Digital marketing influence in the Dutch retail industry
Developing a business plan for a digital marketing agency specialized in retail

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Abstract

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Digital marketing is changing the way that retail companies communicate and maintain relationships with their customers. The consumers are at the forefront of dictating how they choose to connect with retail companies.

Due to these changes the means to build and maintain relationships with consumers, as well as achieve goals, has increased. This forced retail companies to connect with consumers in a digital manner, to find out which digital marketing strategies are going to get a response today and to employ digital tools to win over consumers.

This master’s thesis is a product-oriented study and the practical part of the thesis is a business plan for a digital marketing agency. The aim of the theoretical part of the thesis is to outline a theoretical framework centred on the changes in Dutch retail companies and the meaning of digital marketing within these changes. The methodological part is focused on concepts and theories relevant in relation to the development and operation of the agency.

In this thesis, theoretical concepts relating to consumer behaviour, customer decision journey, digital marketing, marketing, and integrated marketing communication will be discussed. Digital marketing strategies and channels will also be addressed. These include topics such as PESO model, content and social media. In the methodology section concepts such as defining potential customers, benchmarking internal and external opportunities, tools in making business strategy and designing a business model will be addressed.

**Keywords**
Digital marketing, consumer behaviour, retail marketing, customer decision journey, digital marketing integration.
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1 Introduction

Digital marketing is not just a faster or newer channel of marketing communication. It’s a new approach to marketing communication. As the focus of digital marketing is moving towards a customer-driven environment, consumers have taken control of the way retail companies should connect to them in order to enhance customer relationships and achieve goals.

This is the marketing communication environment and context I have drafted my thesis within. My thesis is a business plan for a digital marketing agency as well as a theoretical work that supports the empirical part and attempts to justify the logic behind the business plan. I have drafted a business plan for a company called Audry Brandsma Digital Marketing. The company develops and executes digital marketing strategies for Dutch retail companies. The operational logic is to produce strategies focused on consumer behaviour. The strategies will be produced with the PESO model as a strategic framework to understand the relationship between consumer behaviour and digital media as part of an integrated digital marketing strategy.

The business idea derives from the notion that Dutch retail companies are finding it increasing difficult to connect with consumers. They are unsure which digital marketing strategies are going to get a response from their consumer quicker, and what tools and technologies they should employ to win over these consumers.

In the following chapters I wish to exemplify on the concepts relating to the business plan and the opportunities the changing landscape of retail and digital marketing provide for it. I will be guided by two research questions, formulated as follows:

Q 1: What is the role of digital marketing in Dutch retail?
Q 2: What are the trends in consumer behaviour and how can it be utilized in digital marketing practices?

In chapter two I will first go through a theoretical framework relating to the topics of retail, brands, consumer behaviour and digital marketing and its integration with marketing communication as well as the way retail companies can benefit by utilizing digital marketing. Secondly, digital marketing strategies and channels are addressed as these are the concepts that relate to the services Audry Brandsma Digital Marketing operates with.
The business plan has been drafted in the guidance of Haaga-Helia’s StartUp School and the process has including several steps of defining potential customers, business strategy, services, and so forth. In chapter three I will discuss these steps and tools used in the process, including PESTLE analysis, Value Proposition Canvas and Lean Startup Canvas.

In chapter four I will offer a brief description of the digital marketing agency, followed by the conclusions in chapter five. In chapter five I will also evaluate my business plan regarding the challenges that Dutch retail companies face and the possibilities that digital marketing has.
2 Theoretical framework

The business logic of Audry Brandsma is to develop and execute digital marketing strategies to answer the marketing communicational needs of Dutch retail. In relation to this, some marketing and marketing communication theory is explained to work as the background for digital marketing. In addition, a definition of digital marketing will be given. Digital marketing integrated with ‘traditional’ marketing communication are in a very relevant role for Dutch retail companies. Thus, this concept will also be covered.

I will also go through strategies and tools of digital marketing that are relevant in relation to retail companies. Concepts I address in this subchapter are the strategic PESO model and digital tools such as content marketing, email marketing and social media marketing.

The target group of the digital marketing agency are Dutch retail companies. Therefore, I will start with a brief overview of the Dutch retail sector and its customers, to lay the foundations for this thesis.

2.1 Retail

Retail – food and non-food retailers selling products and services across digital and traditional channels – has reached a turning point. Margins are under pressure in both food and non-food retail, and digital growth in non-food sales does not compensate offline declines. Changing consumer preferences and behaviours, evolving technology, foreign competition and new business models are disrupting the industry, presenting profound challenges to established retailers – and opportunities to retailers who swiftly adapt to the new marketplace. (Kuijpers, Küpper, Gi, & Steins 2016, 10; Jones Lang LaSalle IP 2017, 11; INretail 2017, 76.)

This subchapter will cover the most significant information and trends in the Dutch retail sector. It will start with an explanation of retail brands, since brands have an important role in retail and marketing. After that, the sector and its customers are explained, followed by consumer behaviour and customer decision journey, concluded with a section covering megatrends in consumer behaviour.

2.1.1 Brands in retail

Retail companies that want to survive among other retailers have to differentiate themselves from the competition. Floor (2006, 7-8) states that differentiation of a company cannot be achieved without becoming a brand themselves.
According to the definition of the American Marketing Association (McIntyre, Melewar, & Dennis 2016, 5) a brand is “a name, term, sign, design or symbol, or a combination of these, intended to identify the products or services of one seller or groups of sellers, and to differentiate them from those of a competitor”. De Pelsmacker, Geuens & Van den Berg (2018, 43-44) adds that a brand is a combination of verbal and/or visual elements. This combination is part of a product’s or service’s tangible features.

Other definitions emphasize different key elements of a brand that go beyond the pure constituting brand elements. For instance, Kotler, Bowen and Makens (2014, 240) believes that “a brand is about communicating values, mission, and vision of the retail company to its consumers”. This definition basically describes a brand from the customer’s point of view.

Creating a strong retail brand will strengthen the relationship with the consumer. This relationship will be based not only on rational but also on emotional motives, since brands are used by consumers as a means of self-expression. Proving the brands promise when having a strong relationship with the consumer is a challenge. Therefore, retail companies have to clearly communicate what the retail brand stand for. (Floor 2006, 7-8; De Pelsmacker et al. 2018, 43-44.)

2.1.2 Dutch retail sector

According to Kuijpers et al. (2016, 10), many people and institutions, including CBS and Euromonitor, define the Dutch retail sector in the traditional sense. They state retail companies are food and non-food players, both online and offline, that sell products to end-consumers. Kuijpers et al. (2016, 10) state that this definition is outdated because of the blurring boundaries between retail, services, out-of-home consumption and entertainment. Today, consumers are moving from product-oriented shopping to solution-oriented shopping. This results in traditional non-retail players that become direct competitors of retail companies (Euromonitor International 2017, 13-14). For the purpose of this thesis, we therefore use a broader definition: the Dutch retail sector consists of a combination of products and services of food and non-food players.

Companies active in retail are brick-and-mortar stores, whether or not located in a city-centre or shopping centre, or web shops in the digital environment. The retail sector can be further subdivided on the type of product; food, fashion, home and living, electronics and sport products. (Kuijpers et al. 2016, 13.) Together, the home and living, sports and fashion sectors totals 43,817 companies located throughout the whole country (CBS
StatLine, 2018). These companies are divided into two types of stores: brick-and-mortar stores and web shops. The digital marketing agency does not distinguish between both types of stores.

The digital marketing agency focuses on targeting retail companies in the home and living, sports fashion sectors and does not distinguish between brick-and-mortar stores and web shops. Therefore, specific information about the Dutch retail sector can be found in Appendix I (confidential) and focuses on these three subsectors.

2.1.3 The Dutch retail landscape and its customers

The Dutch retail sector is in the middle of a rapidly changing world. For decades, the essence of retail remains the same: providing products that the consumers demand and deliver optimal service to them. (Quix & Van der Kind 2014, 22-23.) But the conditions to be successful in this world change continuously and quickly. To respond alertly to those changes, insights in potential opportunities and threats of the Dutch retail landscape and its customers are necessary (CBRE Research 2016, 2).

The Dutch retail landscape looks quite different today than it did even ten years ago. A research conducted by Q&A Research & Consultancy (2010, 8) indicates that the internet-penetration grew in 30 years starting from 0.3% to nearly 100% among Dutch consumers. Besides that, the way that consumers make purchasing decisions has changed in these years to omni-channel: they stand in stores, using their smartphones to compare prices and product reviews; family and friends instantly weigh in on purchase decisions via social media; and when they’re ready to purchase, an ever-growing list of online retailers deliver products directly to them, some of them even offer same-day-delivery (INretail 2017, 9). More about omni-channel can be found in chapter 2.3.1.

Also connecting with retailers has changed into many forms: nowadays, Dutch consumers like to use email, social media and even online chat to get in contact with retail companies (GfK 2017, 18). Retailers partly adapt to this new situation. Not every company embraces these new ways of communication (INretail 2017, 15).

