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School of Engineering Science  
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Master's Thesis

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**PROFITABILITY IN DIGITAL MARKETING**

Examiners: Associate Professor Lea Hannola  
Associate Professor Ville Ojanen

## **TIIVISTELMÄ**

Lappeenrannan teknillinen yliopisto

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### **Digitaalisen markkinoinnin kannattavuus**

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Tutkimuksessa keskityttiin kannattavuuden mittaamiseen digitaalisessa markkinoinnissa. Tutkimus keskittyi seuraaviin kysymyksiin: konversioiden ja liidien merkitys digitaalisen markkinoinnin kannattavuudessa, e-kaupan kannattavuus digitaalisessa markkinoinnissa, verkkosivustojen käyttäytymisen vaikutus digitaalisen markkinoinnin kannattavuuteen sekä branditietoisuuden vaikutus digitaalisen markkinoinnin kannattavuuteen. Tutkimuksessa tuli ilmi ylläolevien tutkimuskohteiden merkitykset digitaalisten kampanjoiden kannattavuuden selvittämisessä. Tutkimusten perusteella voidaan todeta, että yritysten

kannattaa käyttää erilaisia mittaustuloksia, jotta voidaan näiden toimenpiteiden tuottoa luotettavasti laskea.

## **ABSTRACT**

Lappeenranta University of Technology  
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### **Profitability in Digital Marketing**

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Examiner: Associate Professor Lea Hannola  
Associate Professor Ville Ojanen

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The research focused on the measurement of profitability in digital marketing. The study was guided by the following research questions: To establish how conversions and leads determine profitability in digital marketing, to investigate how e-commerce determines profitability in digital marketing, to find out how website behavior determines profitability in digital marketing and to investigate how brand awareness campaigns influence profitability in digital marketing. The research was grounded on the market segmentation theory (MST), game theory, network theory, push-pull theory and generational theory. The findings affirmed that e-commerce, conversions and leads, website behavior and brand awareness campaigns were effective in the determination of profits in digital marketing strategies. Based on the research findings, the study recommended that businesses needed

to use the metrics for the accurate determination of profits acquired from digital marketing strategies.

## **TABLE OF CONTENTS**

|  |           |
|--|-----------|
| <b>1. INTRODUCTION</b>                               | <b>8</b>  |
| 1.1 Background of the study                          | 8         |
| 1.2 Statement of the problem                         | 15        |
| 1.3 Objectives and Questions                         | 17        |
| 1.4 Significance of the study                        | 18        |
| 1.5 Scope of the study                               | 19        |
| 1.6 Limitations of the study                         | 19        |
| 1.7 Delimitations of the study                       | 19        |
| 1.8 Chapter Summary and organization of the study    | 20        |
| <b>2. LITERATURE REVIEW</b>                          | <b>20</b> |
| 2.1 Empirical review                                 | 21        |
| 2.1.1 Conversion and leads in digital marketing      | 21        |
| 2.1.2 E-commerce in digital marketing                | 23        |
| 2.1.3 Website Behavior in digital marketing          | 25        |
| 2.1.4 Brand Awareness Campaigns in digital Marketing | 27        |
| 2.2 Theoretical review                               | 28        |
| 2.2.1 Market segmentation theory                     | 28        |
| 2.2.2 Game theory                                    | 31        |
| 2.2.3 Network theory                                 | 33        |
| 2.2.4 Push- pull theory                              | 34        |
| 2.2.5 Generational theory                            | 36        |
| 2.3 Conceptual Framework                             | 37        |
| 2.4 Chapter Summary                                  | 39        |
| <b>3. METHODOLOGY</b>                                | <b>39</b> |
| 3.1 Research Design                                  | 39        |
| 3.2 Nature of data                                   | 40        |
| 3.3 Instruments of data collection                   | 41        |

|            |   |           |
|------------|---|-----------|
| <b>3.4</b> | <b>Data Analysis and Presentation</b>                   | <b>41</b> |
| <b>3.5</b> | <b>Ethical considerations</b>                           | <b>42</b> |
| <b>3.6</b> | <b>Research Philosophy</b>                              | <b>42</b> |
| <b>3.7</b> | <b>Importance of the chosen methodology</b>             | <b>44</b> |
| <b>3.8</b> | <b>Chapter summary</b>                                  | <b>44</b> |
| <b>4.</b>  | <b>RESULTS AND DISCUSSIONS</b>                          | <b>44</b> |
| <b>4.1</b> | <b>Conversions and leads in digital marketing.</b>      | <b>45</b> |
| 4.1.1      | Calculation conversion rate and lead value              | 45        |
| 4.1.2      | Comparisons on the impact of using conversion and leads | 47        |
| <b>4.2</b> | <b>E-commerce in digital marketing</b>                  | <b>49</b> |
| 4.2.1      | Click Through Rate                                      | 49        |
| 4.2.2      | Cost per Click  | 51        |
| 4.2.3      | Customer Acquisition Cost (CAC)                         | 53        |
| 4.2.4      | Average Order Value                                     | 54        |
| <b>4.3</b> | <b>Website Behavior</b>                                 | <b>56</b> |
| <b>4.4</b> | <b>Brand Awareness campaigns</b>                        | <b>57</b> |
| <b>4.5</b> | <b>Discussions</b>                                      | <b>59</b> |
| 4.5.1      | Conversions and leads in digital marketing              | 60        |
| 4.5.2      | E-commerce in digital marketing                         | 61        |
| 4.5.3      | Website Behavior in digital Marketing                   | 62        |
| 4.5.4      | Brand awareness campaigns in digital marketing          | 64        |
| <b>4.6</b> | <b>Chapter Summary</b>                                  | <b>64</b> |
| <b>5.</b>  | <b>CONCLUSIONS AND RECOMMENDATIONS</b>                  | <b>65</b> |
| <b>5.1</b> | <b>Summary of findings</b>                              | <b>65</b> |
| 5.1.1      | Conversions and leads in digital marketing              | 65        |
| 5.1.2      | E-commerce in digital marketing                         | 67        |
| 5.1.3      | Website behavior in digital marketing                   | 68        |
| <b>5.2</b> | <b>Brand awareness campaigns in digital marketing</b>   | <b>68</b> |
| <b>5.3</b> | <b>Recommendations</b>                                  | <b>69</b> |
| 5.3.1      | Recommendations for improvement                         | 69        |
| 5.3.2      | Recommendations for further studies                     | 70        |
| <b>5.4</b> | <b>Chapter Summary</b>                                  | <b>70</b> |

**List of Figures**

Figure 1 Top marketing priorities among businesses .....47  
Figure 2 traditional marketing drawbacks (Raychale, 2018) .....48  
Figure 3 Average CTR for different industries .....50  
Figure 4 Average CPC for different industries .....52  
Figure 5 Cost-effectiveness of customer-acquisition methods .....54  
Figure 6 Average Order Values in percentages .....55  
Figure 7 Website behavior metrics .....57  
Figure 8 Data on Brand awareness.....58  
Figure 9 Marketers focus in digital marketing .....59

**List of Tables**

Table 1 lead value depending on source.....46



## **1. INTRODUCTION**

The world has turned digital. This is a fact that can not be ignored. The promotion and marketing of goods and services have gone digital as well. There are enormous jackpots to be won, places to lose thousands in a heartbeat. If professionals working in the field of marketing have not adequate knowledge on the tools, metrics and the consequences of action in the digital world, they are lost. This research paper focuses on key metrics and moreover the profitability aspect of marketing. There are never clear do's and don'ts when it comes to a matter of an opinion and there are several ways of approaching a problem or a challenge. But the foundation and understanding must be there in order of any chance of success.

### **1.1 Background of the study**

Digital marketing refers to the form of marketing which employs electronic devices as well as the internet (Dodson, 2016). The main aim of digital marketing is to connect businesses with their current as well as prospective clients. There exist various channels of digital marketing such as business websites, search engines, emails and social media (Deiss & Henneberry, 2017). Embracing digital marketing does not only make businesses competitive but also ensures that they always stay relevant and up to date. The result of well-organized digital marketing is business growth as well as increased profitability. The success of digital marketing is dependent on such factors as the amount of capital available and strategic planning. Businesses should therefore make the best possible effort to ensure that they are strategic about the modes of digital marketing that they choose to ensure maximum attraction, engagement as well as conversion of customers (Charlesworth, 2014). There exist different types of digital marketing which are discussed as follows.

*Content marketing* refers to the category of digital marketing where content is created with the aim of stimulating interest about a certain brand as well as giving value for the customers who visit a given site (Pulizzi, 2014). Additionally, content may also be created to entertain customers, persuade them, inspire them or educate them. Using content marketing helps businesses to attain traffic growth as well as lead generation. Content marketing uses various channels such as blog posts, online brochures and look books, eBooks and white papers, website pages, and info graphics (Rose & Pulizzi, 2011). The channels above all use written content. Content may also be comprised of webinars, social media posts or even online videos. The nature of content generated by various businesses is dependent on the target audience as well as the campaign goals of any given business. Employing content marketing is advantageous since there is a high return of investment for businesses. Additionally, it is cost effective and has a great influence on lead generation (Pulizzi, 2014). Moreover, Search Engine Optimization (SEO) is enhanced since there are increased chances of reaching as well as engaging leads on the internet search engines. Lastly, content marketing enhances and increases conversion rates in businesses at a higher rate than other types of digital marketing tactics. Blogs are the most used channels of content marketing due to their ability to frequently focus on the content that interests the target audience (Jefferson & Tanton, 2013).

*Website design* is another common form of digital marketing which determines how customers perceive the brand of a given company (Frick & Werve, 2014). When customers visit the website of a given company, they can acquire information about the products and services offered by the company as well as the value that a company can provide to them. The success of website design is dependent on several factors such as layout, written content and visuals.

Layout of the website is critical in determining the pages to be included in a given website as well as the modes of navigating through the website (Karwal, 2016). Written content on the other hand influences the perceptions of customers about a specific company in addition to determining their understanding of customers on the nature of the company. Visuals on company websites are comprised of logos, colors and images. Visuals attract the customers by making the website appealing to read through. Website design is significant since it greatly influences how customers trust a specific company. Customers are likely to reject a

company whose website is unattractive, takes long to load or is confusing to navigate. Such incidences result to the reduction of leads that are necessary and vital for a company's sales and growth. In order to improve a company's website, it is important to analyze the website metrics. Metrics are critical in helping to identifying the major sources of leads as well as the content that most attracts the target audience (Zahay, 2015). A critical analysis of website metrics helps in increasing leads and conversions.

*Search Engine Optimization* (SEO) is a form of digital marketing that involves the use of the optimization of the content that is found in a specific website so that the website can get a higher ranking in the result pages of search engines (Odden, 2012). Specifically, the process entails intensifying the quantity of free traffic that a given website can receive. SEO aims to ensure that there is inclusion of key and attractive words in the content of a website which is closely related to the phrases that customers are likely to type in the bar of a search engine. SEO ensures that both the quality and quantity of free traffic is improved. Matching a company's content with the phrases that customers are likely to type when searching for information, results to improved connection of a business to the prospective customers who are interested in the brand and company's products. SEO is a suitable strategy for businesses that are interested in obtaining online customers since most shoppers conduct online searches before making the choice to purchase a given item (Kennedy, 2015). More importantly, SEO helps in reaching the customers that not only use computers but also those who use mobile devices. In summary, SEO is an effective tool of reaching a large target audience when compared to the use of other digital strategies. Improvement of SEO is realized by conducting keyword searches. Carrying out key word search is an effective tool of identifying the phrases that customers are likely to use when looking for businesses of a particular type (Enge et al., 2015). Businesses should however recognize that higher search ranking occurs because of a combination of many factors other than keyword usage alone. Some of the factors include the design of the website, domain authority and the building of links.

*Social Media Management* is a category of digital marketing that takes advantage of the growing number of social media users. Employing the digital strategy gives businesses the chance to reach out to many customers as well as absorb new leads (Mosca, 2017). Also, social media management involves a wide range of activities such as creating strategies for

attracting the target audience and establishing and making posts of a company's content in various social media platforms. Some of the channels that businesses can employ to promote social media marketing include Facebook, Pinterest, Instagram, Twitter, Snap chat, Google+ and LinkedIn (Smith & Chaffey, 2017). The form of digital marketing is effective in evaluating success of a company based on its defined objectives. Some of the benefits associated with social media management are the fact that businesses have the chance to reveal their brand in a more human way. Additionally, businesses have an increased likelihood of reaching more leads by posting content that is fun. Moreover, there are increased chances of increased traffic in a company's website, contributing to improved recognition of a brand (Bowen & Ozuem, 2016). Lastly, it is a cost-effective marketing strategy that since minimum amount of capital is required. Different social media platforms have unique advantages and disadvantages thus businesses should wisely choose the most appropriate social media platform to use. Additionally, using a social media calendar is crucial in ensuring that there is consistency in posting content to the various social media platforms. It is important for businesses to ensure that any comments or questions regarding their products and services raised in the social media platforms are responded to. The practice always helps customers to feel appreciated (Mosca, 2017).

*Email Marketing* is a common type of digital marketing that is mostly used by small businesses as a means of conveying information to their target audience (Smith & Chaffey, 2017). The type of messages communicated via emails is specific to the target customers and not necessarily for purposes of promotion. Emails are used as a medium for communicating information on such topics as sales and coupons. Using emails becomes beneficial to businesses if and only if the information send to the target population is reliable and treasured. Email marketing is advantageous due to its ability to integrate with other forms of digital marketing. It is used to boost other strategies of digital marketing (Hanna et al., 2016). Specifically, email marketing can be used to drive more customers to social media platforms and company websites. The Return on Investment (ROI) of email marketing is high since small businesses are able to make high returns with minimal budgets. Businesses need to ensure that they have email contact lists for their customers. Further, email list segmentation is critical for segmentation of customers based on such factors as interests, purchase patterns as well as geographical location (Ryan & Jones, 2012). Segmentation of customers helps businesses to provide specific information to the right audience at any

particular time. Finally, establishing email nurturing campaigns is an effective tool for helping businesses to improve their relationships with their leads as well as customers.

*Social media advertising* on the other hand is a form of digital marketing that uses various advertising channels such as newspapers, billboards, online platforms and magazines (Bowen & Ozuem, 2016). Diverse social media platforms provide opportunities for businesses to advertise their products. Advertisements in social media occur in different formats depending on the nature of the social media platform that the advert is being displayed. Businesses should choose the most appropriate platform to show their adverts based on the target audience that they wish to convey information to. Social media marketing increases the ability of businesses to reach their customers and leads since it provides an avenue for revealing the products and services that they offer (Enge et al., 2015). Conducting social media marketing is cost-effective and increases the overall return on investment. Facebook advertising is among the most popular form of social media advertising that is employed by many companies. It has the ability to reach customers based on various attributes such as interests, demographic information and behaviors. Additionally, it has the ability to retarget customers who visit a company's website and leave without making any purchases. Social media advertising can also be conducted in such platforms as Twitter, Instagram and Pinterest (Bowen & Ozuem, 2016).

