



# Business strategy and the management of digital marketing



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## KEYWORDS

Digital marketing strategy;  
Marketing campaign;  
Content Marketing;  
Search engine optimization;  
SEO

**Abstract** The internet brought disruptive change to the business landscape through the creation of a whole host of digital marketing tactics. But with these new tactical options has come the need for marketing managers to (1) prioritize what they wish to accomplish and (2) determine which digital marketing tactics to invest in. We consider these issues from the perspective of four business strategies: prospectors, analyzers, low-cost defenders, and differentiated defenders. In this article, we provide marketing managers with insights into how businesses pursuing various strategies approach these digital marketing issues, with the ultimate goal being to assist managers in the efficient and effective implementation of their firm's adopted strategy.

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## 1. Business strategy and the management of digital marketing

During the internet's commercial infancy, predictions abounded that its emergence would reduce firms' marketing strategy options, thus effectively killing off some business strategies

(Porter, 2001). Counter to those glum predictions, the creation of a whole host of new digital marketing tactics does not appear to have reduced competitive strategy opportunities to a single low-cost option, as Porter speculated might occur. Rather, these tactics appear to have reinforced firms' ability to pursue any of a set of well-established generic business strategies, albeit with new delivery twists. While much has been written about the emergence of digital marketing tactics since Porter's article (e.g., Berthon, Pitt, Plangger, & Shapiro, 2012; Tiago & Verissimo, 2014), little attention has been directed to how

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these tactics line up within the framework of various business strategies. Are all digital marketing tactics equally effective in all environments? In answering this, we also aim to help managers address two further questions: What should be the strategic priorities of firms pursuing one of four business strategies when it comes to digital marketing? And which digital marketing tactics are most effective in supporting the implementation of each of those four business strategies?

## 2. Strategy: Whose definition?

Before we address these questions, we need a common understanding of what is meant by the term “strategy.” Indeed, there are dozens of different types of strategies (e.g., corporate, business, financial, marketing, operations, product/market, pricing, promotion, distribution). The perspective we take herein is that of business strategy. Where corporate-level strategy is about determining *what* markets a company should serve, business-level strategy is about determining *how* to compete and typically is regarded as the domain of the general manager. Over twenty years of empirical research with managers and executives has demonstrated the existence of four distinct approaches to that issue (e.g., [Olson, Slater, & Hult, 2005](#); [Olson, Slater, Hult, & Olson, 2018](#); [Slater & Olson, 2001](#)) corresponding to four types of firms.

### 2.1. Prospectors

Prospector firms are first to market with new products or services that render their own products obsolete or that leapfrog competitors’ offerings. A trait of these firms is that they are pioneers and market makers. These firms typically sell at premium prices through limited distribution. Examples of prospectors include Apple, Tesla, and Cisco.

### 2.2. Analyzers

These firms scan markets broadly to identify early on those products or services that will be successful for prospectors. When they find one, they then try to quickly bring to market a competing product that has either additional features or substantially lower prices. A few examples include Dell, Lenovo, Anheuser-Busch, and the major television networks.

### 2.3. Low-cost defenders

These firms focus on cost control and on securing large market shares by offering the lowest overall delivered costs to their customers. Low-cost defenders typically offer few if any ancillary services and tend to operate in well-established and stable markets. Some examples include Aldi, Walmart, Logitech, and Motel 6.

### 2.4. Differentiated defenders

These firms focus on offering products or services of the highest quality in terms of reliability, features, service, or prestige among others. They typically charge a substantial premium and focus on smaller market segments and customers that are more affluent. They often operate in well-established and stable markets and strive to develop long-term relationships with customers. Examples include Proctor & Gamble, Unilever, Tiffany & Co, and The Ritz-Carlton Hotel Company.