2.1.4 Customer behaviour

Consumer behaviour is simply defined as “the study of psychological, social and physical actions when people purchase, use and dispose products, ideas, services and practices” (Peter & Olson 2008, 46). Aligned with this statement, Solomon (2017, 28) defines consumer behaviour as “the processes involved when individuals or groups search,
select, purchase, use, evaluate, or dispose of products, services, or experiences to satisfy needs and desires”. Similarly, Belch and Belch (2001, 91) quoted that consumer behaviour is “the process and activities of people engage when searching for, selecting, purchasing, using, evaluating and disposing products and services to satisfy their needs and desires”.

In its early stages of development, consumer behaviour was often defined as “purchaser behaviour, reflecting an emphasis on the interaction between consumers and producers at the time of purchase” (Solomon, Bamossy, Askegaard, & Hogg 2016, 6). Companies now recognize consumer behaviour as an ongoing process in their marketing (Solomon 2017, 29). Notable, marketing is used by companies to create value for customers and build strong relationships with them in order to capture value from them in return (Keefe 2004, 17-18; Chekitan & Schultz 2005, 18-24). More on marketing can be found in chapter 2.2.1.

The expanded view of Solomon (2017, 29) emphasizes the entire consumption process, which includes the issues that influence the consumer before, during and after a purchase. The consumers’ response is the major feedback during the entire consumption process and therefore is important to know (Kotler & Keller 2016, 164-165).

Due to consumer engagement in digital media, there has been a shift in consumer behaviour with respect to activities, habitats and interaction. The significant changes in the digital world forced companies to embrace digital marketing as a new way to communicate and engage with their consumers. (Kumar, Bezawada, Rishika, Janakiraman, & Kannan 2016, 9.) To note, digital marketing means using digital tools to communicate with customers anywhere, anytime, via their digital devices (Kotler & Armstrong 2013, 47). More on digital marketing can be found in chapter 2.2.3.

In digital marketing, understanding consumer behaviour is key for marketing communication success, as consumers have embraced the internet and online communication tools (Vinerean, Cetina, Dumitrescu, & Tichidelean 2013, 77). Nowadays, consumers demand to purchase products and services at any time and in every possible way, online and offline. (INretail 2017, 9). To note, marketing communication is a way to inform, persuade or remind the selected audience of the brands, products or services a company offers. Marketing communication should lead to changes in the behaviour of the selected audience in the purchase of products, services and loyalty towards the company or brand. (Lamb, Hair, McDaniel, Boshoff, & Terblance 2004 329; Kotler & Keller 2016, 478; Duncan 2005, 15.) More on marketing communication can be found in chapter 2.2.2.
Vinerean et al. (2013, 69) adds that companies must be aware of social media sites and how they influence their consumer behaviour. According to Powers, Advincula, Austin, Graiko and Snyder (2012, 483), consumers constantly consider potential purchases and evaluate alternatives in the market. Powers et al. (2012, 483) also states that consumers use social media to gather information about potential purchases and to introduce them to new products and services. Social media can even cause them to have a mindset change about a company or a brand. Powers et al. (2012, 484) adds that due to digital connectivity and the time spent online by consumers, they now view shopping as an everyday activity. Research by Cheung and Lee (2010, 28) found that increased exposure to a brand or company on social media increased the likelihood of consumers to purchase the product or service of that brand or company.

The availability of information and rise of social media has changed the way consumers identify and research products. Research conducted by Kuipers et al. (2016, 25), indicates that only about 25% of consumers use a company’s website as their preferred starting point for product search. The other consumers use Zalando, Bol.com, Google or other marketplaces, search engines and comparison sites.

2.1.5 Customer decision journey

In order to better meet customers’ needs, companies need to understand consumers’ purchasing decision process, which includes all their experiences in learning, searching, choosing, using and disposing of a product (Kotler & Keller 2016, 194).

Consumers have evolved and no longer make purchasing decisions in a linear approach; they enter at various touchpoints, which are dependent on their first engagement with the company, brand, product, service research or word of mouth from their networks (Powers et al. 2012, 484). According to McKinsey (2016) touchpoints are the individual transactions through which consumers interact with parts of the company and its offerings. Consumers who are interacting with parts of the company and its offerings, are moving from awareness to engagement and purchase through a variety of touchpoints. Therefore, they can be called customers; consumers who purchase a company’s product or service. This movement from awareness to engagement and purchase is called the customer journey (McKinsey, 2016).

The original customer journey is described by the AIDA model (Chandler-Pepelnjak 2008, 1-2) and lays out a sequence that describes the process a potential customer must go through in order to achieve a purchase. According to Chandler-Pepelnjak (2008, 1-2) this journey is based on four different phases: potential customers become aware of a product
or service, they begin to express their interest, then the interest changes into a desire to purchase the product or service and finally they can act to actually purchase the product or service.

Court, Elzinga, Mulder and Vetvik (2009) have refined the AIDA model and included the need for engagement into Awareness, Consideration, Preference, Action and Loyalty. He explains that the customer journey is a combination of decisions influenced by user-generated content, recommendations from friends, peer reviews and competitive alternatives. According to Court et al. (2009) after the purchase, a customer can turn into an advocate because of satisfaction and positive experience. An advocate has four stages: involvement (e.g. a qualitative durable visit to the website, interaction (e.g. a comment on forums, blogs and reviews), intimacy (e.g. tracking the sentiment) and influence (e.g. forward content). Maelcher, Neher and Park (2016) notes that customer journeys include many things that happen before, during, and after the experience of a company's product or service. They add that customer journeys can be long, stretching across multiple digital channels and touchpoints, and often lasting for days or weeks.

In the Retail Buying Study conducted by IPG Mediabrands (2017, 2), the customer journeys of 4.000 Dutch consumers are examined. This study showed that at least 59% of the customer journeys started with a digital touchpoint and that over half of the store traffic in brick-and-mortar stores originated from a digital touchpoint. An average of 40% of the consumers who start their customer journey with a digital touchpoint purchases a product or service on the internet, the other 60% purchases a product or service in a brick-and-mortar store. (IPG Mediabrands 2017, 2.) The customer journey of Dutch consumers is shown in figure 1.

![Figure 1. The customer journey of Dutch consumers (IPG Mediabrands 2017, 2)](image)

Social media channels like Pinterest, Snapchat, Facebook and Instagram are marked as very important when talking about inspiration and information sources within in the customer journey of Dutch consumers (IPG Mediabrands 2017, 2-3). Notably is that,
although 62% of retail companies use at least one social media channel, they post to these channels when they have time and there is no strategy behind the things they post to these channels (DTG & MKB-Nederland 2017, 9,14).

Another outcome of the Retail Buying Study is that only 37% Dutch consumers orientate and purchase in a brick-and-mortar store (IPG Mediabrands 2017, 3). Nowadays, 35% of the Dutch consumers who orientate online, purchases a product or service in a brick-and-mortar store. Therefore, these stores are still very important for retail companies.

IPG Mediabrands (2017, 5-6) also found that loyalty programs such as membership cards, are immense popular by Dutch consumers. An average Dutch consumer has at least four Dutch retailer membership cards. The most important motivation for consumers to join loyalty programs are the discounts they can receive. Retailers should try to convince their consumers to share more personal information to use in personalized discounts and digital marketing targeting. Notably, over 25% of Dutch consumers are willing to share personal data on Facebook to get discount and at least 55% shares his or her email address for discount. (IPG Mediabrands 2017,6.) With loyalty programs, the company gets relevant data to use for maintaining and optimizing relationships with consumers. This is highly valuable for digital marketing purposes.

2.1.6 Megatrends in customer behaviour

Successfully identifying, analysing and acting on megatrends in consumer behaviour is essential for success in the retail industry. The world is changing faster than ever, and it is becoming increasingly difficult to keep up with the changing consumer behaviour and the competitors. (Euromonitor International 2017, 1)

According to Euromonitor International (2017, iv) a megatrend in consumer behaviour is “a long-term shift in behaviour or attitudes that has global impact and crosses multiple industries”. A megatrend is a trend with longevity, one which represents a fundamental shift in behaviour or attitudes that is defining consumer markets. The Copenhagen Institute for Future Studies (2017, 3-5) agrees with this definition and adds that “megatrends are the probable future – or express what is known with great confidence about the future. Megatrends are certainties”.

Megatrends are hot topic but very few understand how to make sense of and apply megatrends to (digital) marketing to establish business growth and expand customer relationships. Megatrend identification and analysis allows companies to build a long-term strategy that is proactive, rather than reactive, making sense of where they stand today,
but also ensuring they have a plan to remain relevant moving forward. (Euromonitor International 2017, 11).

Five megatrends that will have the furthest-reaching impact on digital marketing strategies and consumers in the future are listed and explained below. Euromonitor International (2017) has identified the most influential megatrends in consumer behaviour set to shape the world through to 2030. The trends below are borrowed from Euromonitor International, combined with other sources.

