

How To Measure The Efficiency of The Digital Marketing Channels?

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ABSTRACT

According to estimates of various researchers, the total budget of the digital marketing channels will exceed the total budget of the traditional marketing channels as early as by 2020 [31]. Already in 2015 the digital marketing costs of the companies in the United Kingdom represented 40% of the total marketing costs [5]. Notwithstanding the rapid growth rate, level of awareness about the efficiency of the provided services is low, while there is no research on the characteristics of decision making on using particular digital marketing channels.

Significant amount of practical information and research literature is not yet available owing the fact that the industry is newly formed and it grows rapidly. The industry grows so rapidly that by developing theoretical materials the included information might already be outdated, when it is published. For this reason the theoretical literature in this industry is related mainly to the general operating principles of the industry instruments and channels but the major part of the practical information and research literature focuses on the use of online tools. In addition to the obtained information authors express ideas that are based on their experience working with various digital marketing channels on a daily basis.

The research described in this publication is the first research that has been performed in Latvia about the potential results that can be achieved using digital marketing channels. So far only research on the behaviour of the internet users in the internet environment in Latvia and on the purchase characteristic has been performed at the national level, while the results of research described in this publication are of practical relevance to the digital marketing sector companies as well as potential advertisers considering to use digital marketing channels.

Keywords: digital marketing, internet marketing, Google AdWords, contextual advertising.

1. INTRODUCTION

Based on the expert interviews and statistics about the performance of the digital marketing companies, authors divide the statistical data according to the sectors of national economy by assessing their potential for the use of digital marketing channels and the economic efficiency they could potentially achieve. Conversion correlation and advertising budget correlation have been assessed. The obtained information is useful for the companies of digital marketing in communication with the existing and potential clients as well as potential advertisers who plan to start using digital marketing channels. It can be used to plan their budgets and to assess the potential of channels for achieving the company's goals. It is important to note that significant amount of practical information and research literature is not yet available owing the fact that the industry is newly formed and it grows rapidly. The industry is growing so rapidly that by developing theoretical materials the included information might already be outdated, when it is

published. For this reason the theoretical literature in this industry sector is related mainly to the general operating principles of the industry sector instruments and channels but the major part of practical information and research literature focuses on the use of online tools. In addition to the obtained information authors express ideas that are based on their two-year experience working with various digital marketing channels on a daily basis.

Research object is digital marketing channels.

Research subject is assessment of digital marketing channel performance.

Research goal is to assess digital marketing channel performance and to detect correlation between digital marketing results and the budget by using statistical analysis, expert interviews and literature and online source review.

The methodology: literature review; mathematical-statistical methods: finding of mean, maximum and minimum values of the indicators used in the research; correlation analysis; empirical research methods: interviews with experts of the respective industry.

Main results in the publication: differences between the marketing and digital marketing have been defined, online marketing communication environment has been characterised. Review of the data about the companies representing the digital marketing industry in Latvia has been performed and the competition level has been characterised by using Herfindahl-Hirschman Index (HHI). The industry characteristics and description of the trends both in Latvia and on the global scale has been performed by defining the existing industry problems. Interviews with the digital marketing experts of Latvia have been conducted in order to find out the most important indicators characterising the digital marketing performance. The selected indicators have been characterised and their potential applications as well digital marketing statistics tools and possibilities for using them to obtain statistical data have been described. The research methodology has been developed as well as digital marketing channel performance for each of the economic sectors included in the research has been assessed by using the indicators selected in the second part of the research work. In the conclusion part the result and budget correlation analysis has been performed.

The digital marketing strategy, the outreach method of the potential target group and the impact of the brand recognition in the companies, which are examined, haven't been taken into account in the framework of this research.

2. DIGITAL MARKETING INDUSTRY

The digital marketing can be regarded as a marketing sub-industry limited by the use of the Internet as communication environment and use of online devices in the marketing activities or communication of marketing messages.

The digital marketing is a set of marketing communication and strategy requiring the use of digital tools - the Internet and online devices [6].

The digital marketing is a way of promoting product and service consumption by using the digital (electronic) distribution channels in order to timely reach the consumers in an important, personal and cost-effective way [27].