Google advertisement/ Pay-Per-Click (PPC) Advertising is another category of digital marketing that is employed by diverse businesses (Zahay, 2015). It is an effective mode of reaching out to customers since they commonly use Google as the search engine. Google advertisement employs the Pay-Per-Click (PPC) model which allows businesses to pay for any click that is made by the customers on their business advertisement. The result is that a company appears among the top options once a customer types the key words on the search engine. Google advertisement supplements other forms of digital marketing such as Search Engine Optimization (SEO) and social media advertising (Deiss & Henneberry, 2017). Additionally, there is improvement in gratification since a high number of traffic is driven to a company's page.

*Affiliate marketing* also known as influencer marketing on the other hand is a category of digital marketing that is mainly based on performance (Brown, 2009). The strategy

comprises of sharing the production creation and product marketing among various parties. Each of the party receives commission based on their contribution in promoting the growth of the product. Contrally to Google advertising discussed in the preceding paragraph, companies only pay for the conversions rather than the traffic in affiliate marketing. Though the rates are higher than in the case of Google advertising, there is a lower risk involved than in the case of Pay-Per-Click (Deiss & Henneberry, 2017). Such persons as bloggers and owners of high-traffic websites generate income through advertising different products from different companies to their audience.

There exist several Key Performance Indicators (KPIs) that are used to measure the effectiveness of the various forms of digital marketing. Some of the key indicators include; Click-Through Rate (CTR), leads, conversion rates, Return on Investment (ROI), Customer Lifetime value (CLV), Website traffic, brand awareness and sales revenue (Ryan & Jones, 2012). The major indicators are dependent on the nature of digital marketing that has been employed by a company. Each of the Key Performance Indicators mentioned above will be discussed below.

Click-Through Rate (CTR) is a metric that can provide data on the proportion of the total clicks in relation to the overall number of periods that a specific advertisement was shown (Zahay, 2015). The metric shows the influence of an advertisement on prospective customers. As a result, companies are able to identify whether there are any impressions that are not attracting customers. Through a critical analysis of Click-Through Rate, businesses are able to come up with strategies aimed at increasing the number of clicks. An increment in the number of clicks results to increased leads and consequently resulting to the conversion of the leads to customers.

Conversion rate is also a significant metric in determining the success of various digital marketing strategies. Conversion rates provide information on the number of leads that eventually become customers as a result of advertising or employing any digital marketing technique (Hanna et al., 2016). Conversion rate is usually determined by the variables that a business wishes to measure. As a result, businesses can conduct such conversion rates as visitor-prospect conversion rates. Additionally, the rate is essential in showing whether companies are carrying out market segmentation as required. Identifying the traffic sources

that contribute to a maximum number of conversions is essential in helping businesses to dedicate more finances to them. Further, employing technology is an essential tool of ensuring that advertisements are able to reach the most appropriate audience with the aim of making maximum conversions.

Customer Lifetime Value (CLV) is a measure that shows the amount of worth that a customer is able to generate during the duration when they are customers of a particular business (Deiss & Henneberry, 2017). CLV reveals the importance of retaining a specific client. Precisely, calculation of CLV helps digital marketers to assess the profit generated by a single customer thus helping to determine their value.

Leads on the other hand are the metric that businesses use to assess whether there is an increase in the overall sales (Hanna et al., 2016). Specifically, when businesses attract traffic as well as visitors in to their websites or blogs, the visitors are then converted in to leads who eventually become potential customers. An upsurge in leads increases the likelihood of increased profits due their ability to increase sales. The demand for the products and services offered by companies determines the quantity of leads. Businesses should ensure that the number of sales representatives is commensurate with the number of leads so that the sales representatives are able to conduct follow up on the leads (Ryan & Jones, 2012). Additionally, employing lead scoring is essential in the realization of variables as well as attributes that companies wish to get.

Sales revenue is a crucial parameter in the determination of the effectiveness of a company's marketing campaign. It aims in ensuring that businesses do not invest their money in to practices that do not generate income (Deiss & Henneberry, 2017). Calculation of the growth of sales is essential in the development of strategic plans in marketing as well as aiding in the identification of trends in the growth of a business.

Website traffic is also commonly used in measuring the success of digital strategy (Hanna et al., 2016). It focuses on the individuals that are visiting a company's website. It focuses on such factors as bounce rate, sessions, average duration of sessions, page views, users and page per session. The indicators provide more insights on the nature of information that the visitors are looking for, thus identifying the needs that visitors anticipate. The benefits of employing website traffic are enhanced easiness to identify as well as eradicate key words

that are unattractive to customers, better customization of advertisements to suit the customers' needs and identification as well as expansion of better niches in marketing (Ryan & Jones, 2012).

Return on Investment (ROI) is unique metric that identifies the profit that a company has made as a result of investing in campaigns (Brown, 2009). Specifically, it is calculated by subtracting the amount of money invested in campaigns from the total sales. The result is the profit that a company ad acquired. Only a small proportion of companies are able to calculate their ROI thus accounting for the high number of agencies failure, restructuring of marketing departments and loss of jobs by chief marketing officers.

Finally, Customer Acquisition Cost (CAC) is a measure that identifies the overall cost of attaining a new consumer. The parameter is usually analyzed in comparison to the Customer Lifetime Value (CLV) (Zahay, 2015). Key objective is that CAC should be lower than CLV so that there is acquisition of profit.

The metrics discussed above are employed in determining whether various digital marketing strategies are not only effective but also profitable to businesses. The research will focus on how to measure profitability in digital marketing as a means of ensuring that businesses remain lucrative. The study will therefore seek to find out how the lucrateness is measured in digital marketing as the main objective of the research.

## 1.2 Statement of the problem

Many businesses still experience difficulties in making connections on how marketers' efforts in such forms as social media marketing connect to the lucrateness of the company and the objectives of the businesses (American Marketing Association, 2014). Additionally, the survey by the American Marketing Association showed that many marketers struggled in demonstrating of the influence of their digital marketing techniques on the profits acquired in organizations. Miles (2014) further noted that conducted marketing analytics such as the marketing strategies lucrateness was an effective strategy of determining such aspects as the customer's customer behavior and profitability. Upon conducting a



discriminant analysis, the researcher noted that there was a significant correlation between conducting marketing analytics and predicting the behavior of customers as well as determining the growth trends of a company through identification of profit gained.

Rogers & Sexton (2012) further discovered that many corporate organizations marketers were shifting their focus from traditional modes of marketing to digital techniques of marketing. The researchers identified that despite the need by companies to use new data in making of decision and the generation of measuring the Return on Investment, there existed huge gaps between the desire and execution of the strategies since many had challenges in determining the overall Return on Investment of the digital strategies. Saura et al. (2017) additionally highlighted that many companies experienced challenges in determining the most essential Key Performance Indicators (KPI) and metrics for determining profitability of their businesses. Additionally, the authors realized that employing the various Key Performance Indicators in Digital marketing in the determination of profit still remained to be a challenge across organizations. The recommendation of the researchers was the need for scholars to conduct intensive research of how to measure lucrateness of the digital modes of marketing, which is the main objective of the research.

The studies above have validated the ideology that determining profitability in digital marketing is still a challenge amid many marketers in both small- and large-scale businesses. Additionally, despite the shift by many organizations from the traditional modes of marketing to more digitalized forms, many marketers have inadequate knowledge on the Key Performance Indicators (KPI) to employ as well as the how to use the indicators to evaluate the turnover attained from investing in digital marketing. Based on the above findings, the study will aim to investigate how profitability is determined in digital marketing. Specifically, the study will employ several key indicators of performance which include; leads and conversions, e-commerce, website behavior and brand awareness campaigns. The indicators will be the independent variables while profitability in digital marketing will employed as the dependent variable in the study. The next section will focus on the objectives and questions that will be used the research.

### 1.3 Objectives and Questions

#### General Objective

The main objective of the study will be to investigate how profitability is measured in digital marketing and building a toolset for it.

#### Research specific objectives

The study will be directed by the specific objectives below.

- (1) To establish how conversions and leads determine profitability in digital marketing
- (2) To investigate how e-commerce determines profitability in digital marketing
- (3) To find out how website behavior determines profitability in digital marketing
- (4) To determine how brand awareness campaigns influence profitability in digital marketing

#### Research Questions

- (1) To what extent do conversions and leads determine profitability in digital marketing?
- (2) How does e-commerce determine profitability in digital marketing?
- (3) How does monitoring of website behavior determine profitability in digital marketing?
- (4) To what extent do brand awareness campaigns influence profitability in digital marketing?

## 1.4 Significance of the study

The results of the study will be important to diverse categories of persons. Firstly, the study will benefit marketing professionals in both corporate and small-scale businesses. Particularly, the study findings will bring more insight on the importance of leads, conversions, brand awareness campaigns, e-commerce and website behavior in the determination of profit in organizations. Additionally, the professionals in marketing will learn how to use the key pointers of performance in determining the lucrativeness of their organizations as a result of using digital modes of marketing. Further, marketing personnel will use the study results in the development of strategic plans that aim to improve profitability in their respective organizations by employing digital methods of marketing.

Scholars and researchers in field of marketing will also benefit from the results since the research outcomes will build on the already prevailing information in digital marketing thus bringing a better understanding of digital marketing techniques. The results are fundamental in the identification of research gaps that require an intensive research in order to promote a better understanding of the concept of profitability in digital marketing. More importantly, based on the outcomes of the research, academicians are able to come up with new theories or principles which are applicable for the realization of successful determination of turnover in digital marketing techniques.

Further, leaders in various organizations and businesses will employ the study results in the development of plans to support marketing personnel in their organizations. They are able to dedicate more resources in the development of marketing techniques that bring the highest Return on Investment to the organizations. In addition, managers will provide opportunities for their marketers to attend relevant trainings in digital marketing to enhance their knowledge and skills in the determination of profits in digital marketing. Finally, policy makers in the field of marketing will use the results in the establishment of rules that aim at improving profits among businesses that employ digital marketing strategies.

## 1.5 Scope of the study

Scope refers to the confines or the margins which the investigation is restricted to (Creswell, 2015). The research will review previous published works such as peer reviewed journals and any appropriate and relevant material that will inform the study. Additionally, the scope the published materials will be within ten years, from 2008 to present. Using published material that is ten years or less will ensure that only current data is employed in the study. The research paper will explore the findings of other scholars, the conclusions they made, any research gaps they identified as well as their recommendations for further research. The study will focus on providing a response to the main research question of the study which focuses on how to measure profitability in digital marketing.

## 1.6 Limitations of the study

In a research, limitations refer to the aspects that influence the outcomes obtained in a study and the researcher has no control over them (Creswell, 2015). All researches in scholarly work are confronted with delimitations based on such factors as the methodology employed in the study, the scope of the research as well as the type of investigation being conducted. The main limitation of the study is the use of previous works to inform the study. The outcomes obtained in the research will only be limited to the reviewed scholarly work.

## 1.7 Delimitations of the study

Delimitations in a research refer to the aspects that influence the study outcomes of a research, but the researcher has the ability to regulate them (Creswell, 2015). Firstly, the use of published works is a major delimitation in the study. To address the delimitation above, the research paper will ensure that only published works that are less than ten years old are employed in the research. Using information that was published within duration of ten years

will aim to ensure that only current information is employed in the development of concepts in the study thus depicting the current image of digital marketing. Additionally, the choice of the variables to be employed in the research in the study is a delimitation that the researcher envisions. The research paper will therefore develop and identify research variables that are most suitable for the study. Realistic outcomes are obtained from the study on evaluating cost-effectiveness in digital advertising.

## 1.8 Chapter Summary and organization of the study

The chapter has focused on the introduction of the research. It has given attention to the background of the study, the statement of the research problem, the objectives and questions that will guide the study, the importance of the research to various categories of persons in digital marketing, the scope of the study as well as the limitations and delimitations envisioned in the research. The next section will focus on the literature review, followed by the methodology, results and discussion and conclusions in a respective order.

## **2. LITERATURE REVIEW**

The section will analyze previously published work by scholars in the field of digital marketing. Particularly, the chapter will give attention to empirical review, theoretical review and conceptual framework. Each of the sub-section will be discussed in separate sub-sections below.

## 2.1 Conversion and leads in digital marketing

Chaffey & Patron (2012) discovered that despite the transition by many companies from non-digital forms of marketing to digital forms, most companies did not get the expected return from the use of the new marketing strategies. The authors noted that failure to appropriately apply use of web analytics resulted to the failure in digital performance. The researchers proposed the use of a RACE (Reach, Act, Convert, and Engage) model to enhance customer acquisition, conversion and retention as well as to determine the profits acquired in organizations as a result of embracing modern methods of marketing. Additionally, Omondi (2017) discovered that social media marketing and email marketing had a significant influence on sales revenue while other techniques such as mobile marketing, online marketing, Search Engine Optimization (SEO) and Pay-Per-Click had a moderate impact on the rate of growth of small and medium enterprises. The social media marketing and email marketing were identified to result to increased leads and sales.

Rakic & Rakic (2014) discovered that unlike in the past where a customer was the only king in marketing, digital content was also another essential king. The researchers argued that digital content was a key element in digital marketing. Specifically, the study results showed that the creation, updating and promotion of valuable digital information resulted to increased two-way communication between businesses and customers and an overall increment in leads and conversions which are key profitability indicators in commerce. Joel (2016) further argued that revealing the monetary outcomes of digital marketing was no longer consider as a virtue but as a necessity in organizations. The author additionally added that most marketers had challenges in determining the performance of digital strategies. Based on the survey conducted by the researcher, companies' capabilities of converting web analytics data to significant discernments was the major determinant of the profits generated from digital marketing techniques. The author however warned that digital analytics data needed to be aligned to long-term objectives of the company for a realization of long-term leads and conversions.

The American Marketing Association (2014) showed that crafting as well as measurement of digital marketing strategies such as social media marketing resulted to such results as improved customer loyalty. The survey highlighted that there was need to monitor and measure the acts of customers rather than analyzing their location. The authors conclusively agreed that there was need to identify the success metrics of digital marketing strategies such as leads and conversions, align them to the overall business objectives and finally analyze data from success metrics as an organization rather than the marketing department alone. Moreover, identifying the context in which customers received information from diverse digital marketing strategies showed to be rewarding in the overall profits acquired. In a different study, Alves (2014) added that using digital marketing strategies enhanced the realization of various goals such as increased awareness, creation of leads and sales conversion as well as the generation of traffic. The author however noted that marketers had challenges in determining the modes to employ for maximization realization of profits. The research results showed that while employing leads, conversions, Return on Investment and Click-through rates as main performance indicators, email marketing and social media marketing ranked top in terms of sales growth and profit maximization. Additionally, leads, conversions, Return on Investment and Click-through rates were identified to be important indicators in the measurement of profitability.

