33.3% of them spend 4-7% on their marketing budget. Four companies in focus spend 11-14%, while only one company spends 15-19% of their revenue on marketing budget.

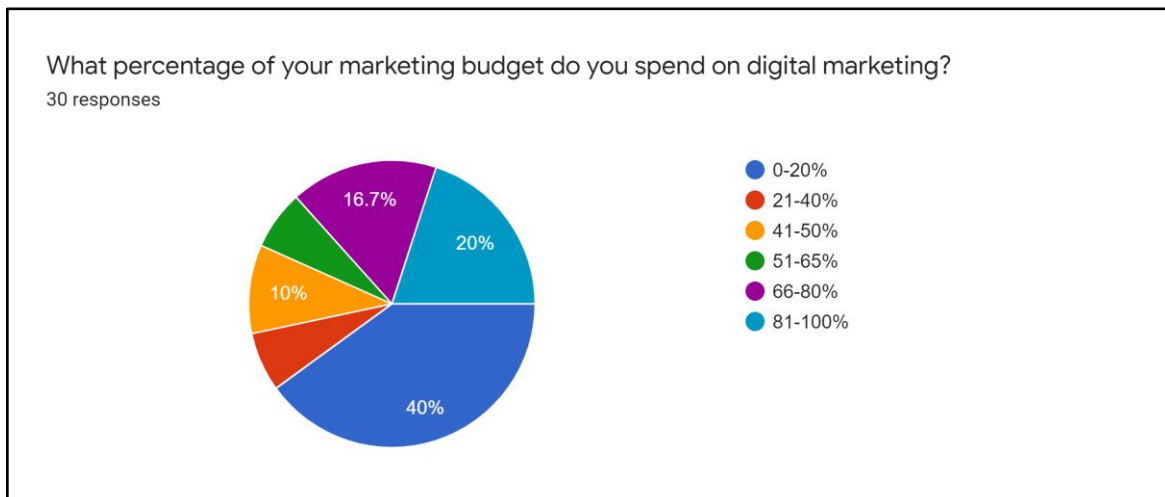


Figure 32: Percentage of revenue spent on marketing budget



Next, participants were asked to reveal the portion of the marketing budget that is spent on digital marketing. As can be observed from the figure 33, 40% of the companies spend up to 20% of their marketing on the budget, while 37% of the companies spend a large portion of their marketing budget on digital marketing (61-100%). 23% of the companies spend between 21 and 60 percent of their marketing budget on digital marketing.

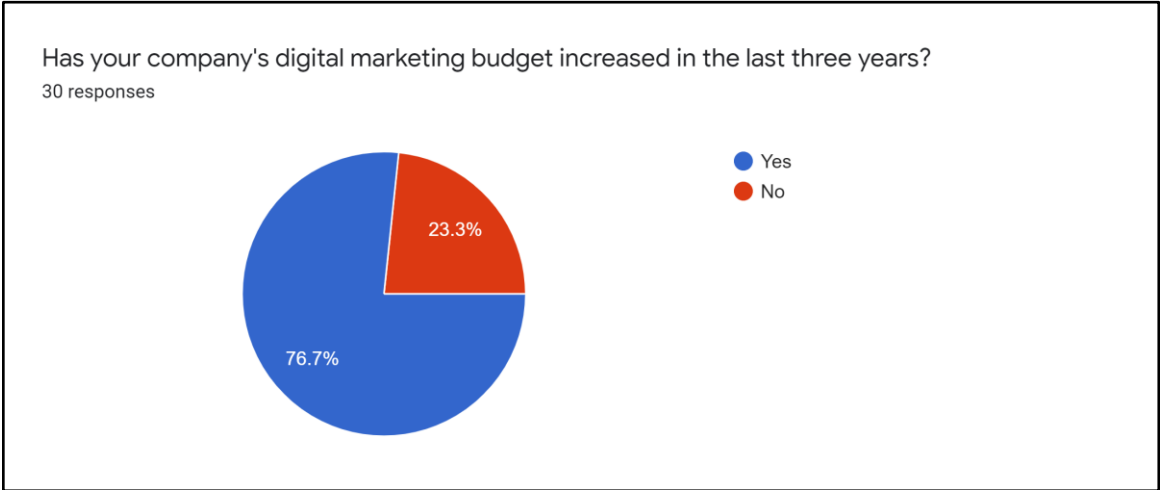
Figure 33: Percentage of marketing budget spend on digital marketing



In order to check if the trend of the increase in digital marketing spending is present in Croatian companies, participants were asked if their companies' digital marketing budgets have increased