## 3. The internet vs. digital marketing

The internet is a communication platform rather than a marketing tool. It is a medium through which commerce can be transacted and specific marketing tactics can be employed. Tactics are the means by which a chosen strategy is implemented. While this was certainly understood in 2001—the year Michael Porter published his seminal article on strategy and the internet—during the intervening years, the number and sophistication of internet marketing tactics have grown dramatically. These tactics now fall under the broader moniker of digital marketing. While there are many digital marketing tactics, we focus on seven of the most common, as identified by independent technology-focused research and marketing firm [Ascend2 \(n.d.\)](#):

1. *Content marketing*: “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” ([Content Marketing Institute, n.d.](#)).
2. *Search engine optimization*: “the long-term, ongoing improvement of content and digital-asset design with the intent to rank as high as possible on search engine pages” ([Key, 2017](#)).

3. *Email marketing*: the action of sending emails directly to prospects and customers with timely and relevant information.
4. *Search and social ads*: the action of placing ads so that they appear at the top of search listings or within a sidebar on a search results page. These ads are linked to keywords and appear along with search results when certain keywords or phrases are entered into a search engine.
5. *Data-driven personalization*: the process of segmenting audiences and marketing decisions based on information about individuals rather than on their historic choices.
6. *Marketing technology usage*: a set of software and tech tools used by marketers to automate or streamline marketing processes, collect and analyze data, and provide various means of reaching and engaging a target audience.
7. *Social media advertising*: any advertising where you pay a social media company to display your content (e.g., Facebook, Instagram, Twitter, Pinterest, LinkedIn, Snapchat).

#### 4. Strategic priorities

The purpose of this study is to provide marketing managers with insight into how firms pursuing a similar business strategy approach digital marketing, so that they can better allocate scarce marketing resources. To accomplish this, we first need to understand what strategic priorities firms have with regard to digital marketing. To that end, we adopt Ascend2's (n.d.) list of the top seven digital marketing priorities. These consist of: (1) increasing sales prospects/leads, (2) increasing customer acquisition, (3) increasing customer engagement, (4) improving brand awareness, (5) improving result measurability, (6) increasing website traffic, and (7) improving web user experience.

While each of these tactical priorities could be important for any business, thirty-plus years of contingency research (Matsuno & Mentzer, 2000; Slater & Olson, 2001; Vorhies & Morgan, 2003; Zeithaml, Varadarajan, & Zeithaml, 1988) strongly suggests that their respective levels of importance will vary depending on the underlying requirements for the successful implementation of a given strategy. For example, the challenge and

degree of priority a firm focused heavily on introducing new products (i.e., prospectors or analyzers) might have in building brand awareness could be considerably greater than they would be to firms focused on defending well-established markets (i.e., low-cost defenders or differentiated defenders). Consistent with this line of reasoning is the idea that different digital marketing tactics would differ in their effectiveness in pursuing that priority. In order to address the issues raised above, we conducted a two-phase mail survey that generated responses from 201 midlevel to executive-level marketing managers across a broad sampling of industries. Each participant was asked to rate on a 5-point scale (1 = *not at all* to 5 = *very high*) how important were each of the seven strategic priorities or how effective were each of the seven digital marketing tactics described above.

#### 5. Findings and managerial relevance

After evaluating responses from all 201 participants, we compared the proportion of responses in the *high* (4) and *very high* (5) categories. In Figures 1 and 2, we have laterally stacked *high* and *very high* responses in order to demonstrate either the overall importance or effectiveness as perceived by strategic groups (prospectors, analyzers, low-cost defenders, differentiated defenders) of the seven strategic priorities and digital marketing tactics described in Sections 3 and 4. *High* responses are represented in blue. *Very high* responses are represented in orange.