Rathnayaka (2018) with the aim of identifying how digital marketing strategies were employed in the retail market industry discovered that key performance indicators were crucial in the determination of the growth rates of fashion industries. The author noted that leads and conversion rates were crucial parameters in the identification of customers' behavior patterns. The researcher concluded that businesses in fashion industry needed to establish the most effective digital marketing strategies that they would employ for maximum realization of leads and conversion rates. Krueger & Haytko (2015) substantiated the findings above by identifying that employing digital strategies was essential for the realization of growth among non-profits. Employing the strategies increased awareness, engagement, retention and provided opportunities for the non-profits to grow due to their ability to attract donors and other leads that would then provide donations to them. The increment in leads helped in connecting the nonprofits with diverse stakeholders leading to the conversion of the stakeholders to donors.

Soonsawad (2013) with the aim of establishing a model for conversion rate optimization identified that customers' behavior in digital marketing was influenced by such factors as trust, usability and interactivity among others. Specifically, the interactions of the elements above determined the extent to which visitors were converted in to customers. The researcher conducted that conversion rate was among the crucial performance of accessing success of strategies in digital marketing and eventual determination of profits. Pradiptarini (2011) in favor of the preceding findings noted that measuring the return on investment of digital strategies still remained to be a challenge among many businesses. Based on the study's findings, employing other key performance indicators such as conversion rates facilitated in the determination of the overall effectiveness of digital strategies.

### 2.1.1 E-commerce in digital marketing

Hariandja, E. & Afsari, M. (2016) identified that the ineffective use of e-commerce resulted to stagnant growth of revenue experienced in companies. E-commerce measures such as Cost Per Acquisition, Cost Per Conversion and Cost Profit Value were identified to be appropriate measures of determining profitability. Employing e-commerce measures in the determination of profitability in organizations was noted to be significant for the effective use of digital marketing strategies. The authors concluded that e-commerce was an efficient tool of measuring business lucrativeness. Yang et al., (2014) substantiated the findings above by highlighting that e-commerce was an effective tool of determining web quality and profitability. The researchers argued that managers who effectively used e-commerce metrics were able identify the profits acquired from engaging in digital marketing strategies as well as appropriately allocate resources for further realization of enhanced sales growth. The researchers proposed that organizational leaders needed to provide more training opportunities to their marketing personnel to improve their expertise in using e-commerce.

Maditinos et al., (2014) further sought to find out the factors that affected the effectiveness of e-business implementation among businesses. Their findings showed that various factors hindered the successful implementation of strategies in digital marketing. Precisely, the study showed that training availability, level of knowledge among personnel's and sharing



of knowledge were the major determinants of e-business implementation. Additionally, large firms were identified to better implement e-business strategies than small firms. In conclusion, all the researchers agreed the addressing the factor above was the major driver to the effective use of digital marketing metrics such as conversion rates and e-commerce. Smith (2011) on the other hand noted that most businesses had started to transition to the use of e-commerce due to its ability to link them to other businesses as well as the customers. Fears by customers on such issues as online privacy and security risks were identified to hinder the growth of e-commerce. The author argued that e-commerce was an effective tool of determining customer's purchase behaviors as well as the profits of engaging in digital marketing strategies. In favor of other findings, the author highlighted that employing e-commerce as a success metric facilitated in the rise of sales revenue among companies.

Onyango (2011) in support of preceding findings noted that many firms were embracing the use of digital marketing strategies in their operations. Specifically, using digital marketing strategies such as email marketing and online advertising showed to result to improvement in market share, return on investment and a better connection with the customers. The researcher however noted that despite the huge adoption of digital strategies across various countries, there existed a challenge among most businesses in the effective use of the digital strategies. Particularly, improvements were needed in many organizations focusing on the success metrics of the digital strategies with the aim of determining their effectiveness as well as the rate of business growth. Homburg et al. (2008) agreed that customer prioritization was essential in organizations for the realization of increased profits. The authors however argued that even though many organizations were not able to effectively prioritize customers in their organizations, they argued that giving priority to customers could be possible through the use of digital marketing strategies. According to Homburg et al., (2008), effective use of digital marketing strategies made it easy for companies to identify the factors that attracted more customers as well as measure the overall profits obtained. In conclusion, the researchers argued that businesses needed to put efforts in exploring how to efficiently use digital strategies in determination of profits through the use of appropriate metrics such as conversion rates and e-commerce.

In a different study, Kumah (2014) identified that many businesses were moving from the use of traditional techniques to the use of more digital strategies in marketing. Precisely, the

use of social media was becoming frequent in digital marketing due to its ability to connect with many customers. The use of e-commerce was noted to reduce the use of intermediaries in marketing resulting to the overall realization of improved profits through the reduction of operational costs. Further, the statistics obtained from the use of e-commerce as a measure of profitability were essential in establishing plans focusing on creating a strong link between businesses and their customers. To substantiate the previous findings, the author concluded that using social media in enhancing e-commerce was significant in the realization of improved business lucrativeness. Magutu et al., (2011) in support of the results above agreed that businesses such as banks were shifting to e-commerce use due to benefits associated with its use. The researchers noted that such benefits as increased market share and profits emanated from the use of e-commerce. They however advocated for the need for addressing challenges in e-commerce such as the absence of legislation to govern all e-commerce transactions.

### 2.1.2 Website Behavior in digital marketing

Dholakia & Dholakia (2014) noted that the use of modern modes of marketing was becoming rampant across organizations. Further, the use of Information Technology showed to enhance the effectiveness of using digital marketing strategies. The researchers however noted that there existed a challenge on how to use website behavior as a measure of assessing profitability in businesses using big sets of data. The researchers argued that employing website behavior in digital marketing was an effective tool in digital marketing due to its ability to show the number of purchases and visits made by customers. The authors concluded that a better understanding of how to use website behavior as a success metric could be achieved through the collaboration of different fields and departments. Bakopoulos et al., (2017) further added to preceding findings by noting that mobile marketing as a form of digital marketing was an effective tool of studying customers' marketing behavior. The researchers argued that mobile marketing enhanced a better analysis of customers' website behavior by showing their geographical location, the number of purchases made by the

customers, the number of individuals attracted to specific products as well as the number of visits made by consumers to a specific website page.

Peterson et al., (2010) substantiated the results above by highlighting that many corporate marketers were hastening to the use of modernized modes of marketing. More importantly, they noted that employing the techniques increased the possibility of higher profits as well as accountability. Their survey however showed that accurately interpreting consumer behavior required a high level of technical expertise in the marketing department. Additionally, the study recommendation was the need for firms to use advanced architecture in marketing technology in order to accurately determine purchases made, number of visits to websites as well as the devices used to visits company websites.

Benea (2014) discovered that the use of advanced modes of marketing such as social media marketing in the tourism and hospitality sectors had great influence on the overall goals and objectives of hotels. The author further noted that there existed minimal research on the modes in which hotel and other corporations measured profitability in digital marketing. Based on the survey conducted by the researcher, many hotels used website behavior in the determination of profits acquired from their investments. Specifically, website conduct showed the level of customer engagement, satisfaction as well as engagement.

Icha & Agwu (2015) argued that the concept of digital modes of marketing was becoming a common practice among organizations due to the support of the ideology by organizational leaders. Using the modes of marketing showed to result to connect businesses to their customers as well as increase customers' awareness levels on specific products. Additionally, the authors realized that there existed a challenge in converting the data obtained from the digital marketing strategies in to plans that were actionable. The recommendations of the authors was the need for personnel in marketing to analyze customers' website conduct through such ways as identifying the number of traffic, the number of purchases and visits made as well as the geographical location of customers.

Martina and Zuzana (2011) further sought to analyze the factors that contributed to diverse website conduct among customers. Their survey showed that the nature of content was a major determinant of the number of visits made by customers to a given website. Additionally, the researchers noted that the calculation of website traffic was a significant

measure of determining the profits that result from various marketing strategies. Ngwe & Teixeira (2018) concluded that analyzing customers website conduct was an effective tool of studying their purchase behavior as well as the products they preferred most. The researchers further agreed that analyzing website behaviors complemented other metrics such as e-commerce and conversions.

### 2.1.3 Brand Awareness Campaigns in digital Marketing

Netta (2015) sought to find out the impact of using digital marketing to improve awareness of specific brands. Precisely, the author discovered that brand awareness campaigns in digital marketing made it easy for businesses to track how individuals made their purchases as well as the possibility of being converted to potential customers. Additionally, establishing campaigns on brand awareness showed to increase the level of trust of among customers on the products offered by companies. Moreover, brand awareness campaigns offered opportunities for companies to obtain data and opinions of the customers concerning a company's products. The researcher's conclusion was that brand awareness promotions facilitated in the achievement of company goals on profitability. Debono (2013) further added to preceding outcomes by highlighting that promotions aimed at enhancing the products and services offered by companies resulted to increased numbers of leads and conversion rates later on. In agreement with the above results, the author proposed that small and medium enterprises needed to adopt the brand awareness as a strategy of intensifying profits just like large corporations. Additionally, technical expertise was also needed to analyze the returns that were obtained from embracing campaigns related to improving company's brand.

In contrast to the above findings, Zhang (2015) identified that there existed few studies on the association between brand awareness campaigns and profitability in businesses. The researcher identified that promoting the brand of a company resulted did not only enhance customer satisfaction but also improved the loyalty of customers. More importantly, brand awareness in addition with other success metrics such as e-commerce and conversion rates were identified to be important key indicators of organizations' performance. The study's

recommendation was the need for marketers to establish strategic plans on ways of enhancing the overall image of the companies. Stahl et al., (2011) also identified that there existed a connection between promoting brand awareness and the profits gained in organizations. Any initiatives aimed at improving a company's brand were highlighted to contribute to the realization of a higher Customer Lifetime Value (CLV). Additionally, the researchers further added that employing brand awareness campaigns did not necessarily guarantee that success of the company. The results showed that coordinated planning and analysis was required for the determination of the most appropriate digital marketing strategies to be employed in a company.

## 2.2 Theoretical review

### 2.2.1 Market segmentation theory

Market segmentation theory was invented back in 1880s by Richard S. Tedlow (Füller and Matzler, 2008). Market segmentation theory is also known as segmented markets theory (Regan, 2008). According to Vargo (2011), market segmentation theory states that long-term interest rates are not related to short-term interest rates. Another definition by Cleveland et al. (2011) indicates that market segmentation theory consists of a belief that at the market where there are several segments whereby the investors who have preferences for investing have specific durations which might be either short, long-term or intermediate. In addition, Agarwal et al (2010) highlighted that market segmentation theory outlined that there existed no relationship in regard to the behaviour of short-term interest rates and long-term interest rates. Market segmentation is an important aspect of marketing strategy (Hinterhuber, 2008). In the current world, many companies use market segmentation strategy with an aim of identifying and delineating the market segments. Additionally, market segmentation strategy is also used by managers to come up with sets of the buyers.

A past study by James et al. (2009) indicated that market segmentation model was used by the companies as a tool of creating marketing tools. Hunt and Davis (2008) also noted that

market segmentation divided the total demand into various segments which had similar characteristics. Ideally, those characteristics are important in showing as well as predicting the responses of the consumers in order to use that information in conducting marketing. Moreover, a market can be segmented by demographic, psycho-graphic, geographic, psychological and behavioural variables (Do Paco and Raposo, 2009). In this regard, a marketer can be able to use the following four requirements in evaluating the capability of the possible market segments: substantiality, measureability, actionability and accessibility (Blossfeld et al., 2014). If a segment is able to meet the above-named requirements, then a company can be able to manufacture a product or provide a quality service. Yu and Hang (2010) concluded that companies managed to reach up to a particular segment efficiently and economically through use of a marketing mix strategy. Therefore, market segmentation strategy provides benefits to companies by providing closer association with their clients which was termed as traditional business strength (Mole et al., 2009).

Currently, the internet has become a key factor in enabling everyday communication and also in making transactions. Market segmentation theory has been able to gain support from Madhavaram and Hunt (2008) who highlighted that through digital marketing, online customers formed three global segments which included: basic communicators, the lurking shoppers and the lurking shoppers. Further, Boxall and Macky (2009) expounded that the basic communicators consisted of those customers who used the internet to communicate by use of emails. Secondly, the lurking shoppers consist of those customers who navigate in the internet and heavily shop from there. Lastly, the social thrivers are those customers who interact via internet through video streaming, chatting, blogging and downloading.

Current world consists of digital marketing. Managers of each and every company are working towards digital marketing whereby they are able to create awareness of their products and services. Therefore, market segmentation theory guides managers on how to group their products and services when conducting digital marketing. This is because digital marketing simply includes using internet and mobile phones to display marketing details and advertisements. Hence, the theory is relevant to this study because it enables managers on measuring the profitability received out of digital marketing. By doing so, the managers can market their companies, maintain a good relationship with their customers and also monitor their profitability which is the main goal of existence for many organizations.



### 2.2.2 Game theory

Game theory also known as mathematical theory of games was invented back in 1944 by John von Neumann and Oskar Morgenstern (Gintis, 2014). Game theory is a study of the mathematical models in regard to strategic interaction of the rational decision-makers (Saad et al, 2009). Additionally, game theory according to Han et al. (2012) refers to a science of strategy as well as optimal decision-making in strategic setting which takes in to account of independent and the competing actors. Ideally, game theory which consists of the components of mathematics enhances with tools of analysing a situation of the party members who are termed as players (Burguillo, 2010). Further, the theory enables the players on making decisions which are interdependent. In this case, the interdependence creates room for every player to consider the decisions and strategies of the other player when formulating their own strategies.

Hence, the solution of the game theory describes how players manages to attain optimal decisions regardless of them having similar, mixed or opposed interests (Roy et al., 2010). Wang (2010) observed that economics was like a game whereby players anticipated a move from the other player, hence required a new form of mathematics and that is how the game theory was invented. In an organization, sound and critical decision making is very important. Madani (2010) highlighted it as putting your company behind another competitor's desk. Manshaei et al. (2013) argued that in a scenario whereby the rival company was acting and concentrating on their self-interest, then one needed to think on the decisions which they were likely to make as well as their likely response towards ones actions.