'Experience more'
A noteworthy megatrend is ‘Experience More’ due to the increased importance of service over products. In the last few years, spending on durable products fell and spending on services continued to grow (Euromonitor International 2007, 13). Looking ahead, Euromonitor International (2017, 13) expects spending on services to continue to accelerate at a faster rate compared to spending on durable goods.

This megatrend goes further than the increased importance of service over products. Consumers are also more in need of personal experience or personal service in their purchasing decision process (also called the customer journey). This has impact in different retail sectors, from the importance of the shopping experience, through to the value placed on ‘home-delivery’ instead of physically doing the groceries. (Euromonitor International 2017, 14; Logeion 2018; Copenhagen Institute for Future Studies 2017, 5; KPMG International, 2018, 7.)

‘Premiumisation’
‘Premiumisation’ is another megatrend, focused on the motivation behind consumers’ purchasing decisions. At its core, premiumisation is about prioritizing. There are more products readily available for consumers than ever before. Therefore, consumers can purchase the things that really matter to them, while also cutting back significantly on those that do not. (Euromonitor International 2017, 15; Copenhagen Institute for Future Studies, 2017, 5.)

Research conducted by Euromonitor International (2017,16) has shown that more consumers than ever before are investing in becoming better – better-organized, healthier, more responsible, more relaxed – in an uncertain global environment.

‘Ethical Living’
Consumers take an increased interest in the ethical and moral values. They are demanding transparency in these values of the brands and companies they purchase from. Company wise, this translates into transparency about decisions framed by concerns about the environment, sustainability, animal welfare, production and labour practices. Besides that, consumers have interest in a company’s desire to positively impact communities and people. The ‘Ethical Living’ trend is driven by three factors: awareness, availability and affordability (Euromonitor International 2017, 17; KPMG International, 2018, 16.)

‘Shopping Reinvented’
The economic and technological world changes every day for consumers and companies. Therefore, how consumers purchase products and services is constantly changing. Shifting consumer values and access to the internet has created a great diversity of new competition. Consumers make purchases across many different platforms and retail companies must be able to engage at anytime, anywhere and any place. (Euromonitor International 2017, 18; KPMG International, 2018, 20.)

The optimal customer journey is of importance for a company to the entire customer experience; providing value before, during and after the purchase and converting a transaction into a relationship. Consumers are increasingly expecting retail companies to engage with them in ways that suit their interests and lifestyle. Digital marketing offer ways to serve the consumer, for example: selling via social media, email marketing and digital advertising. (Euromonitor International 2017, 18; GfK 2017, 10.)

‘Connected Consumers’
Connected consumers use digital devices connected to the internet – such as computers, smart phones, tablets, e-readers and gaming devices – in order to experience and interact with digital content of retail companies. This is done mainly for the purposes of shopping, entertainment, accessing services as well as socializing. This is disrupting and arguably improving upon many traditional structures for doing these things. (Euromonitor International 2017, 20.)

In the rapidly emerging world of devices connected to the internet and the overall availability of internet connection, consumers are online 24/7. This is influencing how consumers live, work, shop and spend their spare time; they are always connected. Connected consumers can summon a taxi, book a flight, browse products, order food, listen to music, play a game, watch a film or chat with other using internet connectivity.
Connectivity is so intertwined into the daily lives of connected consumers that over half say they would be lost without it. (Euromonitor International 2017, 20-21.)

2.2 Introduction to digital marketing

Now that retail and its challenges have been explained, we need to consider how digital marketing can help. Therefore, this subchapter is intended to give a background into marketing and marketing communication. Also, a definition of digital marketing will be given followed by the importance of integrating digital marketing with ‘traditional’ marketing communication. How digital marketing can help solve the challenges in retail will be explained in subchapter 2.3.

2.2.1 Marketing defined

De Pelsmacker et al. (2018, 2) define marketing as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create and exchange value, and satisfy individual and organizational objectives”. In a narrower context, marketing is used by companies to create value for customers and build strong relationships with them in order to capture value from them in return (Keefe 2004, 17-18; Chekitan & Schultz 2005, 18-24).

To be able to create value and build strong relationships, a number of tools are available: the instruments of the marketing mix. Traditionally, these tools are divided into four categories, called the 4P’s of the marketing mix (Table 1). (De Pelsmacker et al. 2018, 2.)

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
<th>Place</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>List Price</td>
<td>Channels</td>
<td>Advertising</td>
</tr>
<tr>
<td>Features</td>
<td>Discounts</td>
<td>Logistics</td>
<td>Public relations</td>
</tr>
<tr>
<td>Options</td>
<td>Credit terms</td>
<td>Inventory</td>
<td>Direct marketing</td>
</tr>
<tr>
<td>Quality</td>
<td>Payment periods</td>
<td>Assortments</td>
<td>Personal selling</td>
</tr>
<tr>
<td>Design</td>
<td>Incentives</td>
<td>Locations</td>
<td>Digital marketing</td>
</tr>
</tbody>
</table>

Promotion, also known as marketing communication, is the category of the marketing mix with the most visible tools. According to De Pelsmacker et al. (2018, 3) marketing communication involves all instruments by means of which the company communicates with its customers to promote its products or the company as a whole.
Due to the use of digital media and technology, this approach has expanded to a new way of marketing communication: digital marketing. In short, digital marketing means using digital tools to communicate with customers anywhere, anytime, via their digital devices (Kotler & Armstrong 2013, 47). I will discuss digital marketing in more detail in subchapter 2.2.3. First, marketing communication is introduced in the next subchapter.

### 2.2.2 Marketing communication

The concept of marketing communication has been studied by numerous researchers and practitioners in different approaches, many of who have shared similar ideas supporting the definition that “marketing communication is a way to inform, persuade or remind the selected target audience of the product, services or brands the company offers” (Lamb, Hair, McDaniel, Boshoff, & Terblance 2004 329; Kotler & Keller 2016, 478; Duncan 2005, 15).

According to Kotler and Keller (2012, 776-777), marketing communication play an important role in how a company builds relationships with its target groups through a dialogue that determines the company’s voice. It includes both direct and indirect means of attempting to inform, persuade and remind customers about the way the company markets its brands, products and/or services. In the long run, companies can establish and maintain their brand image through marketing communication and that way also affects increasingly on the monetary value of the company in the eyes of the stakeholders.

However, Bearden, Ingram, and LaForge (2007, 403) emphasize that the ultimate role of marketing communication is to influence the behaviour of the target audience, and not only to inform, persuade or remind the target audience. Marketing communication objects, such as creating awareness or interest in the products and brands offered, are certainly not enough. Marketing communication should lead to changes in the behaviour of the target market in the purchase of products/services or loyalty towards the company or brand. Marketers should use marketing communication strategies to convince the selected target audience(s) that the products, services or brands offered provide a significant and competitive advantage over those of their rivals (Lamb et al. 2004, 315).

Duncan (2005, 15) acknowledges that marketing communication can add value for the target audience, because they need to be informed on aspects such as the features and potential benefits of a product or service and where it can be bought. In other words, marketing communication can influence the target audience’s perceptions of crucial features and symbolic associations that are superior to those of the competitors.
According to Baines, Fill and Page (2008), marketing communication has two core principles. First is to develop brand values by using advertising to set up feeling, to create visions and to improve beliefs. The second is to make consumers behave particular ways. Through marketing communication, companies force their consumers to behave in a beneficial way in order to make them purchase the product or use the service the company offers.

All advertising, public relations, personal selling, direct marketing, sales promotion and all other communication elements are collectively known as the marketing communication mix. These are the major techniques that companies use to communicate with consumers as well as other relevant stakeholders (Smith & Taylor 2004). Changes in the marketing communication environment have forced companies to adapt in certain ways to survive in this environment (Clow & Baack 2018). Nowadays, companies have to keep in mind that there are multiple markets, multiple customers, multiple channels and multiple media. The focus is now on the retention rather than on the acquisition of consumers.

**Customer-centricity**

In this increasingly customer-driven environment, the need in retail for a customer-centric marketing communication approach is high. Marketing communication take an important role in how a retail company engage with its consumers, as they demand to purchase products and services any time and via every possible (digital) channel. (Kotler & Keller 2012, 776-777; Vinerean et al. 2013, 77.)

According to Galbraith (2005, 9) customer centricity is an approach to put the customers first. This means that a company considers customers’ inputs as the starting point for designing and implementing marketing communication activities in order to gain their satisfaction and loyalty. Companies that take a customer-centric approach make it a priority to provide and exceptional customer experience at the point of sale and after the sale to increase profits and gain a competitive edge (2005, 11).

Fader (2012), explains that because not all customers turn out to be profitable, companies that seek to be customer-centric and gain strategic advantage should identify the best customers and focus on building their products and services around the needs of those specific customers. This can be achieved by gathering customer data from multiple digital channels and analysing it to better understand and categorize customers.
2.2.3 Digital marketing definition

As stated before, the use of digital media and technology has developed a new approach to marketing communication, called digital marketing. Digital marketing is the key service of the agency. Therefore, digital marketing is introduced in the next two subchapters.