Use of the following activities of channels is characteristic for the digital or Internet marketing:

1. *Contextual Advertising* - a type of online advertising, which uses the "context algorithm" for detection of the target audience by showing the advertisement to the users searching for the products/services related to the respective topics or going to the websites related to the respective products/services [38];
2. *Search Engine Optimization (SEO)* - a set of activities aimed at improving the position of the company in the search results of Internet search engines thus attracting additional users to the company website;
3. *Social Media Marketing* - three aspects of the social media marketing are the most important: advertising in the social media, which could be viewed as a part of the contextual advertising; content marketing or activities with the purpose for creating a database with loyal users with the help of communication materials as well as the aspect of public relations involving communication with the users in social media;
4. *Affiliate Marketing* or so called performance-based marketing involves advertising in the partner resources using commissions for each conversion as a monetization model, namely, when the desired action is completed by the user attracted by the advertiser's partner [1];
5. *Website development* - on the Internet website works as a selling tool of the company as well as a platform for the communication with customers; therefore the website which is built according to the psychology of the internet users can ensure higher marketing results. Furthermore, several of the above mentioned marketing tools use a website for forwarding information.

The authors point out that if the digital marketing can be regarded as a marketing sub-industry, then the above mentioned tools can be viewed as marketing channels used for it. The main difference between the digital marketing and the traditional marketing is determined by the environment of the digital marketing, namely, the Internet:

- In the digital marketing there is a feedback leading to an interactive communication process, where the company interacts with the user.
- By forwarding advertising messages in the internet environment the digital marketing has high-adaptability, creating an opportunity to provide a rapid response to the changes in the environment.
- The digital marketing is characterised by high integration of several channels.
- It is characterised by the convergence of products/services: the product/service exists in both physical and digital form as well as market space convergence, where the digital marketing promotes the globalisation processes.

It has no limits - the marketing activities can be performed on a global level regardless of the physical location of the advertiser. The digital marketing is also characterised by the specific challenges: the Internet environment allows to reach the target audience regardless of its physical location reducing the border effect and allowing to widen the range of goods and services. It is important to remember that these characteristics involve higher amount of information in the process of marketing communication, which in its turn leads to a more complex decision making process because each person of the target

audience has an opportunity to compare products/services and to discuss their quality. It is easier for the companies to reach the users by having an opportunity to communicate with the target audience, which in its turn affects the communication model requiring to create unique information for the target audience.

However, an opportunity to reach the target audience without the geographical limitations involves global competition as well, which is a factor that limits the entry into the market of new companies. One of the most important characteristics of the digital marketing is a high level of competition because the internet environment promotes the globalisation processes and the trend of moving from a local market to the global market can be observed. In fact, the target audience of the company can be anywhere in the world, which also means increased number of competitors, therefore all companies of the same industry promoting their services in the Internet should be viewed as competitors. The industry is also characterised by high degree of variability due to the above mentioned lack of limits. Due to the large number of market players as well as rapid development of the IT, the tools of digital marketing are constantly improved and upgraded. One of the main advantages of the digital marketing is large amount of information about the consumer behaviour and their interaction with advertising message characteristics, providing wide range of opportunities to analyse and optimise it.

3. GLOBAL TRENDS IN DIGITAL MARKETING

The development of the industry is closely related to the growing number of the Internet users in the world. Digital marketing industry in the industrialised countries can be characterised as a highly saturated market with a large amount of both advertisers and digital marketing companies. Therefore the markets of developed countries become more attractive to the advertisers due to the rapidly growing number of the Internet users [35].