Roca et al. (2009) supported that argument by highlighting that the rival company is most likely going to make a choice based on what a particular company will do and on the other hand, their expectations entirely depends on a particular's company expectations about them. Therefore, this brings forward a recursive or circularity thinking which makes the organizations problems completely intractable. Eventually, that is what game theory is all about. Game theory is very important and most useful to managers of both product offering



companies as well as service providing companies. The theory equips the managers with tools to guide them in decision making (Lee, 2008). Additionally, the game theory assists managers to gain richer understanding in regard of competition that they face within the market segment that they are operating at (Tambe, 2011). In general, this theory provides a clear picture of why some industries encounter fierce competition while other industries do not. Despite the game theory being used by the managers to be able to interact with their competitors at the market, they can use utilize it when interacting with other parties for example the employees, the suppliers as well as the government officials (Chalkiadakis et al., 2011).

Globalisation has forced the companies on changing their operational routines. Therefore, companies have improved their operations and especially when it comes to marketing their goods and services. In this regard, game theory plays a key role in guiding them. Lately, game theory has been able to take marketing to another level and specifically, the digital marketing. Recently, digital marketing has managed to receive much attention from companies. That much attention has resulted from fierce competition that the firms are experiencing. Therefore, the marketing managers are left with an urge to look for ways to enable them handle that competition, remain relevant in the market and also be able to maximize their profits. Eventually, the marketing managers are clearly aware that all they need is scientific and reliable systems which will assist them in optimal decision making. Game theory enables the managers on coming up with a strategy that guides them on how many online leads they are supposed to generate in order for them to be able to achieve their goal.

Moreover, the game theory enhances the marketing managers with the knowledge of how to embrace those strategies which guide them on dealing with their competitors. Eventually, this brings forth the competitive advantage and also profitability. Profit making and maximisation still remains as one of the main aims for many companies. When companies are able to apply the game theory in their operations, then they benefit because they are able to manage at an efficient level through reduced costs of operation and digital marketing. Therefore, it is clear that game theory enhances companies' profitability. The theory is relevant to this research because it enhances measuring of profitability in digital marketing.

### 2.2.3 Network theory

Jacob Moreno is given credit on developing network theory back in 1930s. Network theory is a study of graphs in form of a representation of the symmetric relations and asymmetric relations that exists between discrete objects (Lin, 2017). Network theory is also known as a graph theory (Law, 2008). Network theory enhances set of techniques to be used in analysing graphs (Borgatti and Halgin, 2011). In business world, network theory is applied in a system as graph-theoretic representation which analyses the agents' interaction in a company. According to Barabási (2009) network theory focuses on enhancing the social relationships which aids on transmitting of the information, channelling media and personal influence and enabling behavioural and attitudinal change. Since back in the 1960s, the network theory has been able to expand the horizon of the effects of media research, whereby, there has been an increase on application of network (Rodger et al., 2009).

A past study by Díaz and Urquhart (2010) argued that despite the network theory being used in fields like legal and social sciences, it could as well be applied in economic analysis. In economic analysis, network theory will assist in knowing the antitrust law as well as being able to specify the unlawful cartels. To be specific, the network theory offers the general measurements and elements which leads to detection as well as elimination of those organizational forms which cause harm to the general well-being. Simply, the network work theory can be used to analyse the cartels. Barry (2013) said that cartels are analysed with use of the following characteristics: the remarkable asymmetry that exists between the operators also known as nodes in a network, different degrees of influence referred to as study of link and lastly critical operations of the operators in comparison to cartelized agents. Moreover, in the current world, companies and markets are interconnected hence enhancing communication with each other. Usually, network theory is applied in marketing and specifically in digital marketing because it is all about connections. Passoth and Rowland (2010) highlighted that consultancy firms and agencies are dedicated on matching the buyer with the seller.

Yang et al. (2010) noted that reaching those individuals who had similar characteristics was unrealistic and unsustainable. That is why the network theory was invented because it is normally concerned on the relationships that exist among people (Durepos and Mills, 2012). Network theory studies a system and the interactions which takes place within that system. Network theory provides a strategy when it comes to marketing which is known as the influencer marketing (Hu et al., 2008). This is where a company uses an influencer to reach up to targeted customers. The influencer should already be connected to the targeted customers and also be having an influencing power on those customers. Another method that companies use through network theory is use of influential bloggers.

As past studies have explained that network theory is all about connections, then theory is relevant to this study because through connections, marketing managers are able to market their products. After the marketing managers have created awareness of their products and services, then the company is able to get increased sales which translate to more income. Eventually, the company is able to make profits, and according to the topic of study, digital marketing leads to profitability of a company. Therefore, managers should make use of network theory; create connections with their friends and friends of their friends in order to close business deals of their companies. In addition, digital marketing has become the easiest channel of reaching up to the targeted customers. Therefore managers should take advantage of the new technology and the internet to create awareness of their goods and services as well as maintaining interaction with their existing customers. In conclusion, use of network theory directly leads to profit maximisation of firms.

#### 2.2.4 Push- pull theory

The pull and push theory was coined by Ravenstein back in the 19th century (Kirkwood, 2009). The theory illustrated that people migrated due to some factors which pushed them out of their original country and settled in another country as a result of factors that pulled them to settle there (Ravikumar et al., 2008). (Horbach et al., 2012) stated that the business definition of push and pull was derived from procurement and supply chain management. Eventually, push and pull terms became widely used in marketing departments. In business

scenario, pull system is whereby orders are made when inventory reaches a particular level. On the other hand, push system is whereby production takes place based on demand which might be an actual or a forecasted demand (Duan et al., 2012). According to Wu et al. (2010) push and pull theory involves the incentives and incorporates some desire for the end results. Push and pull theory incorporates very well in digital marketing and its practices. Push marketing serves as the traditional way of doing marketing (Hsieh et al., 2012). The businesses which use push marketing as a way of marketing their products and services make use of radio, television, billboards, direct mail and print as channels of advertising (Kivala and Diederich, 2008).

Businesses use the above-mentioned channels to be able to deliver message that they aim to their target audience. Push marketing requires wide range coverage because a business does not have direct interaction with targeted customers, but the advertiser acts as the bridge. It does not imply that push marketing is usually ineffective, but out of its nature, that is why it requires a wide coverage. It is therefore advisable for those companies with limited marketing budget to note that they should tackle advertising issue with diligent emphasis (Dawson and Henley, 2012).

On the other hand, when it comes to pull marketing, the firms simply put the products or services in the path of their potential consumers the ones who are already searching and looking for that product or service (Elliott, 2009). Due to advanced technology, the customers conduct a thorough research on a product or service before they buy or pay for it. This is because they already have access to the online reviews, the company's website, and they are as well able to get recommendations on the products and services from their social media friends. Therefore companies should take advantage of customers researching on a particular product or service and ensure that they are at the right place and at the right time.

The push and pull theory enhances on the distribution of the goods and services to the customers. Moreover, a business is able to make products once the manufactured goods reaches to the customer or the customers are able to make use of their services. Further, when companies manage to increase on their sales level, it is translated with profit maximisation of that particular company. Globalisation has made firms to conduct intensive marketing so as to create their awareness regionally, globally and internationally. Managers

should apply this theory when conducting digital marketing so as to increase on their clientele base. Eventually, they will manage to increase on their sale and therefore heighten their profit margin.

### 2.2.5 Generational theory

Generational theory was created by William Strauss and Neil Howe back in the 1980s (Wilson and Gerber, 2008). Generational theory is also known as Strauss–Howe generational theory (Li et al. 2013). According to Pendergast (2009), generational theory consisted of the historical events which as time went by unleashed to new era also known as the turning point whereby a new political climate came into existence. According to this theory, those eras simply known as turnings occurred under dominant generation and they tended to last for twenty to twenty-two years (Parry and Urwin, 2011). Moreover, the generational theory has an impact on digital marketing. Most importantly, the generation theory helps the marketers and marketing managers in having intensive marketing across borders as well as across the conventional segmentation boundaries (Buskirk et al., 2016). The theory helps the marketers in understanding and reaching to their potential clients. Maxwell (2014) revealed that when marketing managers embraced the generational theory, they were able to understand the customers' connections and their touch points regionally, globally and internationally. In addition, the marketing managers were also able to understand about their consumers' behaviour, requirements and preferences (Leiter et al., 2010).

Therefore, the generational theory is relevant to our topic of study whereby the marketing managers are able to successfully understand their customers. In this regard, managers are able to understand the needs of their customers who are residing in different geographical areas be it in rural or urban centres. People who come from similar locality tend to have similar wants, aspirations, beliefs and needs which are shaped by the era or simply the generation where those people were born and brought up in. Therefore, marketing managers should consider those factors when conducting their marketing. Eventually, they will be able to maximise the firm's profits due to successful marketing.

Bolotaeva & Ceta (2011) noted that engaging in digital marketing campaign strategies offered opportunities for businesses to increase their return on investment as well as the overall brand image. Precisely, the authors noted that investment in promotions related to brand awareness was still in the infancy stages and was a strategy that was likely to measure profits obtained by business as a result of engaging in modernized marketing strategies such as online marketing. Additionally, the authors also discovered that the overall attainment of increased profits in businesses could further be obtained through amalgamation of various key performance indicators in marketing such as conversion rates, e-commerce and website behavior. Fabio et al., (2015) in favor of the above results showed that employing campaigns aimed at improving the brand of companies resulted to better retention of customers, promoting demand of existing customers as well as improving the awareness level of a given brand. The authors however noted that the effectiveness of any promotions whose objectives was enhancing the general brand image was only dependent on the effectiveness of the analyzing the returns from the promotions.

### 2.3 Conceptual Framework

The section represents the dependent and independent variables of the research in a diagram for better interpretation of the association between the variables. The independent variables of the study are conversions and leads, e-commerce, brand awareness campaigns and website behavior. Further, profitability in digital marketing is the dependent variable of the study. The connection between the study variables is shown in the diagram below.

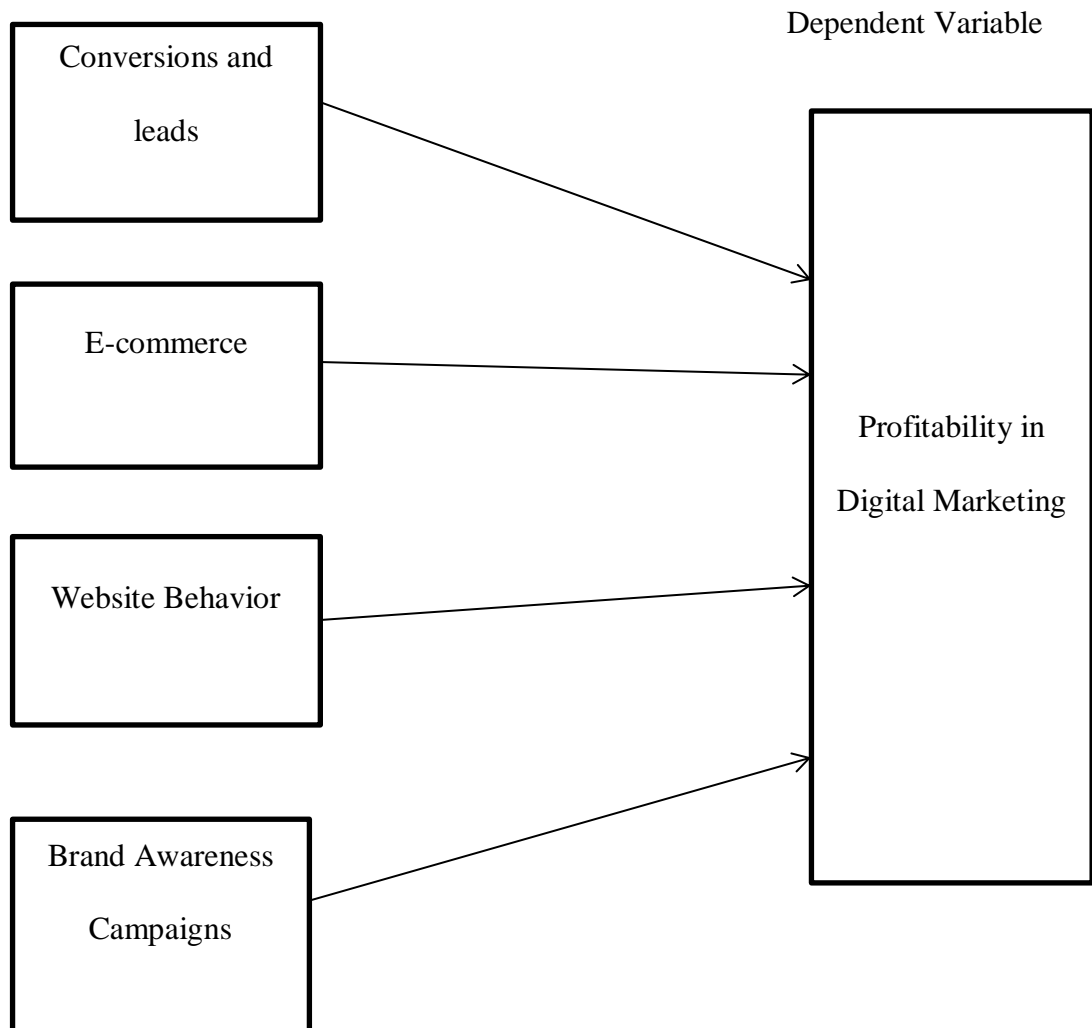


Figure 1. Conceptual Framework

Based on the conceptual framework above, profitability in digital marketing can be determined using the four measures which are independent variables of the study. Conversions and leads, E-commerce, Website behavior and brand awareness campaigns are parameters that the study will employ to determine profitability in digital modes of marketing.

## 2.4 Chapter Summary

The section has focused on the literature review. Specifically, the chapter has analyzed previous studies on the measuring profitability in digital marketing techniques. The sections focused on e-commerce, leads and conversions, website behavior and campaigns on brand awareness. Additionally, the section has analyzed various approaches that bring more insight on measuring lucrativeness in different methods of digital marketing. The last part of the chapter has shown a diagrammatic image of the association between the independent variables and the dependent variables of the study. The next section will give attention to the methodology.

## 3. METHODOLOGY

The section will focus on the techniques that will be employed in the study. Additionally, the chapter will provide more insight on the nature of data to be used in the study in order to achieve the research objectives as well as provide answers to the research questions. The study will use quantitative methodology to conduct the overall investigation. Quantitative methodology uses numbers or statistics to make generalizations about a specific study (Bastian, 2017). Further, the section will analyze other techniques to be employed in the study such as research design, instruments for data collection, ethical considerations, research philosophy, data analysis as well as presentation, reliability and validity.

