

Digitalization and digital marketing: the impact on the Portuguese economy

Ricardo Gonçalves

Master in Data-Driven Marketing, with specializing in Marketing Intelligence

ricardogoncalves2001@gmail.com

Abstract: *This article is based on a research whose objective was to identify and analyze the evolution of digital and digital marketing, finding explanatory factors, and its impact on the Portuguese economy, as well as to know the current and emerging challenges for Portuguese companies in the digitalization era and its importance for business survival and competitiveness.*

The research has shown that technological progress, namely the registered evolution, dissemination and adoption of digital, are fundamental for the competitiveness and survival of companies and for the economic growth of the country.

Keywords: *Technology, digital, digital transition, digital marketing, portuguese economy*

I. Introduction

The social and cultural transformations in the last decades, the behavior of the economy and the globalization of markets, the competition associated with competitiveness and corporate sustainability and a permanent concern for consumer satisfaction have created constant challenges in the means of communication and dissemination of information.

Likewise, we have witnessed an unprecedented technological evolution, from robotics to digital, able to take information to all corners of the world and to access it quickly and effectively.

Marketing, as a technique that aims to inform and clarify potential consumers about the characteristics of products and services provided by organizations in order to become potential customers, leading them to commercial adherence and being guided by their satisfaction,

must also get closer to consumers in order to reduce barriers in this process (Dias, 2012) [1], supported by the digital.

These new challenges require companies to have the capacity and willingness to change, adapting the new economy to digital transformation. (Gobira, 2020) [2]

It is in this context that we intend to evaluate the impact of technology and digital marketing on the national economy.

This article is based on bibliographic and documentary research.

II. Communication and Marketing

II.I Conceptual aspects

According to Peçanha (2020) [3] "Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs and desires of a consumer market by offering products or services that arouse the public's interest. Thus, Marketing manages to generate value for customers and also profit for companies".

For the American Marketing Association (?) [4] "marketing is the activity, set of institutions and processes to create, communicate, deliver and exchange offerings that have value for consumers, customers, partners and society in general".

The Chartered Institute of Marketing, cited by Peçanha (2020) [3], defines marketing as "The management process responsible for identifying, anticipating, and meeting customer needs at a profit", that is, the focus is centered on customer satisfaction.

Also in this line Kotler et al. (2012) [5] understands marketing as "the science and art of exploring, creating, and delivering value to meet the needs of a target audience at a profit".

Therefore, we can say that value is a determining element for the attraction and loyalty of customers, focused on customer satisfaction, which promotes the companies' profit and reinforces their sustainability.

II.II Evolutionary aspects

The marketing activity has followed the evolution of the market, society, technology and consumer behavior, as mentioned by Kotler et al. (2020) [6]: This means that marketing has gone through different phases (1.0, 2.0, 3.0 and 4.0). However, the phases do not automatically replace each other, and there are organizations that are still in earlier stages because they were not prepared for the change that is required. According to the author, there is a direct relationship between adaptation to change and success in the results achieved.

In stage 1.0, companies are very self-centered, with a special focus on their production and products. This behavior seems to result from the fact that at that time we were still at an embryonic stage of marketing, where the quantity and diversity of products was small and, consequently, competition was low, in addition to consumers being little sensitive to advertising. At this stage, the action developed consisted in standardizing the advertising with emphasis on the functional attributes of products through television and radio to increase the visibility of products.

In stage 2.0, companies realize that they need to know what consumers' needs are, in order to direct their production towards consumer interest in the expectation that this strategy would increase demand.

At this stage, consumers begin to show more demanding options, leading companies to redefine strategies in order to satisfy different types of consumer needs. It is in this context that the notion of market segment arises with the purpose of delimiting groups of consumers with common interests in order to define a target audience, thus reducing competition and costs with mass marketing that covered consumers outside the profile of the potential customer of the business.

Then comes the phase 3.0 supported essentially in the development and globalization of the internet providing communication and

interaction of all through websites, blogs and other social networks. Well, according to Kotler et al. (2021) [7] also here marketing had to adjust, because customers besides seeking functional and emotional satisfaction, also want personal fulfillment through the brands they choose, and the values are the differentiating element of companies. Therefore, in addition to profit being a natural goal of companies achieved based on their products, it is also the finding of solutions to the most complex problems and challenges worldwide, especially in the social and environmental fields. That said, in summary, according to Kotler et al. (2021) [7] we have moved from product-centric marketing (1.0) to customer-centric marketing (2.0) and to human-centric marketing (3.0).