As Figure 1 demonstrates, almost all firms irrespective of strategic grouping consider each of the aforementioned strategic priorities to be of *high* or *very high* importance. The one very notable exception to this is brand awareness, which low-cost and differentiated defenders both considered a comparatively low priority. On first observation, this finding may seem surprising, but defender firms by definition have established bases of customers. This does not mean that defender firms do not care about their brands but rather that they have spent considerable time and money building their brands, so they are now free to focus on other issues. In marked contrast, prospectors and analyzers by definition are creating new products or services with which markets may have no familiarity. So even if a product is created by a recognizable firm, the firm should be heavily engaged in building subbrands. Who knew what an iPad was when Apple launched it? Consequently, we are not surprised to see that prospectors and

Figure 1. Strategic priorities

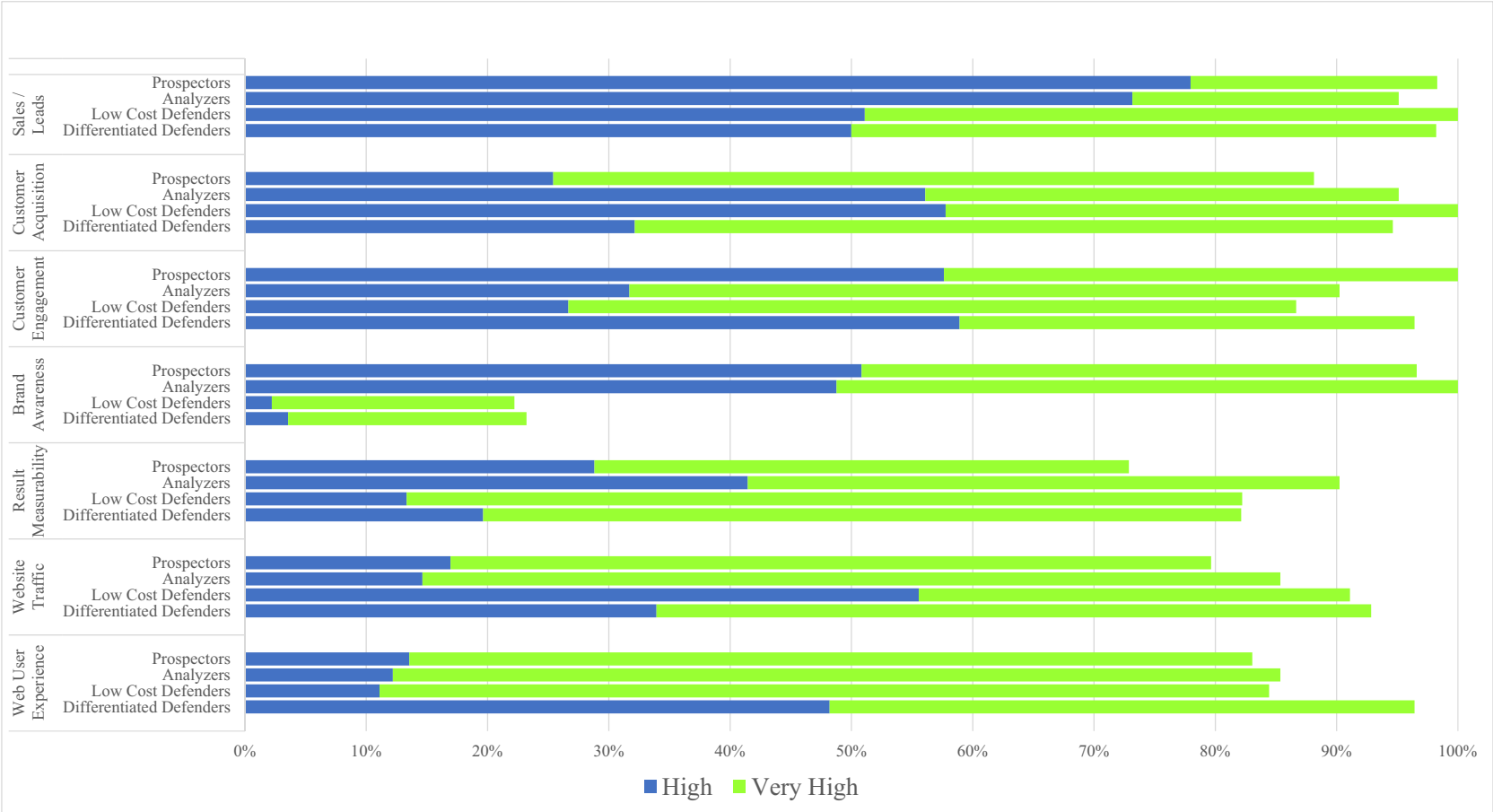
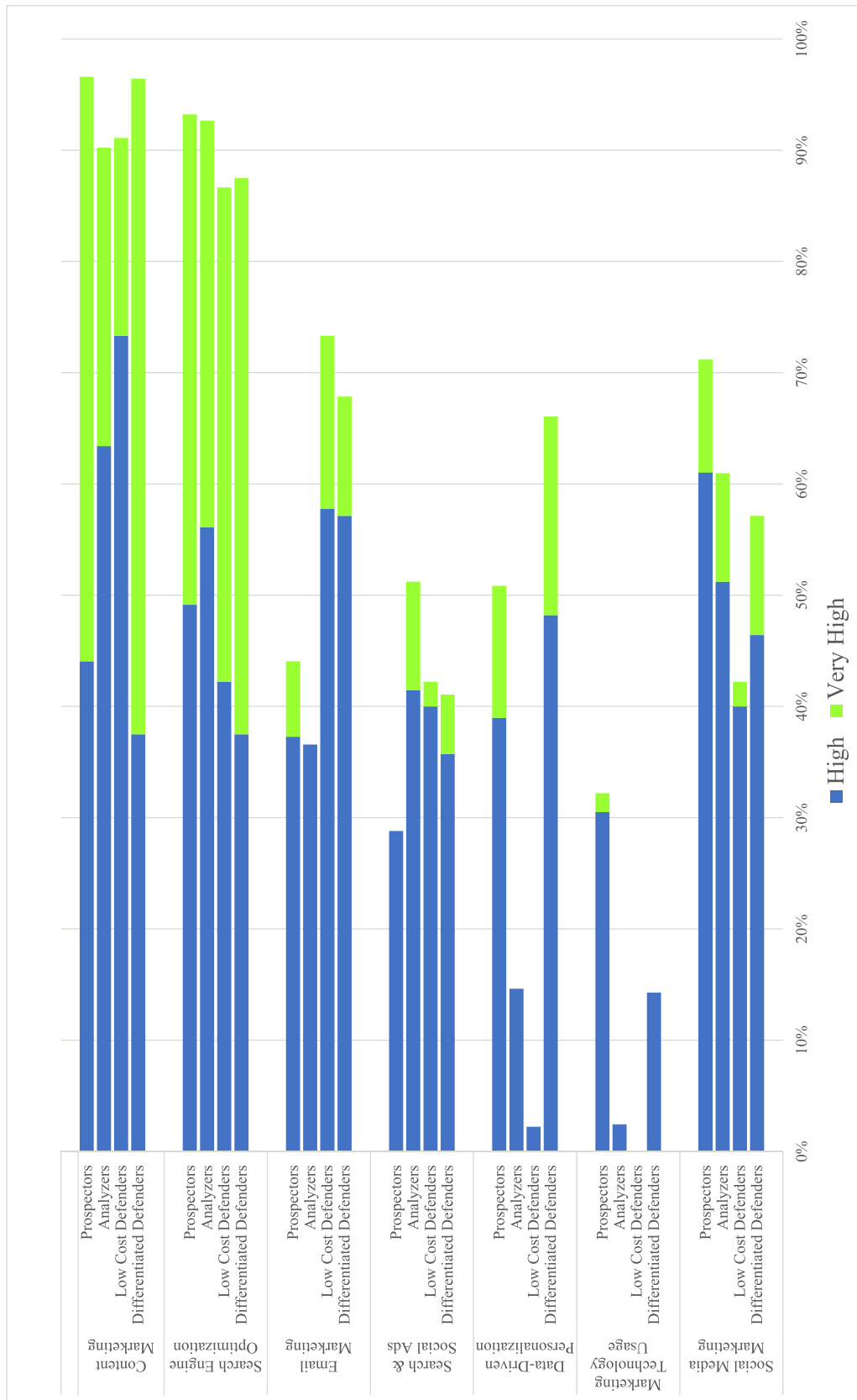