### 3.1 Research Design

Since the study is quantitative in nature, it will employ a descriptive research design. A descriptive research design aims at providing answers to such questions as what, which, when, how and where (Bernard, 2011). Particularly, the design will help the to find answers for such questions as; what the measures of profitability in digital marketing strategies are and how do leads, conversions, e-commerce, brand awareness campaigns and website behavior determine profitability in digital marketing. Bajpai (2011) asserted that a



descriptive design was appropriate for bringing more clarity to unclear concepts in digital forms of marketing. As a result, employing a research design that is descriptive in nature will be advantageous in exploring how profitability is measured in digital marketing. Further, it will be analyzed the how leads and conversions, e-commerce, website behavior and promotions on brand awareness aid in finding out the profits acquired from any digital marketing strategy. The limitation of a descriptive research design is the fact that it is not able to provide responses to the question why (Bordens & Abbott, 2017).

### 3.2 Nature of data

The sub-section provides insight on the type of information to be used for providing answers to the research questions. Secondary data will be used for aiding in meeting the research objectives. Secondary data refers to the category of data that was collected by other researchers use in other purposes other than the research (Christiansen & Chandan, 2017). Some of the benefits associated with the use of secondary data are easy accessibility of the information. Particularly, the it does not require any formal authorization to collect secondary like in the case of primary data (Daniel & Sam, 2011). Seeking formal authorization is time consuming thus facilitating in the gathering and analysis of information within a short duration of time. More importantly, the use of secondary data is cost-effective when compared to the use of primary data (Fowler, 2009). Cost-effectiveness is due to the fact that there are no expenses due to making of questionnaires for data collection or incurring travelling costs during the process of data collection. Gathering data from other sources is cheap to the researcher (Gorard, 2013). Additionally, secondary data uses diverse parameters or variables to come up with specific information which is costly in the case of primary data thus making favoring the use of few variables. The use of different variables is beneficial since there is higher credibility of the data obtained (Gomez & Jones, 2010). On the other hand, secondary data is also easier to analyze since it is easy to represent information in tables and graphs as well as conduct such analysis as multiple regression (Haag, 2010). Lastly, the duration of time involved in the collection and analysis of data is short when using secondary data than in the case of primary data. As a result, it is easy to

summarize the results and make inferences about the study. Despite the benefits mentioned above, secondary data faces the challenge of becoming outdated as a result of such aspects as the continued development in technology (Jha, 2014). Using outdated data results to the generation of incorrect results and consequently making of wrong conclusions. To mitigate the influence of the drawback discussed above, the study will use up-to-date sources that are not older than ten years in regard to their year of publication. Using recent sources of secondary data will clearly show how profitability is calculated in digital marketing. More importantly, to ascertain that the secondary information employed in the research is reliable, credible and accurate, the research data will be acquired from trustworthy sources such as Statista that provide verified information on digital marketing.

### 3.3 Instruments of data collection

They refer to the techniques employed by the researcher to obtain data from the sources of secondary data (Kara, 2015). Information that is secondary in nature is acquired from diverse sources such as company websites, databases, recordings and publications. Some of the key words to be employed in obtaining data to be used in the study include; profitability in digital marketing, conversions, leads, website behavior and brand-awareness campaigns. The key words will be used to ensure that only data that is relevant to the topic of research are employed in the study. More importantly, as mentioned in the preceding sub-section, only material which is ten years or less from the date of publishing will be used. Maintaining ten years publishing limit will not only increase accuracy but also the credibility of the outcomes obtained in the research. Lastly, all the sources of secondary data will be appreciated in the study using the Harvard system of referencing as per the research requirements. The acknowledgment of the work by other researchers will be carried out both in the in-text citation and in the reference list.

### 3.4 Data Analysis and Presentation

Data analysis is a process of using rational statistical techniques in order to not only condense data but also describe and evaluate it according to the objectives of the study (Ketchen & Bergh, 2009). Data presentation is the process where interpretations are made from the data obtained in the study. Data is presented in such forms as tables, graphs or charts to aid in understanding of the content. The study will give attention to the content form of analysis. It is the form of analysis that scrutinizes the nature of content obtained from the secondary data sources. Content analysis will ensure that the material provided in the study is credible and accurate.

### 3.5 Ethical considerations

Ethics usually refer to the deeds that are moral as well as acceptable in a research (Khan, 2011). The main aim of observing ethical considerations is to ensure that there is respect for all the parties that are engaged in the research. Additionally, ethics ensure that the freedoms of the individuals involved in the study are also respected adequately. Further, observing ethical considerations reduces the chances of occurrence of error and bias in the process of conducting the study (Klenke, 2008). Minimization of bias and errors will aid in the achievement of the objectives of the research as well as providing responses to the research questions. On the other hand, employing ethics in the research will help to appreciate the collaboration involved in the research for the achievement of the study aims. Appreciating collaboration will involve acknowledging other authors whose work has contributed to the realization of the reach objectives. Ethics promote the growth of social in addition to moral values. The result is the development of such values as social responsibility which enhances societal growth.

### 3.6 Research Philosophy

The section will be giving more insight on the approaches that will employed based on belief. Additionally, research philosophy helps in providing a better explanation for the

choice of data collection approaches employed in the study thus aiding in the achievement of the research objectives. There exist various types of research philosophy such as axiology, epistemology, interpretivism, positivism and pragmatism among others. The study will be based on ontology and positivism types of research philosophy which will be discussed below.

Ontology is a category of research philosophy that is based on two main tenets namely; Objectivism and subjectivism. On one hand, subjectivism is grounded on the tenet that any form of social wonders results from the judgments as well as penalties resulting from social actors whose existence is anxious in nature. On the other hand, objectivism argues that social objects exist without any interference by social actors. Using the approach will help to determine the appropriate research design to use in the study since they are able to the tenet on which their study is based (Ravitch & Riggan, 2012).

More importantly, the study will be founded on positivism. The type of research philosophy argues that it is possible to study different occurrences in diverse parts of the globe without having any hindrances. Using the research philosophy will help to develop research questions whose answers will be sought by collecting data as well as carrying out data analysis and making of inferences. Particularly, there will be used advanced techniques to find answers to the study questions and will therefore rely on data in order to come up with conclusions. In general, using the type of research philosophy will ensure that the study will only rely on collected data to determine how profitability is determined in digital marketing. Further, positivism is based on five major tenets discussed as follows. Firstly, the ideology advocates that facts are discerned based on reasoning alone. Secondly, the ideology supports that the room for bias should be allowed when carrying out studies. Thirdly, there exist no variances in the process of conducting enquiries across researches. Fourthly, the main rationale of the study is supposed to be providing explanations as well as making predictions. Lastly, the ideology supports the view that studies are required to be observable in an empirical manner while the development of research hypotheses is supposed to be founded on inductive reasoning (Saldanha & Brien, 2014).

In summary, the study will be guided by the ontological (objectivism) ideology and positivism philosophy. Both of the ideologies favor the conduction of research to obtain

response to various questions in research. Saldanha & Brien (2014) argued that research philosophy was an expansive area and it was acceptable for researches to be guided by more than one research philosophy.

### 3.7 Importance of the chosen methodology

Using quantitative research will be advantageous to due to various reasons. Firstly, it is easy to make inferences based on the data acquired in the study. As a result, the findings can be justified after carrying out a quantitative methodology. Additionally, using the methodology will help to easily make generalizations about a study based on the outcomes obtained as well as make recommendations.

### 3.8 Chapter summary

The section has focused on the approaches that will be used in the study in order to achieve the study objectives. The section has covered on such techniques as research design, ethical considerations, data analysis and presentation, data collection instruments, the nature of data and research philosophy. Further, the section has shown the advantage of using a quantitative methodology. The subsequent chapter will focus on the results and discussion.

## **4. RESULTS AND DISCUSSIONS**

The section will analyze the outcomes obtained from the research as well as provide a discussion of the study findings. The results of the study will be analyzed according to the study objectives as shown in the sub-sections below.

## 4.1 Conversions and leads in digital marketing.

### 4.1.1 Calculation conversion rate and lead value

Dick (2015) identified that calculating conversion rates and lead value was the initial step in understanding where a business ranked in sales funnel. The author noted that conversion rate was obtained using the formula below.

$$\text{Conversion Rate} = \frac{\text{Total number of sales}}{\text{Number of leads}} * 100$$

Dick (2015) showed that in the incidence where 2 sales were made in a given year while the total number of leads was 10, then the conversion rate was 20% based on the formula above. Additionally, Dick (2015) further identified that identifying the value of a lead was another crucial step for establishing the profits made in digital marketing. Lead value was calculated by employing the formula below.

$$\text{Lead Value} = \frac{\text{Value of the sale}}{\text{Number of leads}}$$

In the event where a business wanted to generate \$4000 from ten leads and a conversion rate of 20% as calculated in the previous example, then the lead value will be \$400 based on the formula above (Dick, 2015). Specifically, the lead value was discovered to be crucial in the determination of the number of leads required for appropriate sustaining of a business as well as making of profits. Further, using lead value was identified to be applicable when using pay-per-click as well as other forms of digital marketing. Additionally, the value of the lead was essential in the determination of the conversion rate required for a business to generate profit (Dick, 2015). Conversions needed were established by employing the formula below.

$$\text{Conversions Needed} = \frac{\text{Desired Value}}{\text{Lead value}}$$

Using the preceding example, in the occurrence where a business aimed at generating \$15,000 every month for effective growth of the business and the lead value was \$400, 37-

38 conversions were needed ( $15000 / 400 = 37.5$ ) to raise the required amount of revenue (Dick, 2015). Calculation of the metrics did not only aid in finding out the quantity of required leads every month, but also helped in calculating the how much a business needed to spend on advertising and the overall return on investment. Lastly, Dick (2015) noted that sales, leads and conversion rates were different depending on the on the source of the traffic. Paid leads were for example noted to contribute to higher conversion rates and higher lead values due to such factors as due to a high focus on advertising as summarized in the Table 1 below

Table 1. lead value depending on source

|                    | Paid  | Search | Total |
|--------------------|-------|--------|-------|
| Leads              | 8     | 10     | 18    |
| Sales              | 3     | 2      | 5     |
| Conversion rates   | 38%   | 20%    | 28%   |
| Average lead value | \$750 | \$400  | \$556 |

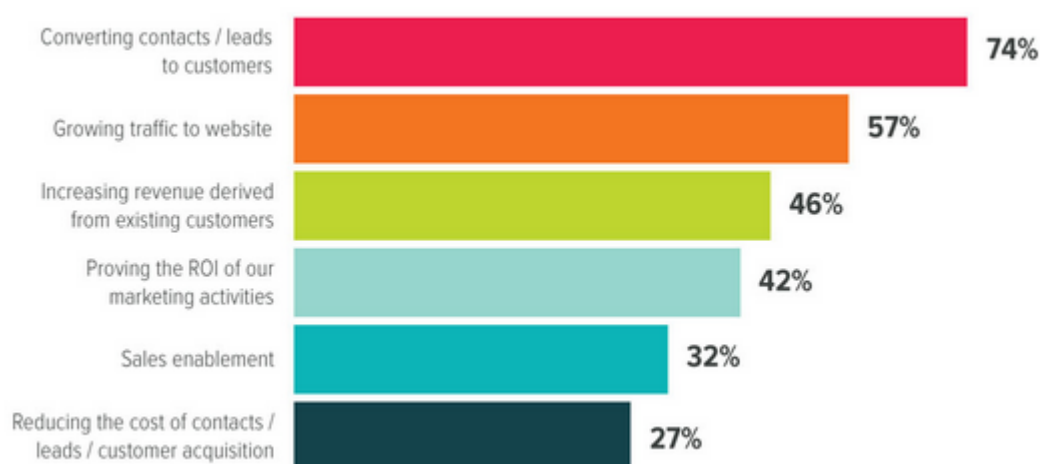
Source: (Dick, 2015)

From the table 1 above, leads that originated from a paid campaign showed to led to a higher lead value when compared to those form from organic search. Dick (2015) argued that there was need for businesses to properly establish the source of leads for the realization of higher lead values.

In summary, Dick (2015) concluded that using the formulas above, businesses could determine the amount of profits made upon determination of the conversion rate, conversions needed and the average value of a lead. Additionally, the values obtained from employing the formulas above were identified to be diverse among businesses and companies.

#### 4.1.2 Comparisons on the impact of using conversion and leads

A study by Brenner & Bedor (2015) identified that converting leads to customers was the highest priority among businesses for a high realization of profits. The results of their research are summarized in the figure 1 below



Source: (Brenner & Bedor, 2015)

Figure 1 Top marketing priorities among businesses

From the figure 1 above, most businesses aimed at ensuring that there is a higher conversion of leads to become customers which was represented by a percentage of 74%. The other marketing priorities for businesses included; growing traffic to website (57%), increasing revenue from existing customers (46%), and proving the return on investment of marketing activities (42%) sales enablement (32%) and reducing the cost of acquiring customers (27%). The results showed that leads and conversions were considered to be important metrics in business growth and realization of profits in comparison to the use of other metrics.