Marketing 4.0 is marked by the digital economy, whose connectivity has transformed society, including consumer relations, social patterns, and power structures. Therefore, marketing must also enter the digital transformation, with this phase consisting in the understanding of a new hyper-connected scenario and the shift to a more inclusive, horizontal and social logic.

II.III Recent trends

According to Kotler et al. (2021) [7], we are at the right moment for marketing 5.0 (technology for humanity). In truth, the covid 19 pandemic has accelerated business digitalization, due to the compulsory confinements and social distancing we have been facing, which has led us to adapt to these new realities. Now, this phase 5.0 "is the application of human technology [humanized approach to technologies - by imitation of humans] in order to create, communicate, fulfill, and leverage value throughout the customer journey." (Kotler et al., 2021) [7]

Today, customers' expectations are to expect companies to understand them and provide them with personalized experiences.

Therefore, the trend of companies adopting social technologies in their direct contact processes with customers is becoming evident, that is, we are moving towards a model in which companies are not only evaluated by the quality of their products and services, but also by the access and contact channels they offer. (Kotler et al., 2021) [7]

Another observation we have witnessed is the observation of a widespread worldwide growth of the digitalization process, which we have all [or almost all] come to accept as a new digital lifestyle.

Similarly, we have also seen a significant increase in computing power, which facilitates the operation of technologies that require more power, such as artificial intelligence. (Kotler et al., 2021) [7]

III. From digital to digital marketing

Digital Transformation is a concept that was already being heard about before the start of the pandemic phenomenon, however, major changes have been promoted in this context. What initially would have been a possibility for companies to become more modern, became a necessity. (Coutinho, 2020) [8] Small, medium and large companies found themselves forced to transition their means of business to the Digital world.

Being in what we commonly call the Technological Age it would be expected that the whole transition process itself would be easily done, however, many companies that were reticent when it came to implementing such new tools, eventually found themselves forced to make the transition out of extreme necessity for survival. In some cases, thanks to the collaborative tools, they were able to stay in business.

It wasn't only the businesses that were affected by the pandemic situation, our lives were also shaken, we relearned how to do everything we had learned before, only this time we developed everything within the "online" context, work, meetings, classes, etc.

One of the great bridges between the social distance we have experienced and the reality we were used to, was the digital medium.

In some cases, people associate this transformation with something much more technological than it actually is, since this transformation refers much more to the environment in which we are inserted than exactly in the technology itself. (FIA, 2021) [9]

Therefore, as Rabelo (2020) [10] states, "Digital transformation is a process of change of

mentality in companies that start using technology to meet the goal of becoming more modern, improve their performance, increase their market reach, and extend the technological advances that impact people around the world."

The author also states that "digital transformation is not a concept for the future, but something that today's companies have to pay the most attention to in order to stay alive".

It is in this context that it seems appropriate to bring to mind digital marketing, as an instrument of the digital medium for marketing to be triggered by the business world and for interaction with consumers.

Thus, following Peçanha's understanding (2020) [3] "Digital Marketing is the promotion of products or brands through digital media."

According to the author, the world of marketing has been completely revolutionized and to tell the truth almost continues to be daily, because, much of what were the strategies usually adopted by companies had to be adapted to the digital world or even renewed.

Among the main reasons why Digital Marketing is increasingly adopted in relation to traditional channels, according to the author, is the interactivity with the public, in that the focus is no longer on the product, but on the consumer experience.

Unfortunately, all the companies that are more skeptical of this change and don't reinvent themselves daily end up not being able to keep up with what the technological advance has brought - an easier and faster way to reach people.

The process of reinventing themselves has to be continuous, since the assiduous way in which companies show themselves on the networks and/or other platforms ends up being reflected in the positive results for those who regularly invest in the creation and dissemination of content in comparison with those who do not.

Admirably, these new strategies manage to make companies reach their target audience, commonly referred to as persona when referring to marketing, at less cost.