Figure 2. Effective tactics



analysts rate brand awareness as an important strategic priority.

Figure 1 also shows that all many respondents across all four strategic groups rate the other six strategic priorities' importance as 4 or 5. We will consider specific variances within strategic groups shortly, but the overarching conclusion from Figure 1 is that virtually all businesses are concerned with each of the seven strategic priorities. This then leads us to our second consideration: Which digital marketing tactics are deemed most effective?

Where Figure 1 demonstrated consistency across respondents, Figure 2 demonstrates significant variance both within and between strategic groups. Here the issue is to identify how effective the seven strategic marketing tactics are at addressing the aforementioned strategic priorities. Clearly content marketing and search engine optimization are considered universally important, though the difference in *high* and *very high* assessments between strategic groups is striking. Three other tactics, social media marketing, email marketing, and search and social ads, are deemed to be of secondary importance but are still highly significant. Finally, marketing technology usage and data-driven personalization are comparatively low on the prioritization scale. At this time, we can only speculate as to why these differences are present. It may be that the technical sophistication and associated costs required to implement these last two digital marketing tactics are beyond the abilities of some firms. That speculation aside, we will now move to consider critical issues for each strategic group.

## 6. Insights by strategic grouping

### 6.1. Prospectors

Sales leads, customer engagement, and brand awareness were identified as *very high* priorities by over 50% of prospectors. When *high* priority responses are added, these three categories all reached or were nearing 100% response rates, providing strong evidence that these are prospectors' top strategic considerations. Between 70% and 90% of participating firms placed the remaining four strategic priorities of customer acquisition, web user experience, website traffic, and results measurability in the *high* or *very high* categories. In other words, prospector firms recognized the importance of all seven identified strategic priorities.

When we consider specific digital marketing tactics, we see that two—content marketing and search engine optimization—both received above 40% *very highly* effective responses and exceeded the 90% response rate when *highly* effective responses were added in. These were followed in descending order by social media marketing, data-driven personalization, email marketing, marketing technology usage, and search and social ads. What is most striking about these results is the significantly greater emphasis prospector firms placed on marketing technology usage and data-driven personalization than most other groups. We interpret these findings as indicating that firms that are aggressively focused on new markets have a greater financial interest in identifying and communicating with a specific target market whose needs they are trying to fill. This does not negate the potential value of these tactics to firms pursuing other business strategies, but it does highlight the willingness of innovation-driven firms to invest in tactics others might think too costly.

### 6.2. Analyzers

Sales leads and customer acquisition were identified as *very high* priority by over 50% of analyzers, with brand awareness coming in just under that threshold. When *high* priority responses are added, these three categories met or exceeded 95% rates, providing strong evidence that these are analyzers' top strategic considerations. Between 70% and 90% of participating firms placed the remaining four strategic priorities of customer acquisition, web user experience, website traffic, and results measurability in the *high* to *very high* categories. In other words, analyzers also recognized the importance of all seven identified strategic priorities. They differed from prospector firms in scoring customer acquisition and results measurability markedly higher and in scoring customer engagement markedly lower. We interpret these differences to be related to the second-mover position of analyzers, which benefit from first-mover market education. Analyzers benefit from prospectors' explaining the rationale for a new product or service area, but they must quickly secure sales in order to stake out a position before the new territory is ceded to others.