Further, Raychale (2018) further made a comparison of the digital and traditional modes of marketing which are summarized in the figure 4.2 below



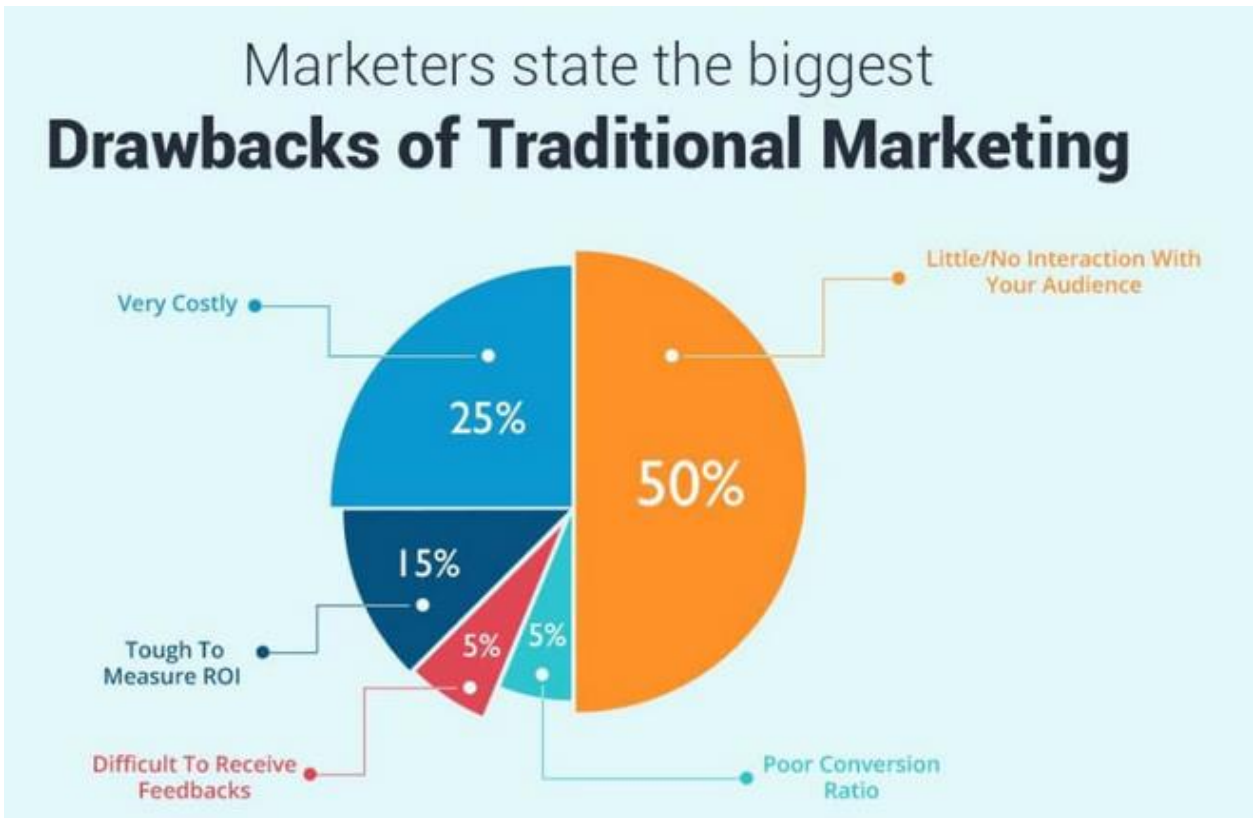


Figure 2 traditional marketing drawbacks (Raychale, 2018)

From the results in figure 2 above, the challenges of using traditional marketing included: little or no interaction with the audience (50%), very costly (25%), challenging to measure return on investment (15%), difficult to receive feedback (5%) and poor conversion ratio (5%). The results above showed that employing traditional marketing techniques resulted to low conversion ratio as well as made it difficult to determine the return on investment thus measuring profits was difficult.

## 4.2 E-commerce in digital marketing

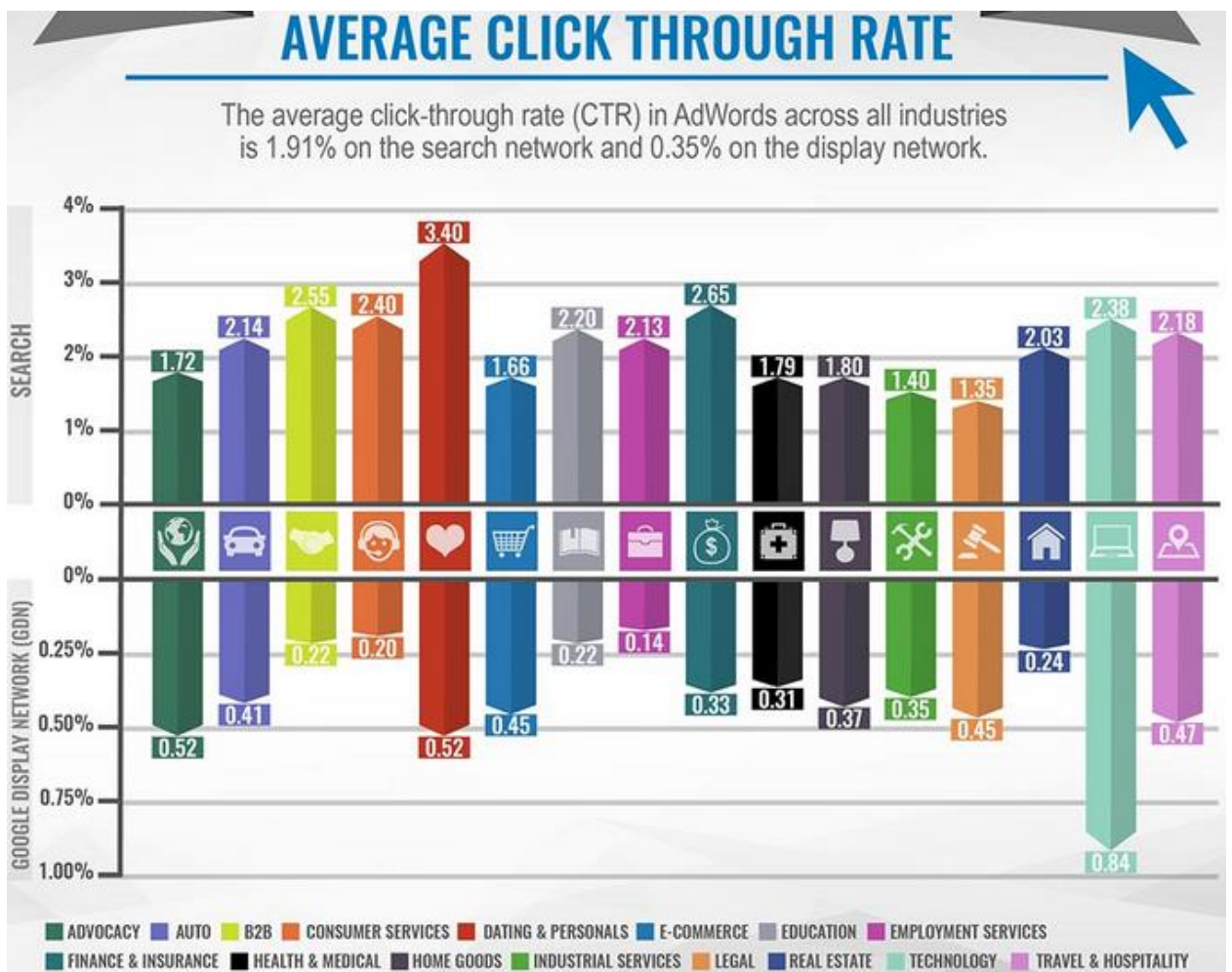
Davidson (2018) identified that e-commerce had various metrics which aided in the calculation of profitability. The metrics included; Click Through Rate (CTR), Cost Per Click (CPC), Customer Acquisition Cost (CAC) and Average Order Value. Calculation of the each of the metrics above was identified to be significant in the calculation of profit.

### 4.2.1 Click Through Rate

Click through rate (CTR) was obtained by dividing the quantity of clicks an advertisement was able to receive by the total number of impressions (Davidson, 2018) as summarized in the formula below

$$\text{Click through rate} = \frac{\text{Number of clicks an advertisement receives}}{\text{Total number of impressions}}$$

In the incidence where a business had 5 clicks and 100 impressions, the CTR would be 5% based on the formula above. A high CTR showed that the advertisements of a given businesses were not only attractive but also relevant to the customers. Additionally, it showed that the advertisements and key words employed related to each other and to the business thus leading to the generation of higher leads, which were converted to customers resulting to higher profits. The success metric was identified to be applicable in diverse digital marketing strategies such as Google advertisements and email marketing in making of decisions that were based on data (Davidson, 2018). Businesses were required to make comparisons between their CTR value and those of other industries. A study by Word stream (2018) showed the mean CTR for various industries as shown in the figure 3 below



Source: (Word Stream, 2018)

Figure 3 Average CTR for different industries

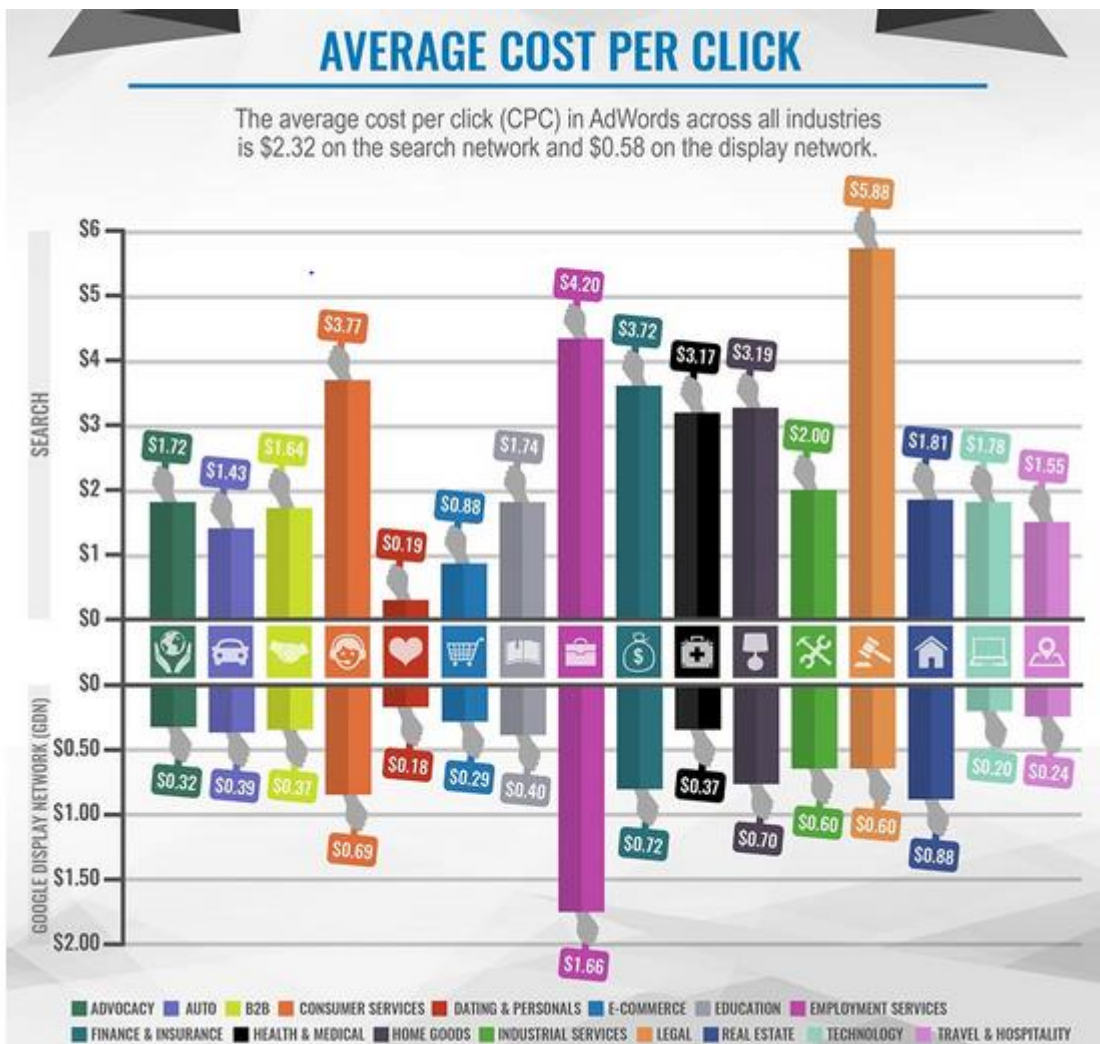
From the figure 3 above, average CTR was based on the Google display network which was 0.35% and search network which was 1.91%. CTR values were diverse across industries with the e-commerce having an average of 0.45 in display network and 1.66 in search network. Making comparisons between the CTR value of a company and the average value of the industry, was crucial in making comparisons of the number of visits made to a company in comparison to its competitors in the industry which consequently influenced the number of leads, conversions and profits gained by the company (Word stream, 2018).

## 4.2.2 Cost per Click

It was identified to be a metric that showed the amount of money charged for advertisements by Either Google Adwords or Facebook every time a new user clicked on an advertisement. Cost per Click was determined by the total cost incurred in a campaign by the total quantity of clicks (Davidson, 2018) as summarized in the formula below.

$$\text{Cost per click} = \frac{\text{Total cost incurred in a campaign}}{\text{total number of clicks}}$$

When the total cost incurred in advertising a campaign was \$ 1500 and the total number of clicks were 100, then the cost per click was \$15 ( $1500 / 100 = 15$ ). According to Davidson (2018), obtaining the cost per click helped in finding out the ratio of cost per click and Customer Acquisition Cost (CAC). As a result, businesses were able to make comparisons on the forms of digital media which had the best CPC-CAC ratio, thus resulting to higher return on investment and high profits. Closely related to CTR, CPC was identified to vary across industries as summarized in the figure 4.4 below



Source: (Word Stream, 2018)

Figure 4 Average CPC for different industries

From the figure 4 above, the average CPC for all industries was \$2.32 on search network and \$0.58 on display network. Additionally, in the CPC value for e-commerce was identified to be \$0.88 for search network and \$0.29 for display network. CPC was noted to be significant in the determination of the success of various digital marketing campaigns (Word stream, 2018). A higher CPC value from the ranges above meant that a business was paying more than other competitors in the industry. Moreover, CPC determined the overall return on investment of a company by making comparisons between the amount of money invested in the payment of clicks and the sales obtained from the advertisement. CPC also influenced

the cost per conversion in that a low CPC led to a low cost of conversion while a high CPC led to a high cost of conversion (Word Stream, 2018).

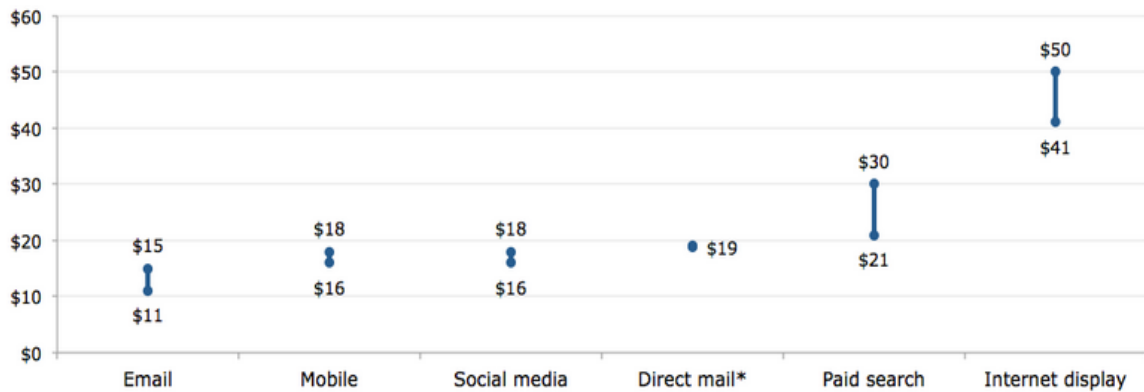
### 4.2.3 Customer Acquisition Cost (CAC)

Davidson (2018) further identified that Customer Acquisition Cost (CAC) was fundamental in determining evaluating the profits acquired in a business. Particularly, CAC showed the overall cost incurred by a business in obtaining a new customer. It was obtained by the division of the overall digital marketing investment within a specific duration of time by the total number of customers acquired within the period of time as shown in the formula below

Customer Acquisition Cost

$$= \frac{\text{Overall digital investment in a specific period of time}}{\text{Total number of acquired customers in the specified period of time}}$$

Using the formula above, when a business invested \$20,000 within a quarter of a year and was able to generate 200 customers during the duration of time, the \$100 (20000/200) was the average expense of obtaining a new client. Davidson (2018) asserted that the overall objectives of establishing CAC was to ensure that CAC was less than the Customer Lifetime Value (CLV), the overall quantity of value generated by a customer during the period when they were customers. Additionally, CAC helped business leaders to determine the digital marketing strategies to engage in as summarized in the figure 5 below



Source: (Marketing Charts, 2015)

Figure 5 Cost-effectiveness of customer-acquisition methods

From the figure 4.5 above, email marketing was most cost-effective which an average cost of \$15, followed by mobile marketing (\$18), social media (\$18), direct mail (\$19), paid search (\$30) and internet display (\$50). The results showed that email marketing was most cost-effective since it had the lowest expense of acquiring a customer. A lower CAC value when compared to CLV resulted to a high return of investment and high profits.