The development of digital marketing is also confirmed by the data from the United Kingdom, which in 2015 has become the first country in the world, where the turnover of the digital marketing has reached 50% of the total marketing turnover. In the global level the proportion of the digital marketing turnover in the marketing industry is around 30%, which confirm significant development of the industry [2]. Also the company *PwC* estimates that the internet marketing will become the biggest marketing segment as early as by 2019. The forecasted growth of turnover is 239,87 \$ billion in 2019 compared to 135,42 \$ billion in 2014. It will exceed the budgets of TV advertising budgets and become the biggest advertising segment [31]. Exploring trends of the digital marketing in 2016, it is possible to distinguish several *positive trends*: in average marketing professionals spend 60% of their time working with the digital marketing tools [33]; 28% of advertisers have decreased their budgets for other marketing channels in order to increase their budgets for the digital marketing [3]; in 2016 71% of advertisers planned to increase their budgets for the digital marketing [37]. There are some *negative trends* as well: 50% of the companies using digital marketing tools have not developed their digital marketing strategies [34]; 63% of the companies admit that they have not developed a data collection system allowing to accumulate data to be used for taking strategical decisions [7]; 83% of the users admit that they have experienced a low-quality of the marketing communication in the social media [37]; only 8% of the companies have not used professional services of the e-mail marketing, notwithstanding

the fact that it has been assessed as the channel with the highest direct efficiency [29].

Authors of the publication point out that despite the rapid growth rate of the digital marketing, most of the companies in a global level even being aware of the importance of digital marketing are not capable to use it efficiently and successfully. It indicates that it is necessary to educate the companies about the digital marketing due to their lack of awareness and knowledge about the application possibilities of the digital marketing tools [32].

4. METHODOLOGY FOR ASSESSING ECONOMIC EFFICIENCY OF DIGITAL MARKETING CHANNELS

The methodology developed in the framework of this publication consists of 9 stages and the control stage. Successful application of this methodology requires cooperation with companies of the digital marketing industry.

Stage 1 *Determination of the respective market and digital marketing channels, which will be examined.* In this stage the limiting factors are determined, namely the market, which will be examined in the geographical context and in the context of the national economy sectors. The digital marketing channels, which will be examined, are also determined in this stage.

Stage 2 *Characterisation of the digital marketing industry in the market, which is examined.* In this stage the characterisation of the digital marketing market in the selected geographical region is completed. The recommended method is selection of the digital marketing industry companies according to the services they offer and the characterisation of the competitive environment of the industry. Selection of the companies can be carried out in two ways:

- Selection of the companies offering only digital marketing services described in Section 1;
- Selection of the companies offering services including digital marketing services described in Section 1.

The difference between these two ways is in the company focus and the quality of the provided services. The companies of the first type are referred to as direct representatives of digital marketing industry, while the companies of the second type are referred to as general marketing companies.

For the characterisation of the digital marketing competitive environment authors suggest using Herfindahl-Hirschman Index, which is calculated by using the data from the selected companies. It allows to determine the competitive position of the digital marketing industry.

Stage 3 *Expert selection in the market, which is examined.* Use of experts can be applied to increase the efficiency of the digital marketing channel assessment. The authors of the publication suggest using the following factors:

- Market share and market position of the companies represented by experts, which is determined in the Stage 2 – the leading companies with bigger market share provide higher research value;
- Certification of an expert with regard to the industry and the digital marketing channel which is examined. For instance, assessing *Google AdWords* channel, the official certification should be taken into account – *Google AdWords certification*, *Google AdWords Certified Trainer*, etc.

Stage 4 *Selection of digital marketing channel efficiency assessment indicators and statistical tools.* In this stage interviews with the preselected experts are conducted in order to find out, what are the units that are used in the digital marketing for assessing the selected digital marketing channel as well as platforms that can be used to acquire a data about the national economy sectors.

Stage 5 *Grouping of the cooperation partner clients by economic sectors according to internationally accepted classifications.* In this stage the potential cooperation partners are identified among the representatives of digital marketing industry, which were examined in the Stage 2. By using international classifications, such as NACE 2, the clients of the digital marketing channel selected by the cooperation partners are grouped by the national economy sectors.

Stage 6 *Statistical data acquisition about the economic sectors.* By using the digital marketing platforms determined in the Stage 4 and options they provide for importing the statistical data or 3-rd party tools, statistical data about companies in each of the national economy sectors for the period, which is examined, is imported. In this stage the statistical data about the digital marketing performance indicators obtained in the Stage 4 is imported.