The use of digital media and technology has given rise to a considerable range of terms created both by academics and professionals. It has been called digital marketing, Internet marketing, Online marketing and e-marketing, and these terms have varied through time. Digital marketing is the term most frequently today (Temovski 2015; Chaffey 2016; Chaffey & Smith 2017, 13). Therefore, the term digital marketing will be used in the thesis.

The Digital Marketing Institute defines digital marketing as “the use of digital technologies to create integrated, targeted and measurable communication which helps to acquire and retain customers while building deeper relationships with them”. (Smith 2007.) This definition indicates that technologies are not only used as platforms or channels for delivering digital marketing activities, but are also applied for planning, implementing, and measuring those activities.

Chaffey and Smith (2017, 13) have a broader perspective of digital marketing:

“Digital marketing is a way of putting the customer at the heart of all online activities. It means getting closer to customers and understanding the better, adding value to products, widening distribution channels and boosting sale through running digital marketing campaigns using digital media channels such as search marketing, social media marketing and content marketing”.

Netta (2015, 13) adds that digital marketing is a term used to refer to marketing communication in a way of utilizing devices connected to the internet to engage with consumers. Aligned with this statement, Kotler & Armstrong (2013, 49) suggest that digital marketing means using digital tools to engage consumers anywhere, anytime, via their digital devices. Chaffey and Smith (2017, 14) maintains that digital marketing incorporates the use of digital technology for the marketing communication purposes with the aim of achieving marketing communication objectives.

According to Jedličková (2013, 24) digital marketing contributes to marketing communication which helps to acquire and retain customers. Chaffey (2017, 21) adds that digital marketing also optimizes the business processes when gaining new customers and
maintaining relationships with existing customers. It also emphasized that digital marketing should be based on consumer behaviour, their characteristics, what they value, what keeps them loyal to deliver tailored digital marketing messages.

Chaffey and Smith (2017, 20) states that digital marketing refers to the marketing communication function that takes place in the digital world and fulfils the definition of marketing communication to identify, anticipate and satisfy customer need profitable and efficiently in the digital environment. Ryan (2014, 21) maintains that digital marketing allows to connect with a wider audience, while at the same time it allows a precision targeting of specific niche segments with valuable content. Chaffey and Smith (2017, 13) expand on this definition to explain that “digital marketing includes managing different forms of online company presence and presences such as company websites, mobile apps, and social media company pages”. This is in conjunction with digital marketing communication techniques including the likes of search engine marketing, social media marketing, online advertising and e-mail marketing. According to Chaffey and Smith (2017, 13), these techniques are used to support the objectives of acquiring new customers and providing services to existing customers that help develop the customer relationship.

The various definitions have one particular thing in common; digital marketing not only aims to initiate conversations with its customers and other stakeholders, but also to increase participation in these conversations. Zahay (2014, 32-46) adds that the consumer has, to some extent, taken control of the conversation through digital media (mainly social media) and has taken control of the purchase decision by conducting research online before heading to the company’s store.

It can be stated that digital marketing is not just a faster or newer channel of marketing communication. It’s a new approach to marketing communication. Therefore, in this thesis I focus mainly on the marketing communication function of digital marketing, and how it helps to increase sales and enhance customer loyalty. Hence, in this thesis I refer to digital marketing as marketing communication and interaction between a company or brand and its customers using digital platforms and channels (e.g. website, social media, content, email and display).

2.2.4 Digital marketing integration

The arrival of digital marketing has fundamentally changed and evolved the way companies in the retail sector communicate with their target groups. Today, digital marketing is used to identify, anticipate and satisfy customer needs profitable and
efficiently in the digital environment (Chaffey & Smith 2017, 13). However, applying an integrated marketing communication (IMC) foundation for the development and execution of a digital marketing strategy is a necessity to communicate in today’s complex marketing communication landscape effectively. This is accomplished through a systematic process that begins with detailed research on target audiences, the right selection of (digital) marketing communication channels and effective messaging to consumers (Key & Czaplewski 2017, 326).

**Integrated marketing communication**

One of the first and most widely quoted definitions of IMC was proposed by the American Association of Advertising Agencies in 1989:

> IMC is a concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines – for example, general advertising, direct response, sales promotion, and public relations – and combines these disciplines to provide clarity, consistency, and maximum communications impact. (Schultz, Tannenbaum, & Lauterborn 1992, 17.)

Many different definitions of IMC have evolved over the years. Don Schultz (cited in Schultz et al. 1992, 17) has developed a definition of IMC that, nowadays, is more appropriate and useful:

> IMC is a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communication programs over time with consumers, customers, prospects, employees, associates and other targeted relevant external and internal audiences. (Schultz et al. 1992. 17.)

One of the core premises of IMC-based messages and channel selection is the understanding that the messages reinforce each other and create a larger impact together than they would otherwise (Key & Czaplewski 2017, 32).

### 2.3 Digital marketing in Dutch retail context

Now that a broad description of retail has been explained in chapter 2.1. and digital marketing and its origins in marketing and marketing communications has been explained and chapter 2.2., we need to consider how Dutch retail companies could benefit from digital marketing. Therefore, the next chapter highlights the link between digital marketing and Dutch retail. This chapter starts with the development of digital marketing in Dutch
retail, followed by its benefits and challenges. After that, strategic digital marketing planning is explained, concluded by its channels.

### 2.3.1 Importance of digital marketing in retail

Almost every type of marketing communication now has a digital element to it. This is particularly crucial in retail where there is a major shift in consumer behaviour from offline to online (Euromonitor International 2017, 18; KPMG International, 2018, 20). For many consumers, the ability to research and purchase anytime, anywhere and anyplace is the perfect antidote to busy lives (Zahay 2014, 32-46). Besides that, retail companies that want to survive among other retailers have to differentiate themselves from the competition (Floor 2006, 7-8). Therefore, if retail companies want to connect with consumers and cope up with the competition, they simply must utilize digital marketing activities.

Retailers are finding it difficult to establish digital marketing campaigns to connect with customers, which strategies are going to get a response today and what platforms and tools they should employ to win over customers. Having a website, a digital shopping system and a Facebook page are not enough for a retail company to survive in the digital world. The changing customer behaviour, the growth of successful web shops and the challenge to reach the Dutch consumer, are asking for expertise and creativity. (Richardson 2018; Damen 2018.)

### 2.3.2 Development of digital marketing in Dutch retail

According to DTG and MKB-Nederland (2017, 10), digital marketing has been increasing its share of the marketing communication mix in SME’s in the Dutch retail sector. They were in the process of replacing especially print media, brochures, and catalogues with digital marketing channels. Unfortunately, the importance of using digital marketing to connect to consumers stabilized in 2017 (DTG & MKB-Nederland 2017, 13). For example, just like in 2015, nowadays 76 percent of the SME’s in the Dutch retail sector has a corporate website, 69 percent has one or more up-to-date social media accounts. Facebook, LinkedIn and Google My Company are the most used social media account. Besides that, the use of search engine optimization (29 percent) and email marketing (31 percent) has hardly changed compared to 2015. (DTG & MKB-Nederland 2017, 18-19.) Notable is that more SME’s in the Dutch retail sector started digital advertising, although the average spending on digital advertising is lower in 2017 compared to 2015.
Only half of the SME’s in Dutch retail use digital marketing to communicate with their consumers. Within this group, only a quarter of them schedule their digital marketing activities in advance, most of them deploy their digital marketing activities ad hoc. The other half of the SME’s admits they don’t see much value in further digitalization and developing their digital marketing tactics. (DTG & MKB-Nederland 2017, 14).

On the other hand, nearly 70% of the SME’s in Dutch retail optimized their websites and web shops for mobile use in the last two years (DTG & MKB-Nederland 2017, 6). Besides that, more and more SME’s in Dutch retail started to call in experts to help with their digital marketing activities (Damen 2018).

Thus, it can be claimed that SME’s in Dutch retail lack digital opportunities to grow and there is still a lot to win for them. Dutch consumers are strongly oriented in the digital world, but SME’s in Dutch retail only respond to this orientation to a limited extend. This is probably because there is a lack of knowledge. Although eight out of ten SME’s say they achieve their digital marketing goals, they also name the lack of knowledge in digital marketing their biggest challenge.

**Digital marketing integration in retail companies**

IMC (see chapter 2.2.4.) has become very popular among large retail companies selling products and services to consumers. A fundamental reason for this is that they understand the value of strategically integrating the various channels (both online and offline) rather than having them operate separately. (Belch & Belch 2001, 11.)

Small and medium-sized retail companies, in particular, has not adopted the IMC approach yet. Instead, they tend to focus on just one or two marketing communication channels. According to Key and Czaplewska (2017, 326), it is not uncommon that the marketing communication efforts of a small-sized retail company only has a website and a print ad in a local newspaper. Medium-sized retail companies are often characterized by a lack of integration as well. In many cases, their use of marketing communication channels is a diversity of activities that are coordinated to a minimum. This results many times in different marketing communication messages to their consumers. To state, retail companies that do not consider a coordinated and integrated strategy to digital marketing risk wasting their time and resources on channels that lack desired marketing communication goals and objectives (Key & Czaplewska 2017, 326).