The main difference between persona and target audience is that the former personifies what would be the ideal buyer, while the latter is aimed at broader groups, which makes the effectiveness of the action more complicated and with more associated costs.

There are tools and algorithms of the applications themselves (Facebook, Instagram, Tiktok) that not only benefit those who are regular in using the networks, but also target companies' products to their personas. One of the most common is DeepText, a text understanding engine used by Facebook that automatically interprets the emotional part of its users based on their posts.

Certainly we have already realized that when we search for an article of our interest in a search engine (Google, Yahoo, etc.) the advertisements that are suggested, both in the search engines themselves, as well as in applications, will most likely be about that product or related to it. In this way, companies based on users' searches can more easily reach their personas directly. These are the advantages of digital marketing.

IV. The impact of the digital world on the Portuguese economy

As we have been observing, digital is increasingly inserted in the daily life of companies and society in general in the most diverse functions and current activities.

According to the study developed by Boston Consulting Group (2018) [11] on the impact of digital in the Portuguese economy, more than ¾ of the Portuguese use this communication portal between Portugal and the world.

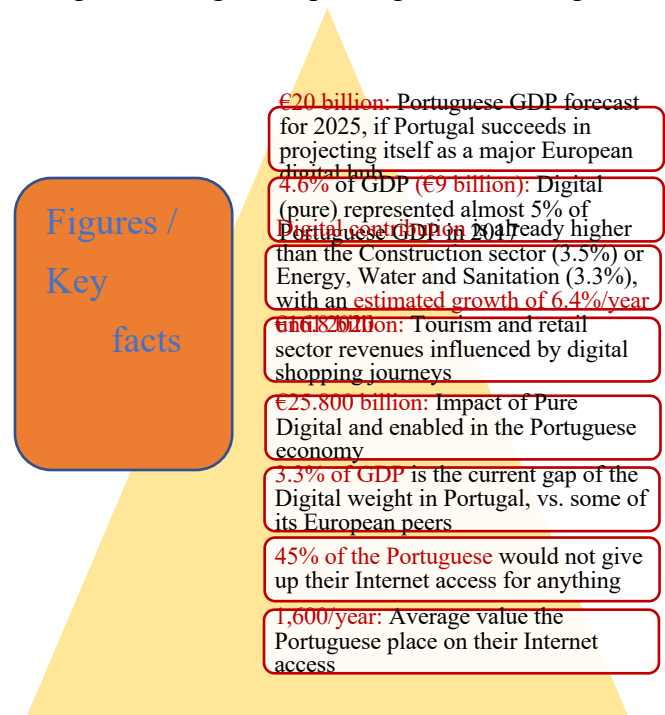
This result of the assumption of digital is of relevant importance as a lever for the Portuguese economy and for the country. The estimated values of the pure digital impact for 2017 were around 4.7% of GDP, or 9 billion euros, representing 20% more than observed in previous years, with an estimated growth of 6.4% per year until 2020. However, still, although relevant, the economic impact of pure digital falls short of the results achieved in other European countries - the impact on Portuguese GDP is almost 3 times lower than the values achieved in European digitalization leaders.

According to the same study, the country, in order to fight the existing gap, should continue to invest in digital literacy, in promoting foreign and domestic investment, sustaining companies with digital business models, in digital infrastructure, in cybersecurity and in a responsible regulatory environment that generates confidence to consumers so that they

are not inhibited from purchasing products and services that can generate value to their lives, that is, based on these challenges the country can establish its digital competitiveness.

Given the characteristics of the country, at the time of the study it was believed that through concerted action among the different actors of the Portuguese economy - business, public institutions and citizens, Portugal could generate an additional annual increase of 1.5 p.p. of GDP and achieve economic growth of about 20 billion euros in 2025.