Stage 7 *Data processing.* In this stage the data is filtered - fragmented or incomplete data is excluded (from the companies, where the data on the desired period is not available). The remaining data is grouped according to the sectors of national economy and their mean values in the periods, which are examined (months, quarters, etc.) are found. The authors also recommend finding the maximum and minimum values allowing to determine the mean value with regard to the maximum that is achieved and the results minimum threshold.

Stage 8 *Graphical presentation and interpretation of the results.* The graphical representation of the results is performed in this stage. By completing this stage information on the current situation regarding the use of digital marketing channels in each of the national economy sectors, which are examined, as well as overall market situation is obtained by assessing the efficiency of services and the main characteristics, such as average costs new companies starting to use digital marketing channels should take into account or characteristics of competitiveness level, which is an important information for both companies representing the digital marketing industry and the potential advertisers.

Stage 9 *Correlation analysis of the digital marketing indicators.* Correlation analysis of the data obtained in the Stage 6 and processed in the Stage 7 allows examining in more depth how the achievable results of the digital marketing channel use are linked to the budget. By calculating the correlation and determination coefficients for conversions and total advertising costs it is possible to determine, if bigger budget allows to achieve better results and attract higher conversion rates. Where it is possible (this type of statistics depends on the settings of additional data recording), the authors also recommend to calculate correlation between total conversion value and total advertising costs.

Control stage It is possible to update the data with the latest information. In the control stage previously performed actions are repeated obtaining the desired result with regard to the period of interest or the latest data from industry.

Authors of the publication believe that applying the described methodology the companies can obtain information, which allows to characterise the current situation of the digital marketing channels for each of the national economy sectors.

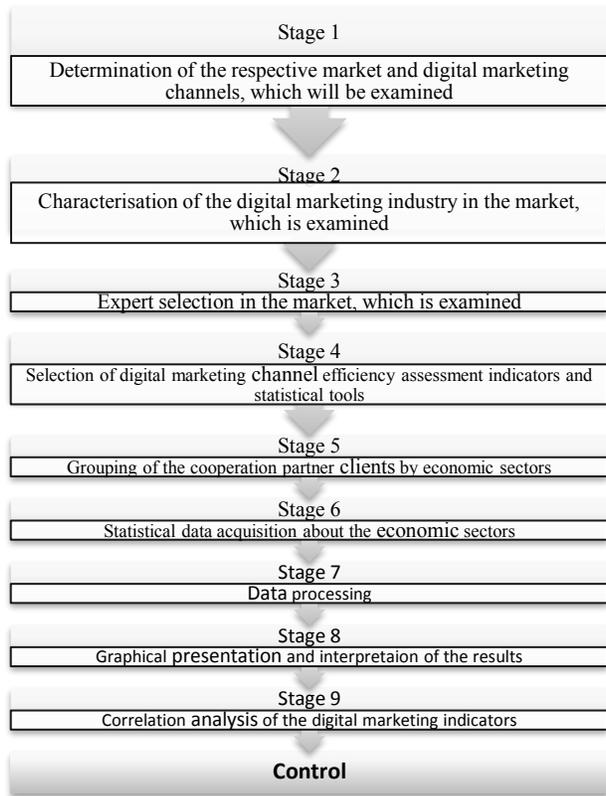


Figure 1. Conceptual framework of the methodology [authors' original]

Methodology also can be used by the representatives of various economic sectors for the planning of marketing budget.

4. CHARACTERISTICS OF THE DIGITAL MARKETING SECTOR IN LATVIA

Authors of the publication have prepared the characteristics of the digital marketing industry in Latvia by using the developed methodology: 11 biggest companies from the digital marketing industry in Latvia have been selected in order to assess the competitiveness level in the digital marketing industry in Latvia. The selection criteria was the services provided by the companies - companies using at least three of the services described in Section 1 and not using the traditional marketing channels have been included. The official partner searching tool provided by Google has been used as one of the selection instruments [23].

The authors used Herfindahl-Hirschman Index (HHI) to characterise the competitiveness environment in the digital marketing market in Latvia. In fact, this index shows that higher dominance of certain market player in the market increases the possibility that the monopoly can occur [26].