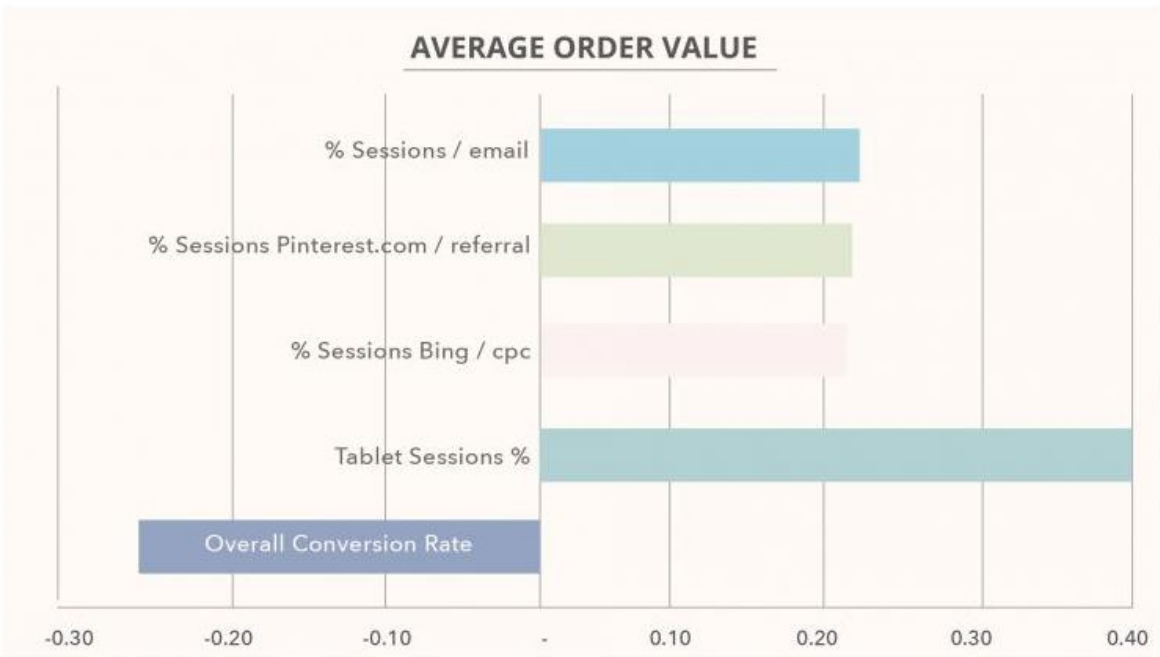
#### 4.2.4 Average Order Value

It is a metric in e-commerce that show the amount of money spent every moment a customer places an order either in a website or in a mobile application (Mceachern, 2018). It was obtained by dividing the total income by the quantity of orders as shown in the formula below

$$\text{Average Order Value} = \frac{\text{total income/revenue}}{\text{number of orders}}$$

If in a month a business made a total income of \$31,000 for a total number of 1000 of orders, then the AOV for the month was \$31 ( $31,000/1000= 31$ ). AOV was noted to be significant in evaluating the purchase behaviors of online customers, thus helping to determine the long-term worth of clients (Mceachern, 2018). Further, using AOV was not only noted to be cost-effective but also a method of driving direct income which resulted to increase in profits.

Coleman (2017) showed that businesses needed to compare their Average Order Value with the overall average order rates as shown in the figure 6 below.



Source: (Coleman, 2017)

Figure 6 Average Order Values in percentages

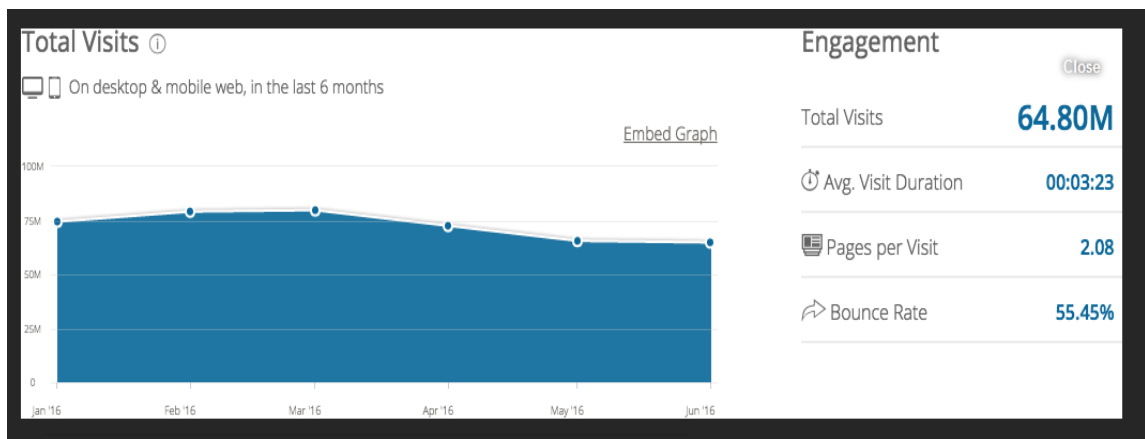
From the figure 6 above, tablet sessions had a highest average order value of 0.40%, followed by email, referral and Bing. The data showed that purchases that were costly in nature needed more clicks for the realization of profit.



### 4.3 Website Behavior

In addition to metrics discussed previously, website behavior was also discovered to a metric of determining success (Dick, 2015). Specifically, analyzing website behavior involved the evaluation of various which include; website visits/traffic, page views per visit, time spent on website and Bounce rates.

Traffic shows the number of individuals who have visited a specific website (Peterson et al., 2010). The data obtained from reviewing the number of website visits showed the competitive ranking of a company among its competitors. Any realization of sudden changes in traffic showed to help marketers in identifying the cause factors as well as developing appropriate strategies for increasing traffic. Page views per visit obtained from Google analytics showed to reveal data on the number of visitors who clicked in a company's website in addition to identifying the pages most preferred by customers. The result of employing page views per visit was the identification of aspects that attracted more visitors, thus any improvement in the products would results to higher profits (Peterson et al., 2010). Time spent on websites determined the marketing strategies that attracted more customers as well as revealed the duration of time that visitors remained in the website. High value of time spent showed that customers were interested in businesses' products. Bounce rates on the other hand showed the percentage of customers who clicked on the back buttons upon getting to a company's website. Data on website helped in identifying any disconnect amid a marketing technique and the landing page (Davidson, 2018). Some of the avenues used for determining website behavior include; Alexa, Similar web and Ahrefs among others. Figure 7 below shows how website behavior is analyzed for easy interpretation by marketers.



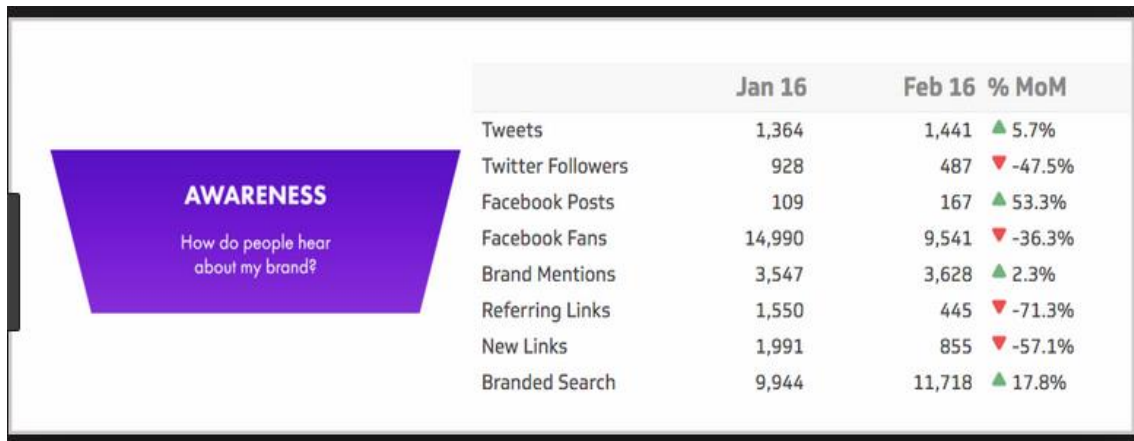
Source: (Word stream, 2018)

Figure 7 Website behavior metrics

From the figure 7 above, concerning the total number of visits from January to June 2016, March had the highest visits while June had the lowest visits. Further, in addition to the total visits, the average visit duration was 3 minutes and 23 seconds over the span of six months while the pages per visit were 2.08. The bounce rate was 55.45% which showed that a high proportion of customers found a disconnection between the marketing strategy employed and what they found on the landing page. The metrics above were essential in accounting for the revenue obtained through the use of other metrics such as e-commerce as well as providing a better explanation for the profits obtained in business.

#### 4.4 Brand Awareness campaigns

In addition to the preceding profit evaluation measures, brand awareness campaigns aim to attract new customers with the aim of increasing profit in addition to increasing the reach which intensifies the consciousness of individuals about specific products offered by companies (Zhang, 2015). Further, employing appropriate marketing campaigns was noted to result to an improved website conversion rate which eventually increased the profits obtained (Zhang, 2015). Figure 8 below shows data on various the impact of employing diverse digital marketing campaigns.

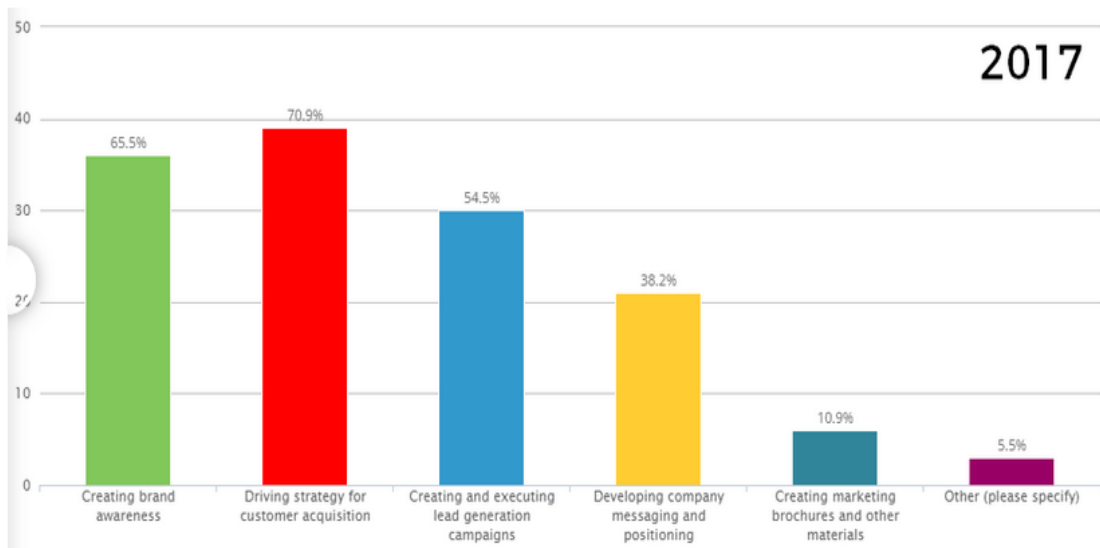


Source: (Word stream, 2018)

Figure 8 Data on Brand awareness

The results in the figure 8 above show that tweets (5.7%), Facebook Posts (53.3%), Brand Mentions (2.3%) and branded search (17.8%) resulted to increased brand awareness between the period of January and February 2016. Further, twitter followers (-47.5%), Facebook fans (-36.3%), referring links (-71.3%) and new links (-57.1%) showed to decrease brand awareness within the period. The results helped in showing the digital marketing strategies to be used by marketers in the subsequent months.

Further, Skinner (2017) carried out a survey to investigate the main focus areas for marketers in order to promote business growth. The results of the survey are summarized in the figure 9 below.



Source: (Skinner, 2017)

Figure 9 Marketers focus in digital marketing

Figure 9 above showed that 65.5% of the marketers focused on creating brand awareness. 70.9% focused on driving strategy for customer acquisition, 54.5% gave attention to creating and executing of lead generation campaigns, 38.2% aimed at developing company messaging and positioning, 10.9% focused on creating marketing brochures and other materials while 5.5% gave attention to other techniques in digital marketing. From the results above, creating brand awareness showed to be among the top priorities for digital marketers signifying its importance and effectiveness as a metric of measuring profitability.

#### 4.5 Discussions

The section will be discussed based on the independent variables of the study as in the previous section on results.

#### 4.5.1 Conversions and leads in digital marketing

From the results above on conversions and leads, three major calculations were identified to be significant in the determination of profit. Particularly, the three metrics included; conversion rate, lead value and conversions needed. Conversion rate focused on the number of leads that were converted to become customers. Lead value on the other hand showed the average value of a lead thus helping in the investigation of the leads required for the generation of a specified amount of income. Additionally, lead value facilitated in the establishment of conversions needed by a business for the realization of a specific amount of income. Moreover, the results showed that the average lead value was dependent on the source. Specifically, conversion rates of paid searches showed to be higher (38%) when compared to those of normal organic searches which were 20%. The higher value of conversion rates in paid search contributed to the realization of a higher lead value (\$750) in paid search when compared to lead value in organic search (\$400).