**Omnichannel marketing**
In retail context, IMC has morphed into omnichannel and has gained a lot of interest in the last few years. Omnichannel is most readily defined as seamlessly integrating a company’s channels, processes and strategies to gain the ability to engage with consumers anytime, anywhere, and on any device. Omnichannel marketing thus follows a customer-centred focus featuring a shopping experience in which a customer’s purchasing journey is smooth and seamless, regardless the media – including paid, earned, shared and owned – or channels used (Shah, Rust, Parasuraman, Staelin, & Day 2006, 122).

In the omnichannel environment, to engage with consumers is more important than using the right channel (Verhoef, Kannan, & Inman 2015, 175-176). The blending between digital and ‘traditional’ channels, including the ability to orchestrate interactions across both, means companies can more readily deliver the right message to the right person at the right time. That’s why an omnichannel approach is so powerful. (Payne, Peltier, & Barger, 2017, 193)

Consumers already engage with large retail companies in an omnichannel manner, and this will only increase over time, especially related to digital channels. Within the next few years, SME’s in retail should start to adjust their systems to follow these large retail companies. (Payne, Peltier, & Barger 2017, 193.) Therefore, it can be stated that omnichannel, especially in a digital manner, is a very profitable approach for retail companies to build relationships with its customers and other stakeholders. The digital marketing agency will use omnichannel – including paid, earned, shared and owned media – as an overall component to create and execute customer-centric digital marketing strategies for its target group; the Dutch retail companies.

2.3.3 Benefits and challenges

There are both many benefits and challenges of using digital marketing to market a retail company’s products or services.

Benefits

Using a range of different digital channels enables a much wider reach, making a retail company potentially visible to new customer groups. Besides that, using a range of digital channels enables a wide visibility, having a positive influence on the trust of its (potential) customers (Willems, 2017).

Many of the different digital media will provide a range of analytics to enable its impact to be more accurately measured. This enables digital marketing to become increasingly
more intelligent and informed, targeting specific groups via an integration of channels (Willems, 2017).

Longer term, the use of digital marketing is also cost effective. Targeted, measurable marketing communications ensures that resources are being deployed increasingly effectively and efficiently, therefore keeping operational costs down (Willems, 2017).

Yuri Solinger (cited in Willems, 2017) advises retailers to focus on retention (returning visitors) of websites and web shops by being relevant and visible to the customers. For example, if a customer visits a retail company website, the company should make sure that it keeps the customer interested in its products and services by using information about the visitor and their path through the website.

**Challenges**
Research conducted by DTG and MKB-Nederland (2017, 26) indicates that SME’s in retail name the lack of knowledge in digital marketing their biggest challenge. Therefore, since 2017, more and more retail companies have started to call in experts in digital marketing.

Gert Kruidhof (cited in Willems, 2017) state that digital marketing strategy will become very important in the coming years. But many retail companies don’t see much value in digitalization and developing their digital marketing strategy (DTG & MKB-Nederland 2017, 14).

Gert Kruidhof (cited in Willems, 2017) also states that the path to digital success and structural digital growth is digitalizing the DNA of a retail company. To create support and digital focus within the company, digital success and digital growth must be internally shared and celebrated.

**2.3.4 Strategic digital marketing planning**

Digital marketing serves to engage customers and create a unique digital customer experience, whether it is raising brand awareness, communicating or interacting with retail customers, promoting products, or maintaining relationships with the customers. Digital marketing can happen in different contexts, such as business-to-business, business-to-consumer, consumer-to-consumer and consumer-to-business (Chaffey & Smith 2017, 9).

In these different contexts, the digital marketing flow is addressed to different recipients. Digital technology provides a multistage digital marketing model, where people are connected and share feedback, experiences, knowledge and interact with each other. It
can be depicted as a triad between sender, opinion leader or influencers and other customers. (Chaffey & Smith 2017, 515.) When customers form communities to share opinions and talk to each other, the flow of digital marketing becomes a web of conversations revolving around a topic. In order to be close with customers, companies or brands should facilitate and encourage digital communication, which helps developing strong relationships with customers. (Chaffey & Smith 2017, 515-516.)

Moreover, there is another split of media. Previously, traditional media was only referred to as paid media. Today, along paid media there is also earned media, shared media and owned media. Paid media refers to digital advertising companies pay for to get their message across. Earned media is attention and media exposure generated when customers share content of a company with their peers, for example publishers, bloggers and influencers. Shared media refers to all the social media channels a company uses to promote their brands or company to the target audience. While owned media are the own digital media of a company, for example websites, blogs and social media channels. (Dietrich 2014, 39-44.) Enabled by technology, social media introduced the format of forums, blogs, social media networks, and enabled customers to interact with themselves and with the companies. Here not only two-way communication is established, but also communication which is no longer controlled by companies and the established media channels (Chaffey & Smith 2017, 447.)

Gini Dietrich is the creator and owner of the PESO model, an integration tool launched in March 2014 (Dietrich 2014, 37-38). PESO relates to the four different types of media categories called paid, earned, shared and owned (Figure 2).

![Figure 2. The PESO model (Dietrich 2014, 37-38).](image-url)
The PESO model provides a helpful checklist to ensure campaigns include strategies in multiple facets of the campaign. It serves as a strategic tool to understand the relationship between media and tactics as part of an integrated marketing communication campaign (Dietrich 2014, 37-38; Waddington 2018). It also maps converged media; additional overlaps between the four main types of media categories. These categories work together and are not prioritized over one another. Campaigns do not force a company to choose between paid and shared media or earned and owned media. It allows companies to choose from a menu of digital media channels based on what fits the needs of the company and the consumers (Luttrell & Capizzo 2018). Using this model, there are many opportunities for the four types to work together and drive the results companies need in this digital world. These choices should be based on the knowledge of organizational goals, benchmarks and audiences to achieve defined campaign objectives.

The PESO model gives a framework for maximizing opportunities or identifying gaps in the digital marketing strategy. Companies who adopt the PESO model can also have tremendous influence in terms of overall marketing communication strategy (Vincx & Peeters, 2018). Dietrich (2014, 37-38) adds:

“While the industry, as a whole, had adopted a ‘sit back and wait’ mentality when it comes to everything but earned media, the marketers or communicators who integrate the other three media types will win. The PESO model is the smartest way to activate a digital marketing or public relations campaign today”.

**Paid media**

Once upon a time, paid media meant advertising in traditional media. Now it mainly means creating social media advertising campaigns, sponsored content and email marketing. Social media platforms allow companies to target their ads, videos and photos to specific demographics in detailer regions to drive engagement (Dietrich 2014, 39-40). Generally, companies have near-total control of the type of media, the content and its timing. Due to the degree of control, paid media can be a significant asset in marketing communication related to branding, rebranding or a product launch. Paid media allows to repeat the message, create a series of messages that build on each other, or present highly organization-focused messages that may not be considered newsworthy (Luttrell & Capizzo 2018).

**Earned media**
Earned media connects companies and bloggers, journalists and other influencers who write about the company. Companies do not pay for the coverage, therefore it carries an implication that the message has inherent news value beyond the company promoting itself (Luttrell & Capizzo 2018). Companies give up control of the story in order to reach consumers consuming news content rather than advertising content (Dietrich 2014, 40-43). According to Luttrell and Capizzo (2018), newsworthy stories can generate significant coverage. When part of an integrated digital marketing communication campaign, such news-friendly announcements and events can be planned to maximize earned media coverage.

Shared media
Shared media is simply defined as social media outreach: channels where the initial message is controlled by a company. This initial message facilitates direct, uncontrolled conversation with individuals and other companies without reporters involved (Luttrell & Capizzo, 2018). Regularly posted content drives successful shared media outreach. While the list of social media platforms changes regularly, they all include a varying degree of largely static profile content and opportunities for microblogging: creating short posts that often include images, video, or links to other (owned) content (Dietrich 2014, 43-44).

Owned media
Not every piece of information belongs in an ad or in an article. Owned media is information the company itself created and shared exclusively on their own platforms, such as a website or blog. In this case, the company controls the messaging and tells the story in a way they want it told (Dietrich 2014, 44-46).

There are areas of overlap between and among the paid, earned, shared and owned media types. When they are integrated, a company may find it also has influencer engagement, partnerships, and incentive programs, referred to as converged media. For example, most shared media channels (social media channels) offer a variety of paid media options (Waddington 2018). According to Luttrell and Capizzo (2018), campaign strategies should be conceived to work together using multiple channels as part of the same campaign. In this way, campaigns can reach multiple target groups and connect with consumers through multiple channels.