In order to assess the competitiveness environment in the digital marketing industry in Latvia, the authors of the publication have determined the market share of the selected companies un their proportion in the total turnover of the industry from 2011 to 2014 based on the turnover indicators and by using the formula:

$$Market\ share = \left(\frac{Turnover\ of\ company}{\sum Turnover\ of\ industry} \right) * 100\%$$

The obtained indicators about the turnover of the digital marketing industry companies in Latvia and their market share is included in the table [4].

Table 1. Turnover of the digital marketing industry companies in Latvia and their market share [prepared by authors]

Market share Company (SIA)	2011	2012	2013	2014	2015
"Ademia	-	8.1	5.7	2.5	2.1
"Digital Marketing Group"	-	2.1	8.8	5.5	3.8
"Digital Score"	-	12.2	11.0	12.7	5.3
"iMarketings"	-	-	1.8	1.7	0.9
"Infinitum 8"	91.6	71.0	61.3	60.6	59.1
"Inspired eCommerce"	-	-	-	1.5	12.2
"Introskip"	4.1	4.6	2.9	3.0	3.2
"J Konsult"	-	-	-	2.2	2.2
"mCloud Global"	-	0.2	3.0	1.9	0.6
"RealWeb Latvia"	-	-	0.2	6.0	10.2
"SV Marketing"	4.2	1.7	5.3	2.4	0.4

The results in the table indicate that acquisition of a bigger market share for the companies take three years in average. In order to assess the monopolisation level, the authors calculated Herfindahl-Hirschman Index (HHI).

Table 2. Changes in the Herfindahl-Hirschman Index in the digital marketing industry in Latvia in 2011-2014 [prepared by authors]

Mill. EUR	2011	2012	2013	2014	2015
Industry turnover	0.13	0.56	1.22	2.41	3.87
HHI	8431.5	5297.1	4034.0	3934.9	3803.8

Changes in the Herfindahl-Hirschman Index in correlation with the changes in the industry turnover are shown in the graph.



Figure 2. Changes in the Herfindahl-Hirschman Index in the turnover of the digital marketing industry in Latvia in 2011-2014 [prepared by authors]

Changes in the HHI show that the digital marketing industry in Latvia can be characterised as highly monopolised industry with the tendency to reduce the monopolisation. The situation that has been formed in the market means that for the consumers taking decisions an additional information is necessary to decide which of the companies providing the services of digital marketing to choose, while for the companies representing the industry implications for the high market monopolisation are the necessity to use more complex competitive practices involving both price and non-price methods.

5. INDICATORS FOR THE ASSESSMENT OF THE DIGITAL MARKETING CHANNELS

In the time period from October 1 to October 31, 2016, the authors of the publication by using the developed methodology with the goal to assess the efficiency of the contextual advertising in the *Google AdWords* network for various sectors of the national economy, have conducted interviews with the digital marketing experts in the framework of Stage 4 of this methodology. The goal of the expert interviews was to identify the digital marketing channel performance indicators and to characterise the statistical tool platforms.

The indicators for the assessment of the statistical results have been selected based on the expert interview results.