When we consider specific digital marketing tactics, we see that two—content marketing and search engine optimization—received above 40% *very highly* effective responses and exceeded the 90% response rate when *highly* effective responses were added in. These were followed in descending order by social media marketing, search and social

ads, and email marketing. The most striking finding is that analyzer firms rely far less on data-driven personalization and marketing technology usage than prospector firms. We speculate that these differences in how prospector firms value specific digital marketing tactics are due to the lower price point analyzers frequently place on the me-too products they bring to market. Lower price points reduce profit margins, which in turn reduces budgets for expensive promotional activities.

### 6.3. Low-cost defenders

Over 50% of low-cost defenders identified customer acquisition, website traffic, and sales leads as *very high* priority, with customer engagement coming in a distant fourth at approximately 25%. When *high* priority responses are added to the top three categories, the combined response rate met or exceeded 95%. Low-cost defenders are clearly focused on securing sales in the short term. In marked contrast, results measurability, web user experience, and brand awareness registered no higher than 12% as *very high* strategic priorities. But when *high* responses are added to the bottom four categories, all exceeded 80% response rates, with the lone exception being brand awareness, which barely surpassed a 20% response rate. As a group, low-cost defender firms recognized the importance of six of the seven identified strategic priorities. The striking difference between low-cost defenders and prospectors or analyzers is their lack of emphasis on building brand awareness. By definition, low-cost defender firms have established customer bases and focus primarily on cost containment. This implies that customers understand the brand but associate it with lower prices rather than with enhanced services or other dimensions of quality. As such, the delivered price is the message that most resonates with these firms' customers. Consequently, long-term brand building is not as important as quickly generating sales.

When we consider specific digital marketing tactics, we see that search engine optimization is by far the most valued digital marketing tactic, with over 40% rating it as *very highly* effective. Content marketing and email marketing came in second and third respectively, but neither reached 20% at the *highly* effective level. None of the other four digital marketing tactics even reached 5% at the *very high* response level. When we added in *high* effectiveness responses, we observed that content marketing, search engine optimization, and email marketing were clearly the three digital

marketing tactics favored among low-cost defender firms. Search and social ads and social media marketing both scored above 40% with combined *high* and *very high* effectiveness scores. But data-driven personalization and marketing technology usage both generated less than 5% with combined *high* and *very high* responses. Low-cost defenders tend to prefer tactics that stand the best chance of generating sales in the short term. They invest only infrequently in tactics with added expenses that focus on customer customization. We surmise that these firms regard the costs associated with securing information about customers whose chief buying criterion is low price as simply too high.

### 6.4. Differentiated defenders

Customer engagement and sales leads were identified as *very high* priority by over 50% of differentiated defenders, with web user experience coming in close third at just under 50%. When *high* priority responses are added to the top three categories, the combined response rate exceeded 95%. Clearly, the focus of differentiated defenders is on building relationships with customers. *Very high* response rates between 20% and 30% for website traffic, customer acquisition, and results measurability suggest sales are also of considerable importance. Each of these strategic priorities climbed to above 80% when *high* priority responses were added to *very high* priority responses. Like low-cost defenders, differentiated defenders generated very low scores for brand awareness. Even when *high* and *very high* responses were combined, the total score barely exceeded 20%. While the rationale is different than that for low-cost defenders, the net result with regard to brand building is the same. Differentiated defenders by definition have secured bases of customer whose buying criteria are the various quality offerings provided by these firms and who are willing to pay a premium for the associated benefits. That said, we found it surprising that this strategic priority did not generate a markedly higher response rate than it did for their low-cost competitors.