2.3.5 Digital marketing tools
Digital marketing is a broad term that describes a set of marketing processes that utilize all available digital marketing tools to promote a product or service or build relationships with consumers and other stakeholders. There are a number of digital marketing tools
available such as search engine marketing, content marketing, display marketing and most importantly social media marketing. (Chaffey and Smith 2017, 592.)

According to Leeflang, Verhoef, Dahlstrom and Freundt (2014, 3-4), there has been an increasing use of digital marketing tools, which has in turn allowed to have a better interaction with consumers, to obtain data and insight from the marketing, and to expand the target market. For years, the top three digital marketing tools that will drive success for Dutch retail companies are websites, social media marketing and display marketing (DTG & MKB-Nederland 2017, 18-20).

A survey from Ascend2 and Research Partners (2017, 9) conducted in December 2017 investigated the most lucrative and engaging tools of that year to determine which ones could give a retail company the best results in 2018. They found the most lucrative and engaging digital marketing tools are:

- Website
- Social media marketing
- Content marketing
- Email marketing
- Display marketing
- Search Engine Marketing

All of these digital marketing tools are not used in isolation of one another, but all channels are integrated with each other to be able to build optimal relationships with a company’s consumers (Ascend2 & Research Partners 2017, 9). The digital marketing agency will focus mainly on the listed digital marketing tools and integrates them through the PESO model as explained in subchapter 2.3.2. Below, a short explanation of used digital marketing tools will be given.

**Website**

A retail company’s website is used to officially represent a company and its brands, products or services on the internet. It therefore, is often use as the landing page for campaigns through social media marketing, email marketing, display marketing and search engine marketing (Turner, 2015). A survey conducted by Ascend2 and Research Partners (2017, 9) shows that many retail companies have increased their online presence in today’s world by optimizing their website.
A website is a tool integrated in the owned media category of the PESO model. In this category, a company create information itself and share it on its own channels.

**Social media marketing**
Social media marketing is used to promote and market retailers and its brands, products and services on various social media platforms (Raghunath 2017). Over the past couple of years, social media platforms have evolved into advertising platforms. Before this evolution, companies could only place information on their social media platforms to earn visibility. Nowadays, companies have the ability to run extremely targeted paid campaigns on these platforms. The most popular platforms retail company’s use for connecting with consumers are Facebook, Instagram and Pinterest. (Turner 2015.)

Social media marketing is both part of the shared media category and the paid media category within the PESO model. In the shared media category, a company controls the initial message on these platforms. Social media marketing also allows companies to create social media advertising campaigns, this is part of the paid media category.

**Content marketing**
Content marketing is a marketing tool to create and distribute valuable, relevant and consistent information to attract and acquire a clearly defined target audience – with the objective of driving profitable customer action (Steimle 2014). Content marketing is central to all digital marketing campaigns and activities and is mainly used to gain awareness and visibility among customers. There are many different types of content marketing (Raghunath 2017), for example:

- Infographics;
- Webpages;
- Podcasts;
- Videos;
- Digital books;
- White papers;
- Presentations;
- Blogs.

Content marketing be integrated in the owned media category of the PESO model. In this category, a company create information for content itself and is able to share it on its own platforms, such as a website, email campaign or blog.

**Email marketing**
Email marketing is used to market the brands, products or services of a retail company through emails. According to Turner (2015), email marketing is one of the most personal way retailers can communicate with consumers and therefore it is a very powerful channel to increase visibility of the company. Raghunath (2017) adds that email marketing is a personal way of communicating and therefore useful to generate leads, highlight product offers and send out newsletters.

Email marketing is also part of the owned media category of the PESO model. In this category, a company creates information itself and share it through their own email marketing system.

**Display advertising**

Display advertising is similar to traditional advertising. With traditional advertising, companies would run an advertisement in a magazine or newspaper to provide information about its brand, product or service. Display advertising can be used to accomplish the same thing. However, display advertising is done digital and therefore comes in several different forms such as banner ads, video ads, interactive ads and rich media ads. (Turner 2015.) With display advertising, companies have the benefit of targeting consumers and other stakeholders based on website content, geography, and device type. Furthermore, Turner (2015) says that developments in the display advertising now allow companies to pre-define their target consumers based on demographics and psychographics.

Display advertising belongs to the paid media category within the PESO model since a company pays for a display advertisement in, for example, a digital newspaper or a fashion website.

**Search engine marketing**

Search engine marketing (SEM) is used to increase visibility on digital search engines like Google and Bing. SEM includes two activities. The first activity is search engine optimization (SEO), which involves earning visibility within search engine results. Through SEO, companies can get websites or specific web pages to show up on digital search engines when specific keywords are used as search terms. SEO helps a company gain visibility across search engines. The second activity is search engine advertising (SEA), a channel where the company pays for every click a consumer does on an advertisement within digital search engine results. (Turner 2015; Raghunath 2017.)
Search engine marketing belongs to both the paid media category and the owned media category of the PESO model. Activities within search engine marketing are using search terms in text on a company's website and paying for advertising within search engines.
3 Methodology: Building a startup

Attracting media’s attention, the term ‘Startup’ has become a buzzword in recent years. There has been a mass of literature defining a startup and how to build successful, scalable and profitable startups. One of the simplest definitions about startups comes from Dave McClure (Blank 2010). He states that startups are designed to learn what problem or need (product/service) is solved for whom (customer) and how much customers are willing to pay for this (business model).

A more sophisticated definition comes from Erik Ries (2010): “A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty”. Similar to McClure, Ries (2010) omits anything about the startups size, sector or industry in which it operates. Ries (2010) focuses on figuring out the right thing to build for coping with extreme uncertainty. The nature of startups is to deal with uncertain situations that cannot be foreseen.

One of the most cited definitions comes from Steve Blank (2010): “A startup is a temporary organization used to search for a repeatable and scalable business model”. He points out that startups are designed to search for a business model, but not execute one. Established companies execute proven business models. Startups, however, are highly uncertain and – if successful – grow really fast (Blank & Dorf 2012b, 2).

3.1 Every startup journey begins with an idea

According to Blank and Dorf (2012b, xxii) the old product roll-out process is not usable for startups. They find the old product roll-out process appropriate when customers are known, and the marketing is well-defined. This is often not the case for startups, especially not in their earliest stages.

Blank and Dorf (2012b, 31) state customer development is very important in the earliest stages of startups. That’s why they developed the Customer Development Model. This is a framework for discovering and validating the right market for the startup. It includes also building the right features that solve customer’s needs, testing the correct model and tactics for acquiring and converting customers and deploying the right organization and resources to scale the business. The framework of the Customer Development Model relies on the feedback of customers (Figure 3).
Ries (2011, 3) borrowed the main idea of the Customer Development Model to develop his Lean Startup Canvas (Figure 4). Therefore, a core component of the Lean Startup methodology is the build-measure-learn feedback loop, which aims to shorten product development cycles by adopting a combination of business-hypothesis-driven experimentation, iterative product or service releases, and validate learning.

The Business Model Canvas (Figure 5) developed by Osterwalder and Pigneur (2010, 14-15) has also some comparisons with the Customer Development Model. The core element of the Business Model Canvas is an iterative process of designing and testing depending on customer feedback.
Figure 5. Business Model Canvas (Osterwalder & Pigneur, 2010)

There is some overlap between the methods described above. The Customer Development Model, The Lean Startup Canvas and the Business Model Canvas are all developed with the same idea; building a successful, scalable and profitable startup through experimenting, iterative releases and customer feedback.

According to Kerkmeijer-van der Peijl and Van Zeeland (2017, 50-51), the three described methods don’t explain how a startup develop meaningful products or services. They believe Design Thinking has an important role in developing products or services. Brown (2009, 15) states that thinking like a designer can transform the way organizations develop products, services, processes, and strategy. This approach, which Brown (2009, 18) calls design thinking, brings together what is desirable from a human point of view with what is technologically feasible and economically viable. Kerkmeijer-van der Peijl and Van Zeeland (2017, 23-24) felt the need to incorporate design thinking in the different startup methods and, therefore, they developed a four-step method for startups to who wants to develop market fit products and services. They state that their four-step method is an iterative process and therefore it is not necessary to follow the four steps step-by-step. It could be necessary to go a step back or eventually to skip a step if needed.
The practical part of my thesis is a business plan drafted in the guidance of Haaga-Helia's StartUp School. The initial plan to choose this format derived from the notion that as a part-time employee, the barrier to build a startup is lowered. My process of drafting a business plan followed several steps, I will list them below borrowing from the four-step method developed by Kerkmeijer-Van der Peijl and Van Zeeland (2017, 24-28):

1) Plan and Design
2) Develop
3) Validate
4) Experiment

In the next subchapters I will elaborate and reflect on these steps of creating a business plan for the digital marketing agency.

3.2 Plan and Design

A clear vision or purpose should be the starting point for any startup founder, but it’s often overlooked (Sinek, 2011). Blank and Dorf (2012a) adds that too often people dive straight into their solution ideas without thinking about why they’re doing what they’re doing or considering the change they want to see in the world.