Table 3. Digital marketing performance indicators

Indicator	Description
Impressions [22], [25]	For the primary use in the assessment of the market capacity and interest about the products because the actual displaying of advertising depends on the users' level of interest. Second, the total advertising costs depend on this indicator.
Clicks [17], [15]	Indicates an interest of the users in the offer of advertiser. In addition, the changes indicate the seasonal changes in the consumption level as well as changes in the competitiveness environment.
CTR - Click through rate [15], [25]	Confirmation of the actual quality of the advertising message and its correspondence to the market requirements. The average values of the indicator varies by the sector of the national economy. In combination with the indicator <i>average display position</i> allows to forecast the average investments in the advertising as well as to check how the selected methods for reaching the target audience correspond to their interests.
CPC – Cost per click [16], [25]	In combination with the indicator <i>average display position</i> allows to determine the level of competitiveness by using certain digital marketing channels as well as, depending on goals of the company, is one of the most important indicators for forecasting the advertising budget.
Average position [8]	Reflects the level of competitiveness with the given settings for reaching the target audience as well as, in combination with other indicators, allows to determine the efficiency of the selected way of reaching the target audience.
Costs [9], [25]	Reflects the actual amount of investments and allows to determine how do the plans correspond to the actual situation.
Conversions [10], [25]	The most important among the advertising performance indicators which required additional settings and, depending on the economic sector, not used by all the companies. Depends directly on the digital marketing goals of the advertiser and the selected strategy for reaching and approaching the target audience.
Conversion rate [9]	Reflects the "quality" of the attracted users and the regularity of the selected strategy for reaching the target audience serving as confirmation for its capability to achieve the Internet marketing goals of the company.
Total conversion value [11]	Allows to assess the profitability of the investments in the selected channel of digital marketing. Requires additional settings that leads to less frequent use.
ROI - Return on investments [11], [28]	<i>Income from investment</i> is the most important indicator for assessing the economic efficiency of the selected digital marketing channel. This indicator allows to assess the direct profitability and to assess, if it leads to the profit or losses.

Assisted conversions [14]	Allows to assess, if with the help of the selected digital marketing channel the secondary goals are achieved as well, such as increase of the brand recognition. Even if the income from the investments in the channel is negative, high assisted conversion rate justifies the necessity to use the channel and indicates that it is necessary to modify the selected marketing strategy.
Click assisted conversions	Indicates high interest of the users in the offer of advertiser. However, there is still a necessity for additional search of information.
Impression assisted conversions	Indicates high recognition of the advertiser's brand. However, there is still a necessity for additional search for information.

The available amount of statistical data allows the advertisers to assess the selected methods for reaching the target audience and improve them as well as to understand the characteristics of interaction between the users and advertising messages. Equally important is the fact that the digital marketing tools allow the advertisers to measure direct economic effect from their advertising activities. It is also possible to measure the indirect impact on other channels.

However, complete statistical data foresees additional settings, which are not fully used due to their complex nature. Further in the publication the authors describe statistical tools used in the digital marketing as well as specifics of the statistical tools that sometimes affect the statistical data.

Table 4. Statistical tools

Tool	Tool description
Google AdWords	Contextual advertising platform, which operates on the principle of auction and allows using search engine, banner and video advertising formats as well as related statistical tool providing wide opportunities of the statistical analysis. Counts the most important advertising performance indicators regardless of the type of advertising and allows to customise the reports and to present the information in the graphic form. By default the platform counts the basic advertising performance indicators, such as clicks and number of impressions as well as allows to see in a general form statistical information on the competitors using similar methods for reaching the target audience, which provide wide opportunities to customise the advertisement [36].
Google Analytics	Allows to obtain the statistical information about the website as well as to combine it with several other sources of the statistical data. By definition <i>Google Analytics</i> is data recording platform primarily serving for tracking information on the website statistics and analysis, by providing similar system functionality as <i>Google Adwords</i> in the sense of customised reports and presentation of the results in the graphic form but recording bigger number of metrics. The system allows importing the data recorded by other statistical tools. A fundamental difference between the systems <i>Google Analytics</i> and <i>Adwords</i> is the fact that the first primary is an advertising platform with statistical functionality, while the second primarily serves as the data recording platform. For additional recording of the data it allows combining the data from various systems and advertising networks by using additional custom URL parameters or integration with the internal CRM (<i>Customer relationship management</i>) systems of the company providing extra functionality for the statistical analysis by combining the data from the systems that were not linked previously [19], [24]. Additional settings provide opportunities to obtain the financial information. One of the advantages of the system is visualisation of the users' way to the goal. The system allows to visualise in the general form consequent achievement of the linked goals and to detect

the stages, where the problems occur, which allows to improve the digital marketing strategy of the company and to increase the amount of sales. In fact, the system provides an opportunity to develop so called *purchase funnel* – visualisation of the consumer decision making process based on the statistics about each stage of the decision taking process [13], [25].