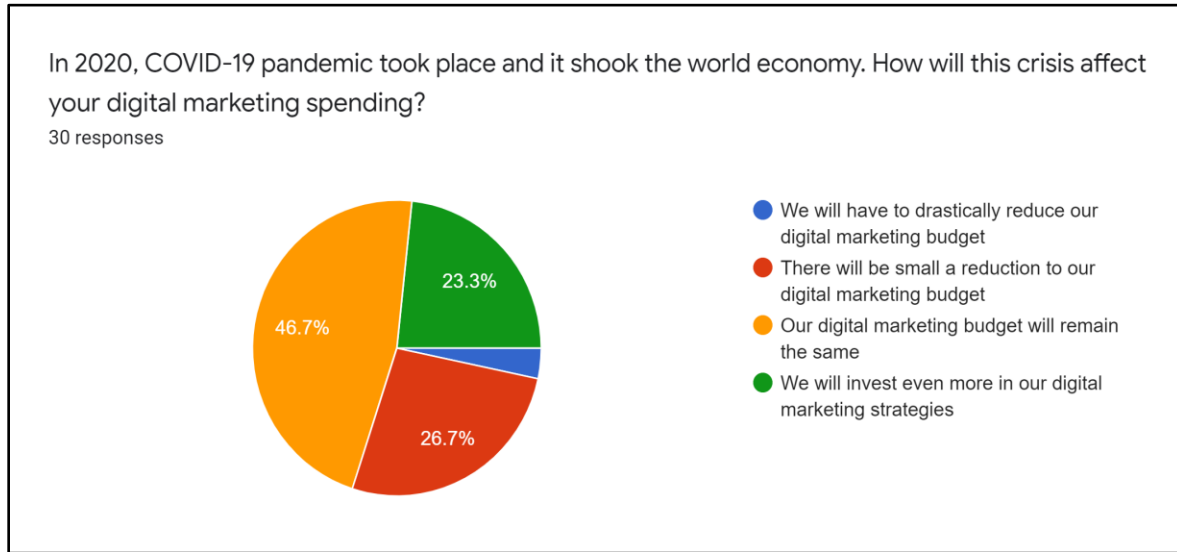
in the last three years (Figure 34). 23 companies have increased their digital marketing budgets, while 7 of the companies did not increase their digital marketing budget in the last three years.

Figure 34: Change in digital marketing budgets



Finally, as we live in the most extraordinary pandemic that probably none of us had experienced ever before, it is interesting how companies behave in times like this. Participants were asked to predict if their digital marketing spending will change in the time to come. As can be seen in the figure 35, only one participant states that their company’s digital marketing spending will reduce significantly, while 8 of them believe that there will be a small reduction in their digital marketing budget. 14 participants say that digital marketing spending will remain the same, and 7 of them even believe that their companies will invest even more in digital marketing.

Figure 35: Covid-19 effect on digital marketing spending



This group of answers reveals companies are very divided when it comes to digital marketing spending. While some spend the bare minimum of their marketing budget on digital marketing, others spend almost all of their marketing budget on digital marketing. Also, the trend that is the increase in digital marketing strategies was confirmed. Lastly, the pandemic that is affecting the global economy is not going to have severe consequences on digital marketing spending, in fact, some of the companies see their chances, and will try to take advantage of this situation by increasing their digital marketing budgets.

## **6. CONCLUSION**

Technological advances continuously transform the ways in which companies operate and conduct their businesses. Marketing is affected to a great extent. Digital transformation completely changed the way that companies use their marketing strategies as they had to adopt new digital marketing strategies in order to keep up with their competition.

One of the objectives of this thesis was to understand what the meaning of success for Croatian companies is. Generally, companies believe that the most important factors of success are profitability, offering quality and reliable products and services to their customers and being better than their competitors.

The main objective was to investigate if the use of digital marketing played a noticeable role in contributing to the success of the company. It can be concluded that implementing digital marketing strategies in their companies' is an important factor for business success, and that there is additional room for improvement as digital marketing is a relatively new and unexplored industry, especially in Croatia.

Furthermore, with the help of the research conducted, it can be observed that social media marketing is the most common digital marketing channel and that it affects the increase in sales the most. Finally, the research revealed that, for now, companies are very divided when it comes to digital marketing spending. While some spend the bare minimum on digital marketing, others spend almost a lot, however the trend that is the increase in digital marketing strategies was confirmed. It is worth to note that the pandemic that is affecting the global economy is not going to have severe consequences on digital marketing spending, in fact, some of the companies see their chances, and will try to take advantage of this situation by increasing their digital marketing budgets.

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