Prior to drafting the business plan of the digital marketing agency, I chose to investigate my vision or purpose and what target audience to reach by using the Golden Circle (Sinek, 2011) as shown in Figure 6. This simple framework purports that companies seem to create their foundation by first addressing why they exist, then how the go about their mission and then finally, what they do. Therefore, it brings clarity to business goals and objectives.

![Golden Circle](image)

Figure 6. Golden Circle (Sinek, 2011)
Defining the vision of the digital marketing agency was done to justify the business model and to discover the market the agency would be situated in. With help of the Golden Circle I found out that I have a passion for retail companies because they all have something to tell and they all have someone to reach. My aim is to help them tell their story to their customers. Therefore, I will develop and execute digital marketing strategies for these companies.

Once the foundation of a company is created, a startup should focus on its target customers (Kerkmeijer-van der Peijl & Van Zeeland, 2017, 32-33). Defining the target customers solves problems all over the startup spectrum, from product design and development to messaging and marketing development. According to Blank and Dorf (2012a) in the early stage, startups need to employ different tools to learn about their target customers and their needs.

To learn more about my target customers, I chose to informally interview owners and marketing communications specialists of five retail companies in my network. The questions of the interviews were related to fields such as technology, (digital) media and public relations, marketing communications and customer behaviour. During these interviews I learnt that three out of the five companies tend to focus on a few different marketing communication channels that are poorly coordinated, and that four of these companies deploy their digital marketing activities ad hoc; without knowing the importance of a strategy behind their activities. I was able to picture some potential customer insights that served as the basis of my business plan. In addition, the answers verified the idea in my mind about the needs of potential customers.

In order to verify the picture of potential clients these interviews gave me, I used several visualization and analysis tools, such as PESTLE, Empathy Map and Value Proposition Canvas. According to Davies (2003, 5), PESTLE is a strategic framework for understanding external influences on a business. PESTLE maps the external political, economic, social, technological, legal and environmental operating landscape of the business. By understanding these external environments, more so the 'social' influence, companies will understand the needs of their potential customers. The PESTLE framework of the digital marketing agency can be found in Table 2.
Table 2. PESTLE of the digital marketing agency

<table>
<thead>
<tr>
<th>PESTLE of Audry Brandsma</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td>Dutch government supports the retail industry by improving the customer experience</td>
</tr>
<tr>
<td><strong>Economical</strong></td>
<td>Dutch retail companies spend invest more on digital marketing compared to traditional marketing</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Consumer behavior has a big role in digital marketing due to their changes and the fact consumers have less time than ever</td>
</tr>
<tr>
<td><strong>Technological</strong></td>
<td>The internet has changed a lot in the last few years. Retail companies store more personal data than ever, which is very interesting for digital marketing purposes.</td>
</tr>
<tr>
<td><strong>Legal</strong></td>
<td>New European privacy regulations are affecting retail companies and their consumer data.</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td>The world is changing faster than ever, and it is becoming increasingly difficult to keep up with the changing consumer behavior and the worldwide competition.</td>
</tr>
</tbody>
</table>

Alex Osterwalder’s Empathy Map (Osterwalder & Pigneur 2010, 131) is a great tool to gain a deeper insight into potential customers. The Empathy Map (Figure 7) helps describe aspects of a user’s experience, needs and pain points. This framework allows a startup to quickly understand their users’ experience and mindset.

![Empathy Map](image)

*Figure 7. Empathy Map (Osterwalder & Pigneur, 2010)*

Alex Osterwalder’s Value Proposition Canvas (Osterwalder, Pigneur, Bernarda, & Smith 2014, 3) helps businesses (including startups) to create a fit between what customers want and what the business offers. It supports the business in inventing and improving value propositions. The Value Proposition Canvas consists of two parts; the customer profile and the value map, as shown in Figure 8. The customer profile should describe the
customers' tasks, pains and gains. The value map should describe the product/service, pain relievers and gain creators. With better insight a business can create products and services customers want.

Figure 8. Value Proposition Canvas (Osterwalder & Pigneur, 2010)

To really understand my potential customers, I used the Value Proposition Canvas (Osterwalder et al. 2014) and the Empathy Map (Osterwalder & Pigneur, 2010). Through informally interviewing owners and marketing communication specialists of retail companies, I found out what their challenges with developing and executing digital marketing activities are. Together with some desk research of digital marketing challenges within retail companies (see chapter 2.3.2.), I had a clear insight in their pains. With my experience in digital marketing, I can provide the knowledge and knowhow to help retail companies overcome their marketing challenges.

3.3 Develop

People often throw around the term business model in discussing startups. But just what is a business model? Which ones works best and why? A business model explains which consumer pain a startup chooses to relieve, why this solution works better than competing ones and how big a wedge a startup can drive between what customers are willing to pay and the costs (Maurya 2012, XXI-XXII).

Osterwalder and Pigneur (2010, 14-15) have drawn a model for constructing a business model, which they describe as the realization of the logic of a business system, describing how the business creates value to the stakeholders. Their formulation pictures a triangle, in which strategy is placed in the planning level and forms the tip of the triangle. According to Osterwalder and Pigneur (2010, 14-15), a business model is the implementation of the
business strategy. Therefore, it is important to define the business strategy before applying a business model to the startup. Treacy and Wiersema (1995) developed three value disciplines to formulate a business strategy: operational excellence, customer intimacy and product leadership.

To define the business strategy for the digital marketing agency, I choose to use the Customer Intimacy Value. I believe that the digital marketing agency should focus on offering a unique range of customer services that allows for the personalization of service and the customization of products to meet differing customer needs. Since the agency will target retail companies who have established customer segments, it is important to bundle services and products into a 'solution' designed specifically for the individual customer instead of developing some mainstream services and products.

Alex Osterwalder’s Business Model Canvas (Osterwalder & Pigneur, 2010) is a great example that illustrates a range of planning and marketing strategies for being competitive and ensuring business success. However, more ideas have developed from this model, among which is the Lean Canvas developed by Ries (2011). While the Business Model Canvas applies methodologies to attain product success in the market, the Lean Canvas concentrates on the way timeline affects the revenue stream of a business. It is therefore more target-specific and more actionable and startup-focused. After consulting both Haaga-Helia’s StartUp School and the supervisors of my thesis, I discovered that Lean Canvas suited my needs better and it is claimed to have a focus on startups.

The Lean Canvas developed by Ries (2011) is set up around nine different building blocks that cover the needs, purposes and requirements of a startup. The blocks guide a startup through logical steps starting with customers problems right through to the unfair advantage of the startup. The Lean Canvas is shown in Figure 4 on page 31. The blocks are:

1) **Problem**: each customer segment the startup is thinking to work with will have a set of problems that they need solving. In this box the top three high priority problems should be listed.

2) **Customer segments**: the problem and customer segments can be viewed as intrinsically connected. Without a customer segment in mind a startup can’t think of their customers problems, and vice versa.

3) **Unique value proposition**: A value proposition is a promise of value to be delivered. It’s the primary reason a customer should purchase from the startup. It
is useful to think why the startup is different comparing to its competitors and why
a customer should purchase products or services of the startup.

4) **Solution**: Finding a solution to the problem of the customer segment is the golden egg.

5) **Channels**: Channels are ways for the startup to reach its customer segment.
   Channels can be email, social media, digital ads, blogs, articles, webinars, radio, tv etc.

6) **Revenue streams**: Revenue streams is money that a startup receives from selling
   its products or services.

7) **Cost structure**: The cost structure lists all the associated operational costs of
   introducing the startup to the market.

8) **Key metrics**: Every startup will have some key metrics that are used to monitor
   performance.

9) **Unfair advantage**: Unfair advantage can be insider information, getting expert
   endorsements, existing customers, etc.

These blocks acknowledge that the earliest stages of a startup is full of uncertainties and
thus allows more freedom for further development. The Lean Canvas acknowledges the
fact that many startups in their first stages do not yet have tested products or services to
sell.

The first step in Kerkmeijer-van der Peijl and Van Zeeland’s (2017, 31-46) model gave
information that can easily be implemented in the Lean Canvas. For example, I have
already done research about my target customers and what solutions I can offer for their
wants and needs. Also, I have found my Unique Value Proposition already by using the
Value Proposition Canvas developed by Osterwalder (Osterwalder & Pigneur 2010,14-15).

Using the Lean Canvas gave me a greater understanding and clarity of the services I will
offer, and the financial viability of these services. More so the implementation of the cost
structure to be used when offering hourly rates or monthly subscription based digital
marketing services for retail company.

3.4 **Validate**

Knowing how to validate a startup idea is a very important step of building a successful
startup. According to Kerkmeijer-van der Peijl and Van Zeeland (2017), validation is the
process of determining whether the startup’s product or service is of interest to the
selected target customers. With help of Haaga-Helia’s StartUp School I choose to first talk
about my startup idea to friends and family, only to get confident with pitching a brand-new idea. Since my friends and family might be biased, I also pitched the idea to classmates and experts experienced in the digital marketing industry. For example, I had a great interview with Desiree Boerema, Social Media Strategist in The Netherlands. She was very enthusiastic about my idea and offered me to help defining the idea and to get it exposed to the market.