When we consider specific digital marketing tactics, we see that content marketing and search engine optimization are by far the most valued digital marketing tactics, with at least 50% of respondents rating them as *very highly* effective. This rises to near or above 90% when *highly* effective responses are included. Data-driven personalization, email marketing, and social media marketing come in distant third, fourth, and fifth places respectively, with each over 10% of *very highly* effective responses. The item that

sticks out here is differentiated defenders' use of data-driven personalization. When we add in *highly* effective responses, the number jumps to over 60%, which is markedly greater than for prospectors and by far greater than for either analyzers or low-cost defenders. Differentiated defenders clearly believe that it is worth the additional expense to understand their key customers' buying patterns and interests. In keeping with low-cost defender firms, differentiated defenders also demonstrate strong support for email marketing. This is no surprise given that differentiated defender firms build close connections with their customer bases to promote repeat sales.

## 7. Conclusion and implications

A recent EBSCO database search shows that the term "business strategy" appears in over 160,000 published articles, including those in academic journals, trade publications, magazines, newspapers, and market research reports. However, the term "digital business strategy" yields just 50 articles. This article seeks to help bridge the gap between business strategy and digital strategy. So how do the responses from over 200 marketing managers help you? We suggest that you ask several questions about your firm:

- Identify your business strategy. Is your firm more inclined to defend existing products/markets or to pursue new products/markets aggressively?
- *If you identify more as a defender*, do your customers purchase from you because you offer the lowest overall delivered costs (as a low-cost defender) or because you provide premium service, quality, or brand image (as a differentiated defender)?
- *If you identify more as an innovator*, are you typically the first to market with original products/services (as a prospector), or are you a quick follower that provides additional features or lower prices (as an analyzer)?
- Pair your digital strategy with your business strategy. What is your firm's top marketing objective? (Immediate sales? Building long-term relationships? New product awareness and trials?)

With these questions answered, marketing managers can then determine the most appropriate

mix of digital marketing tactics. If marketing budgets were unlimited, it would be easy to invest heavily in all seven digital marketing tactics. Of course, this is never the case, so marketing managers must decide where best to allocate promotional dollars. While there is no single combination of digital marketing tactics that will prove optimal for all firms, marketing managers should be able to learn from the insights shared by our survey participants.

When we consider the assessed effectiveness rates for each of the seven digital marketing tactics included in this study, it appears that a marketing manager cannot go wrong by investing in content marketing and search engine optimization. These digital marketing tactics appear to be universally popular, which suggests the largest portion of a marketing manager's digital marketing budget should be allocated in these areas.

In marked contrast, data-driven personalization and marketing technology usage lag far behind in their adoption rates. Nevertheless, it is worth noting the significant differences between strategic groups. Our findings show that the significant financial and labor investment required to capitalize on these tools are most justified for prospectors and for differentiated defenders, albeit for very different reasons. Prospectors need to be out in front and dictating market trends, which means they need to be able to identify lead users and early adopters. Failure to identify these individuals could cause a prospector to miss the marketplace altogether, along with the financial rewards that come when the market transitions to the substantially larger early and late majority categories. Differentiated defenders need to be able to identify those customers who value premium products and services and those who can afford them. Spending scarce marketing dollars on customers unable to afford premium products is a waste. Consequently, investing in identifying high-probability customers and then being able to tailor specific messages to that highly segmented target audience makes sense.

Although the data are not quite as dramatic, email marketing represents a significantly better opportunity for defender firms than for those pursuing a more offensive strategy. Having a loyal base of customers allows these firms to communicate directly to them on a regular basis. This brings us to the last two digital marketing tactics, search and social ads and social media marketing. Both categories fall into the middle in terms of perceived effectiveness, with only comparatively small distinctions between strategic groups. Both categories have value and should not be ignored,



but neither appears to hold the impact potential of content marketing or search engine optimization.

Finally, it will come as no surprise to marketing managers that digital marketing is a quickly evolving discipline. As such, it is in the best interests of marketing managers and the firms they work for to review their digital marketing investment portfolios periodically. Emerging technologies may enhance the effectiveness of one digital marketing tactic at the expense of another. Whatever mix of digital marketing tactics a marketing manager decides upon, that decision should depend directly on the objectives established in conjunction with the firm or business unit's adopted competitive strategy.

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