Additionally, the results revealed that the conversion of leads to customers ranked as the top most priority among marketers for the realization of high profits. 74% of the marketers showed to focus on the conversion of leads to customers, making the success metric to rank first. The other strategies that marketers showed to focus on after the conversion of leads to customers were identified to be growing traffic to website, increasing the income being generated from existing customers, determining the return on investment for the various marketing strategies, enabling sales and reducing the average cost of acquiring leads and customers.

In regard to making a comparison between digital and traditional modes of marketing, the results showed that traditional techniques were ineffectiveness in measuring profitability due to such reasons as little level of interaction with the clients (50%), costly nature of the techniques (25%), difficulties in assessing the overall return on investment (15%), low conversion ratio (5%) and challenges in obtaining feedback (5%). From the disadvantages above, determining profitability showed to be difficult due to the absence of important metrics such as return on investment and conversion ratio which are important metrics in the overall evaluation of profitability.

#### 4.5.2 E-commerce in digital marketing

The outcomes showed that e-commerce was a success metric that involved the determination of various aspects such as Click Through Rate (CTR), Cost Per Click (CPC), Customer Acquisition Cost (CAC) and Average Order Value (AOV) which are discussed below.

From the findings above, a division of the number of clicks that an advertisement received with the overall number of impressions showed to give the overall CTR. CTR showed to be significant in the determining the level of attractiveness of advertisements to clients. Additionally, CTR was noted to be a parameter of revealing the relevance of an advertisement to the clients as well as its correlation to the business. Further, the study findings revealed that businesses needed to compare their CTR with the average CTR in search networks (1.91 %) and in Google display networks (0.35%). Making comparisons made it possible for marketers to identify the number of visits made to their competitors' websites in comparison to theirs. Conducting a comparison analysis provided a justification for the revenue and profits obtained in a business when compared to the competitors thus helping marketers to come up with strategic plans.

In reference to Cost Per Click (CPC), the results showed that it was metric that determined the expense of a company or business in advertisements. Advertisements were conducted in such forums as Facebook and Google Ad words. The outcomes demonstrated that many businesses calculated Cost per Click with the aim of ensuring that that CPC-CAC value was the lowest. A low ratio showed that advertisements were cost-effective, and businesses did not spend an excessive amount of money on advertisements. Further, it was evident that CPC facilitated in the selection of the marketing strategy with the lowest CPC-CAC ratio. A low ratio led to the realization of higher return on investment as well as high profits due to the low costs incurred in advertisements. The average CPC on search network was identified to be \$2.32 dollars for all industries while the one for the display network was \$0.58. Making comparisons of a business's CPC value to the overall value for all indicators was noted to be an indicator of whether businesses were overcharged or under charged in advertisements and its impact on the overall income obtained in the business.

In regard to Customer Acquisition Cost (CAC), the study results showed that it was an effective metric of establishing the total cost incurred when a business acquired a new client. A comparison between CAC and Customer Lifetime Value (CLV) helped firms in establishing whether they were able to make profits from acquiring a specific customer. When CAC was lower than CLV (Customer Lifetime Value), it showed that a business was making profits since the amount incurred in acquiring the customer was less than the amount generated from the customer as a result of making purchases. More importantly, closely related to CPC, CAC aided in the determination of the most cost-effective marketing strategies to engage in. The results showed that email marketing was most cost effective with an average range of \$11-\$15 of obtaining new clients. It was followed by mobile (\$16-\$18), Social media (\$16-\$18), direct email (\$19), paid search (\$21-\$30) and internet display (\$41-\$50) in a respective order. Choosing the most cost-effective marketing techniques resulted to a higher generation of profits.

Average Order Value (AOV) was the last e-commerce measure that established the amount of revenue spent in the incidence where a customer made a purchase on different platforms such as website and mobile application. AOV was identified to be significant in analyzing the overall purchase behaviors of clients on online platforms. Additionally, calculation of the total amount incurred when a client made a purchase was significant in evaluating the long-term worth of a customer. The value of the customer determined the profits generated from a certain customer, thus helping in the establishment of strategies that focused on promoting customer retention. Lastly, the findings showed that it was essential to make comparisons between the Average Order Value (AOV) of a business and the overall AOV values for various digital marketing strategies. From the study results email had an average AOV of 0.23% followed by referral (0.22%), Bing (0.21%) and Tablet sessions (0.40%). Choosing a cost-effective approach in terms of AOV aided in the generation of high profits.

#### 4.5.3 Website Behavior in digital Marketing

Based on the study outcomes, website behavior was a metric of determining profit was determined by various analyzing various features which included; website visits/ traffic,

number of pages views in every visit, bounce rates and the time spent on the website. Analyzing traffic showed data on the number of people who stayed on the website of a company. The metric was identified to be crucial since it showed the average ranking of the visits made to the website of a company in comparison to others. Increase in the number of traffic resulted to higher leads, and a high rate of conversion from leads to customers leading to a higher profit. Additionally, evaluating the traffic of a company within a specific duration of time revealed any sudden changes from normal in terms of the visit trends of a company. A sudden rise in the traffic showed that a given feature attracted more customers while a sudden drop showed that there was an aspect that did not entice customers. Sudden trends were significant to marketers by helping them to come up with new strategies for further increasing traffic or raising a sudden fail of traffic.

Further, page views per visit revealed the proportion of individuals who clicked on the website after visiting it as well as the pages that attracted most visitors. Evaluating page views was a significant measure of identifying the aspects or features that attracted customers to specific pages in comparison to other pages. More importantly, they helped marketers in the generation of new techniques of promoting existing products to attract new visits. Closely related to page views per visit, the time spent on website showed the interest level of customers to business products. High value for the time spent on a website showed that the website page was attractive to clients thus increasing the chances for higher leads, conversions and eventually the realization of higher profits. Further, an analytical survey of the time spent on website determined the probability of customers to purchase specific products. Bounce rates on the other hand were a success metric that showed the number of clients who tapped on the back button upon landing on the website. A high value for bounce rates showed a high level of mismatch between the customer's expectations and their findings on the website page. Further, bounce rates showed that there was a separation between the marketing strategy employed and the website page they had landed on. From the graph results employed in the study analyzing website behavior, the highest number of visits occurred in the month of March, while the average visit duration, pages per visit and bounce rates were 3.23, 2 and 55.45 in a respective order.



#### 4.5.4 Brand awareness campaigns in digital marketing

The findings further revealed that brand awareness campaigns were a crucial metric for the attracting new customers to visit a website page of a business. Increasing the number of visits to a website page was identified to increase the probability of having a high number of conversions thus resulting to high profit generation. Further, campaigns aimed at promoting the brand of a company showed to increase a company's reach as well as improve sensitization levels of customers on the company's products. Moreover, the results revealed that a high website conversion rate also resulted from a rise in brand awareness campaigns. Additionally, in reference to the data on brand awareness employed in the study, various digital marketing strategies had diverse impacts on the overall awareness levels. Specifically, some marketing strategies increased the brand awareness of businesses while other lowered the awareness level of businesses. From the outcomes, the marketing strategies that resulted to improved awareness included Facebook posts (53.3%), branded search (17.8%), tweets (5.7%) and brand mention's (2.3%). On the other hand, the strategies that lowered brand awareness included; referring links (71.3%), new links (57.1%), twitter followers (47.5%) and Facebook Fans (36.3%). Further, in regard to the focus on marketers in digital marketing strategies, the results showed that 65.5% of the marketers focused on brand awareness among other strategies such as customer acquisition, acquiring of new leads, improving messaging among companies and creating of marketing brochures. The results verified that campaigns on brand awareness were a key focus of many marketers hence an important profitability assessment metric.

#### 4.6 Chapter Summary

The section has critically analyzed on how to accurately measure the profitability metrics employed in the study as well as presented data in tables and figures for easy interpretation.

Additionally, the chapter had also provided a discussion section that had analyzed the results obtained to make them more understandable. The next chapter will focus on the conclusions and recommendations of the study.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

The last section of the study will provide a summary of the results obtained from the research as per the study objectives, conclusions of the study as well as recommendations for improvement and further studies.

### **5.1 Summary of findings**

The segment will summarize all the study outcomes according to the independent variables of the study in the sub-sections below.

#### **5.1.1 Conversions and leads in digital marketing**

The research results affirmed that conversions and leads were key performance indicators in determining the profits acquired in digital marketing. Further, it was evident that determining profitability in traditional marketing strategies using leads and conversions was challenging due to such aspects as failure to determine the overall return of investment and the presence of a low conversion ration among traditional strategies. Additionally, it was evident that data obtained from key performance indicators such as leads and conversions needed to be analyzed according to the overall goals of the company for the generation of strategies aimed at improving profits. Conversions and leads were specific to the digital

marketing strategy employed in businesses thus showing that businesses needed to focus on the strategies that gave the highest numbers of leads and conversions such as email marketing and social media marketing.

Further, in order to obtain accurate metrics on the conversions and leads that emanated from a specific marketing strategy, the outcomes showed that there was need to calculate conversion rate, lead value and conversions needed for the realization of profits. Conversion rate was identified to be a parameter that showed the number of leads that had been converted to customers. A high conversion rate was an indicator of high profits due to increment in the overall sales.

Lead value on the other hand, showed the worth of each of the visitors who visited a company's website. According to the study results, the worth of a lead was dependent on the source of the lead. Specifically, the results demonstrated that lead values that emanated from paid sources was higher than those from other sources such as organic search. The variance in the lead worth showed that businesses needed to analyze the digital sources that brought about the highest values or leads to increase the likelihood for the realization of high profits. Calculation of the conversions needed was significant in establishing the total number of lead transformations for the generation of a specific amount of income and profit. Estimation of the conversions needed facilitated in the setting of strategic goals by marketers on how to achieve the desired profit and income. The study findings further affirmed that leads and conversions were important profit assessment metrics by analyzing the top priorities in marketing among various businesses. The conversion of leads to customer ranked first among list of marketer's urgencies. The results revealed that using conversions and leads as a metric for measuring profitability was not only effective in establishing the digital marketing strategies to be employed by businesses but also accurate in showing a clear picture of the progress of a business in terms of revenue generation and gaining of profits. Based on the summary above, the research objective on investigating how leads and conversions determined profitability in digital marketing was successfully achieved.

### 5.1.2 E-commerce in digital marketing

The results confirmed that e-commerce was an appropriate measure of calculating the profit acquired in businesses. Particularly, the findings revealed that the correct use of e-commerce metrics contributed to the generation of high revenue levels, reduction of operational costs, increased market share and the generation of high profit. For the determination of how to use e-commerce in determining profit, the study results showed that four metrics were required which included; Click Through Rate (CTR), Cost Per Click (CPC), Customer Acquisition Cost (CAC) and Average Order Value (AOV).

Click Through Rate showed how a business attracted its customers, its relevance to the customers and as well as the correlation between the advertisements as well as key words to the business. The metric was noted to be applicable in different marketing strategies in addition to being employed in making comparisons between how a company performed in relation to its competitors.

Cost Per Click (CPC) was identified to be a measure that showed the expenses incurred when a business carried out an advertisement. A low level of Cost Per Click showed that investment in advertisements was cost-effective increasing the probability of high profits. Additionally, from the results, choosing the marketing strategy with the lowest value of CPC led to increased profits and a high return on investment.

Customer Acquisition Cost (CAC) showed the expense of acquiring new customers in a business. From the findings, when businesses realized that the CAC is less than CLV (Customer Lifetime Value) then that was an indicator of the business was making profits. Moreover, when the CAC was more than CLV, then the business was likely to make losses since the amount invested in acquiring customers was less than the amount generated from the customer. The conclusion was therefore the need for businesses to employ the modes of digital marketing that as a low CAC value.

Finally, the last e-commerce metric was Average Order Value (AOV) which showed that expense incurred when a customer placed an order. From the outcomes, AOV revealed the

long-term value of clients by showing the amount of money that they generated for the business, hence the profits earned. Moreover, selection of cost-effective digital strategies was noted to contribute a lower AOV value thus causing an upsurge in profits generated.

### 5.1.3 Website behavior in digital marketing

Website behavior was noted to a metric that determined profitability through its focus on traffic, page views per visit, time spent on website and bounce rates. In summary, traffic showed the total number of persons who landed on the website of a company as well as the overall rating of a firm in terms of its visitors in comparison to others in the same industry. A low traffic was noted to be indicative of low customer attraction levels while a high traffic indicated a high attractiveness of the clients to a company increasing the likelihood for a high conversion rate, income generation and high profits. Closely related to each other, page views in every visit and duration of time on the website revealed the interest levels of customers to company products by highlighting the aspects that were most preferred by customers. Using the profit determination metrics helped in the establishment of strategies that attracted more customers to increase the probability of high conversion rates.

## 5.2 Brand awareness campaigns in digital marketing

Lastly, the research results revealed that campaigns on brand awareness aimed at improving the perception of customers about the products offered by business. Effective conduction of brand awareness campaigns increased the customer's trust on products, improved their brand loyalty and increased the rate of conversion of leads to customers. Moreover, the findings showed that marketers needed to choose digital marketing strategies which resulted to high brand awareness campaigns in order to acquire high profits.

### 5.3 Recommendations

Based on the research outcomes, the researcher proposes the following recommendations for improvement.

#### 5.3.1 Recommendations for improvement

Firstly, I recommend that marketers should employ conversions and leads in the determination of profits obtained as a result of using digital forms of marketing. The metrics will accurately reveal the amount or revenue generated from a specific marketing strategy, the profit earned and the conversions needed for the realization of higher financial goals.

Secondly, I also propose that marketers start sensitizing themselves with the knowledge and skills required for the calculation of e-commerce metrics for example by attending training sessions. Knowledge and skills in e-commerce will facilitate in the correct calculation of Click through Rate, Cost per Click, Customer Acquisition Cost and Average Order Values which are crucial determinants of profits generated in businesses.

Thirdly, I endorse that business marketers should start as well as continue embracing the use of website behavior as a profitability assessment metric. Though it does involve the calculation of numbers, the metric will improve accountability for the sales and profits made by evaluating such metrics as traffic, page views per visit, time spent on website and bounce rates.

Finally, I recommend that businesses intensify their brand awareness campaigns for the realization of increased trust among customers, attrition of new customers and a high website conversion rate, which contribute to the generation of high amounts of profit.

### 5.3.2 Recommendations for further studies

This has merely been a scratch on the surface of the vast world of digital marketing. It has become obvious that current and future marketers need to have a very large skillset when it comes to the metrics of digital marketing, and this skillset is rapidly evolving. Base on this research, I would continue on the road of website content management. People are smart and if company's website offers little to none content, they will move on and most likely never return.

### 5.4 Chapter Summary

The chapter has highlighted the key findings of the study, the conclusions of the study based on the research variables and the recommendations for improvement as well as further studies.

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