Next, I wanted to talk to real potential customers about their needs, wants and expectations and to tell them what I could offer them to help out. Therefore, I started to post and blog online to the Social Media Community related to digital marketing. This is an online community for entrepreneurs who likes to learn more about social media and digital marketing. Although subscribers are not only working in the retail market but in all sectors, I found it a good way to get my idea out and exposed to retail business owners and owners of businesses in other markets. Feedback I got was very positive. For example, someone said that the story behind my business idea is worth sharing.

Eric Ries (2011) states that the fundamental activity of a startup is to turn ideas into products, measure how customers respond, and then learn whether to pivot or persevere. This is called the build-measure-learn feedback loop, a core component of Lean Startup methodology (Ries, 2011). The first step is figuring out the problem that needs to be solved and then developing a minimum viable product (MVP) or service to begin the process of learning as quickly as possible. Once the MVP is established, a startup can work on tuning the engine.

I have recently developed a MVP, which is currently active with a new client. I am measuring how the client respond and then decide whether to pivot or persevere. The build-measure-learn feedback loop taught me to define the idea and test it through an MVP with real clients.

3.5 Experiment

The idea of build-measure-learn is also very useful once the MVP is established (Ries, 2011). Build-measure-learn is a framework for establishing and continuously improving the effectiveness of new products and ideas quickly and cost-effectively (Figure 9). The aim is to continuously improve the offering, so the startup eventually delivers precisely what their customers want (Ries, 2011).
The build-measure-learn feedback loop has four steps:

1) **Plan** the experiment: learn, measure and build – including developing a formal hypothesis
2) **Build** a minimum viable product or service, and test it
3) **Measure** the results against the hypothesis to decide whether the startup can grow to a viable business
4) **Learn** from the results and decide whether to persevere or pivot.

The build-measure-learn-feedback loop is an iterative process. After finished the fourth step, the startup should go back to the beginning and keep repeating the loop as the startup develops its product or service (Ries, 2011).
4 Audry Brandsma – digital marketing agency

Below is a brief summary of the digital marketing agency. The business plan will remain confidential as starting the business is a viable option. The business plan will be provided as appendix I.

Audry Brandsma Digital Marketing aims to develop and execute customer-centric digital marketing strategies for Dutch retail companies. As a basis, the agency uses the PESO model to develop accurate digital marketing strategies and activities leading to establishing customer relationships and accomplish business goals and benchmarks. The agency is run by its founder, who has several years of experience in digital marketing campaigns, and in-depth knowledge of the PESO model. The agency is specialized in strategy and utilization of digital marketing activities, and will offer digital marketing workshops, as well as boost sessions, relating to digital marketing.

The founder has a passion for companies within retail. Both in her network and the area she lives, she often hears that retailers are increasingly finding it difficult to establish digital marketing campaigns to connect with customers, which strategies are going to get a response today and what tools and technologies they should employ to win over customers. Besides that, she has several years of experience in executing marketing campaigns for retail companies. Therefore, the agency intends to enter the market for providing digital marketing campaigns to new and emerging retail companies in The Netherlands. More information about the market can be found in chapter 2.1. and in the appendix on pages 7-9 (confidential).

Most of the agency’s unfair advantage is compared with other startups. Over the years I have gained insight and experience in digital marketing strategies, campaigns, advertising and other fields of digital marketing for retail companies. I believe these assets combined with insight in consumer behavior and digital marketing integration with ‘traditional’ marketing communication are the factors that provide a unique value proposition to the Dutch retail market.
5 Conclusions

In this chapter I will round up the thoughts and conclusions drawn on the basis of my literature review and methodology section. I will also go through the process of creating a business plan, to be found in chapter 5.2.

5.1 Conclusions

The aim of this thesis was to find evidence of the role of digital marketing in Dutch retail through a theoretical framework and some statistical data. The second question I set out to answer was what the trends in consumer behavior are and how it can be utilized in digital marketing practices.

On the basis of data and literature provided in this thesis I conclude that the role of digital marketing in retail is very big and it is most likely to grow in the next few years. The world has become digital due to the changing customer behavior, the growth of successful web shops and the challenge to reach Dutch consumers. Having a website and a Facebook page are not enough for a retail company to survive in the digital world.

Literature focusing on consumer behavior in Dutch retail suggested that consumer behavior is in a rapidly changing world. Today, consumers behave in an omnichannel manner: they stand in stores, using their smartphones to compare prices and product reviews; family and friends instantly weigh in on purchase decisions via social media; and when they're ready to purchase, an ever-growing list of online retailers deliver products directly to them, some of them even offer same-day-delivery.

Consumer behaviour has gone through evolution from a company-driven to a consumer-driven environment due to the arrival of the internet and digital media. Today, consumers expect retail to be on-demand. This has created five megatrends that will have the furthest-reaching impact on consumer behaviour and digital marketing strategies. First, consumers find an increased importance of personal experience and service over products. They are willing to pay for a product if they find the service is right for them. Secondly, since there are more brands and companies than ever, consumers choose a brand or company they can identify themselves with instead of purchasing from a random one. Thirdly, consumers are online everywhere all time, therefore, the want to purchase products or services anytime in any possible way. Lastly, consumers are increasingly
expecting retail companies to engage with them in ways that suit their lifestyle, interest and preferences.

In this increasingly customer-driven environment, digital marketing can take an important role. The internet has changed the customer journey in which customers identify, research, purchase and evaluate products and services. Digital marketing offer way to develop a customer-centric way to engage with consumers in any part of the customer journey. For example, digital marketing makes it possible to sell via social media, to set up a personalized email marketing campaign and to engage with consumers via digital advertisements on channels they prefer.

To conclude I claim that there have been fundamental changes in the marketing communication landscape in a digital manner, especially in the changing customer behaviour from offline to online and the rise of digital tools and channels. These changes provide many opportunities in the utilization of digital marketing strategies in the retail environment. For me, digital marketing is an exciting area to be involved with, since it poses many new opportunities and challenges yearly, monthly and even daily. Innovation is a given, with the continuous introduction of new technologies, new business models and new communication approaches.

**Methodological part**

The methodological part of my thesis started with a discussion about the essence of entrepreneurship, followed by a review on my process of drafting a business plan. The process in my case started with defining a vision or purpose for the digital marketing agency and what target audience to reach by using the Golden Circle.

After defining the existence of the agency, I continued to start benchmarking external opportunities and threads as well as reflecting on internal ones. This gave me information to use in a business model. This is the part that most concretely actualized to operational logic of the digital marketing agency. I chose to use Lean Canvas as a tool in the process. The canvas allowed me to visualize what the wants and needs of the market are and what solution my agency could offer them. The Lean Canvas also visualized my unfair advantage and unique value proposition as well as it gave me an overview of the customer segments, key metrics, revenue streams and possible cost structures. All these building blocks form a customizable business model and thus a strategy of the agency.
5.2 Discussion

I came to acknowledge through the process of creating a business plan that some of the input to the plan is based on presumption. A more thorough market research and potential customer analysis could have provided a base for better foundation. Then again it can be claimed that much of calculations at this stage of startup is speculation – projected cash flow for example can hardly be based on any proofed data. In addition, it may be that despite preliminary studies, customer segments may be different than anticipated or even my services may alter after its release due to customer feedback. Therefore, I assume that the most appropriate aspect for the agency at this stage is to really get to know the potential customers by trying to get in contact with them and arranging a meeting. Besides that, developing digital marketing packages and digital marketing boost sessions to get insights in possible revenue streams would be beneficial for the next year.

I also came to the conclusion that a more careful evaluation of the customer segments may be useful in the future. The retail market is immense and exists of many sub markets from food to non-food retail companies. At the moment, I focus on targeting retail companies in the home and living, sports and fashion sector and I do not distinguish between brick-and-mortar stores and web shops. Since I have already established my first retail clients and gaining awareness through them, I found out that retail companies in the food sector are showing interest in my services. Although I did choose to focus on a specific sector in retail, it will be useful for the future of the agency to evaluate more customer segments to expand target groups.

Market research and a more detailed customer segmentation are thus areas to develop in the context of this business plan. In addition, I would like to add metrics and return on investment into the further discussion of the business plan. Digital marketing is still going through a change, but the success of digital marketing requires more data. Besides that, since I haven’t been working in digital marketing full time yet, this data would be useful to convince retail companies to call me in for digital marketing expertise.

Finally, I would like to state that the process of writing the thesis have provided both relevant insight on the topic and the retail marketing through theoretical perspective and empirical data gathered through benchmarking and interviews. However, I believe that this thesis and business plan is not the end product for my agency, instead it is the starting point for developing the business to a profitable and successful digital marketing agency.
References


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Appendices

I. Business Plan for Audry Brandsma (confidential)