The digital marketing channel platforms include functionality of the statistical tools. However, integration of several systems and setting of additional tracking data is necessary to obtain more information. This is particularly important to pay information to such data tracking tools as *eCommerce* module for the platform *Google Analytics* [12], [30], as well as to understand the working principles of *cookie files* [20], [21] and *Last non-direct click* data recording model, which determine the characteristics of the data recording. Specific technological solutions are developed for the digital marketing tools which are targeted at acquiring financial information in order to assess the economical efficiency of the information channels; as well as functionality of the statistical data recording systems provide wide opportunities to analyse the specifics of the user decision taking, allowing to improve constantly the strategy for the use of digital marketing channels.

6. CORELATION ANALYSIS FOR THE DIGITAL MARKETING INDICATORS OF THE NATIONAL ECONOMY SECTORS IN LATVIA

By assessing the digital marketing channels with the developed methodology, in the Stage 9 the authors have performed the correlation analysis of the conversions and total costs as well as, where possible, of the total conversion value and total advertising costs.

The total results according to the sectors of the national economy are included in the table.

Table 5. Results of the correlation analysis for the digital marketing indicators in various economical sectors.

Sector	Conversion and costs correlation analysis	Total conversions value and costs correlation analysis
Manufacturing industry	R=0,046; R ² =0,214	R=-0,079; R ² =0,006
Energy	R=0,398; R ² =0,15	-
Wholesale and retail services	R=0,252; R ² =0,063	R=0,049; R ² =0,248
Information and communication services	R=0,815; R ² =0,66	R=0,204; R ² =0,041
Financial and insurance activities	R=0,535; R ² =0,28	R=0,45; R ² =0,2
Real estate	R=0,83; R ² =0,702	-
Professional, technical and scientific services	R=0,245; R ² =0,06	R=0,235; R ² =0,055
Administrative and support service activities	R=0,144; R ² =0,02	R=0,085; R ² =0,006
Education	R=0,81; R ² =0,66	R=0,298; R ² =0,08
Human health and social work activities	R=0,627; R ² =0,39	R=0,657; R ² =0,43
Arts, entertainment and recreation activities	R=0,87; R ² =0,76	-

The authors conclude that in most cases correlation between the advertising budget and conversions is low or moderate. Increased attention should be paid to the advertising budgets in

such economic sectors as information and communications, real estate, education and arts, entertainment and recreation activities, where the correlation level is high meaning direct dependability of the achieved results from the budget. None of the economic sectors, which were examined, showed clear correlation between the total conversion value and total advertising costs the indicators being low or moderate by low determination coefficients.

7. CONCLUSIONS AND DISCUSSION

The developed methodology is universal approach that can serve for assessing the digital marketing channels in various markets. The methodology offered by the authors allows to obtain an information on the current situation in the industry as well as to obtain an information which can be used in the budget planning process in various economic sectors.

Examination of the economic efficiency using digital marketing channels in various sectors of the national economy can serve as one of the support elements both for the companies which act as advertisers (for the development of marketing strategy) and the companies which belong to the industry of digital marketing (for promotion of their services and for the justification, why it is necessity to use these services).

By assessing the digital marketing industry in Latvia with the developed methodology authors conclude that in the current period the digital marketing environment in Latvia is in its growth stage. However, the overall level of market development and knowledge about the digital marketing environment tools is low that corresponds to the global trends.

After the interviews with experts it has been concluded that the digital marketing performance indicators should be divided in 2 categories: interaction with advertisement and indicators characterising purchase.

Characterisation of the used statistical tools confirmed that for the acquisition of complete data about the efficiency of digital marketing, an integration of several systems is necessary as well as setting of additional information tracking, which also serves as a limit for the acquired information. The industry has developed special tools and methods for the acquisition of the financial information and the obtained information can be used in the decision taking process about the digital marketing strategy of the company.

Information acquired in the correlation analysis indicates that there is a low or moderate correlation between advertising costs and conversion rate. However, in some of the explored economic sectors these indicators are directly linked, remaining in a high positive level with high determination coefficient. Correlation analysis of the total conversion value and total costs has not determined strong correlation in any of the explored economic sectors.

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