Figure 1 - Digital impact figures in Portugal



Source: Boston Consulting Group, The impact of digital on the Portuguese economy, 2018 (Adapted by the author)

In the particular case of tourism, having observed that customers are increasingly searching for their preferences in an online environment, with the digital enabled tourism component estimated to weigh about 9 billion euros in the balance of payments annually, Turismo de Portugal has unleashed a digital marketing strategy that is a recognized success story. (BCG, 2018) [11]

In order to accelerate the recovery in this field, Portugal has developed partnerships so that digital skills reach schools faster for a better and faster adjustment of skills to the labor market. In

this particular, an example is Google's initiative in partnership with the Portuguese State, some Portuguese universities and SIC Esperança, through the Atelier Digital, having already trained more than 42,000 individuals in digital skills, namely in the area of digital marketing and e-commerce. (BCG, 2018) [11]

According to the study "The Path to a Bionic Portugal: The digital maturity of the business fabric in Portugal", published by the Boston Consulting Group (2021) [12], digital has a significant importance in people's lives and in world economies. In 2019, it represented 12.7 billion euros in the Portuguese economy, that is 6.0% of GDP, an increase of 1.3 p.p. compared to 2017.

According to the study "Impact of Google in Portugal" developed by Boston Consulting Group, only "the use of Google's products and advertising solutions generates annually in Portugal 2.5 billion euros in incremental revenue in the Portuguese business fabric, (...) leveraging digital sales or digitally enabled sales. Assuming an average productivity of 21.6 euros per hour, the study estimates that the revenue generated by Google's products and services in Portugal is equivalent to about 70 thousand jobs.

The digital transformation was already a strategic imperative for the business fabric and the Portuguese State, but, in fact, the Covid19 pandemic has made it a condition for survival. The crisis has led to changes in consumption habits, particularly regarding the massive adoption of digital channels.

Economic and industry activity data already show that Covid-19 has created an unprecedented impact, particularly in some economic sectors. As the study states "The data shows that this has been particularly true in the adoption of digital channels and business models, even in those segments/industries hitherto most resistant to Digital. In 2020 compared to 2019, e-commerce revenues grew 66% in Portugal, 41 p.p. more than the growth recorded in 2019.

In any case, the study notes that the acceptance of Digital is not the same in all companies, and there is a direct correlation between the size of companies and their digital maturity, as well as the sector in which they operate.

The same study states that company productivity tends to increase the higher their digital maturity,

just as average salaries will tend to rise in companies at a more advanced stage of digital maturity, meaning that a complete transition to this stage will be linked to a 37% increase in average salary. This evidence seems to be easier to find in companies with more human training available, which allows them to be more effective in the implementation of the technological transformation process.

As already mentioned, the differences regarding the purposes of digital development are evident among the different sectors of economic activity, with medium and large companies in the financial, transport and logistics, and hotel and tourism sectors showing ambitions to rise in maturity levels. For 2022, medium and large companies indicate digital marketing, product research & development and the supply of new services and digital products as the priority areas for development.

As Gonçalves (2021) [13] states "The competitiveness of businesses, of companies and their sustainability depends a lot on the adherence to the digital transition and the change that this implies, the use of resources and opportunities, the valorization of people and companies, constituting the Portugal 2030 Strategy and, in particular, the Recovery and Resilience Plan [RRP] for the period 2021-2027, fundamental support instruments for economic development and for the improvement of the qualification and quality of life of the Portuguese", which we must not neglect, with an investment of 55 million Euros in this area in the RRP to support at least 30 thousand companies on the path of digitalization.

V. Conclusion

In terms of the conclusion of this article, we observed a growing process of digitalization of companies and the adoption of increasingly consumer-friendly tools and digital channels, in that, on the one hand, they create value for customers, and, on the other, they generate profit and prosperity for companies.

It was also observed in this aspect, that companies tend not to be evaluated exclusively by the quality of their products and services, but also by the access and contact channels they offer, which awakens them to develop new processes of direct contact with customers.

It has also been found that the covid 19 pandemic has accelerated business digitalization, given the compulsory confinement and social distancing frameworks we have been facing.

The estimated figures for the pure digital impact on the national economy for 2017 were around 4.7% of GDP, or €9 billion, or more than 20% of what it achieved in previous years, with an estimated growth of 6.4% per year until 2020.

It is admitted that with a concerted action between the different actors of the Portuguese economy - business fabric, public institutions and citizens, Portugal could come to generate an additional 1.5 p.p. of GDP increase annually and reach an economic growth of about 20 billion euros in 2025.

In 2019, digital represented 12.7 billion euros in the Portuguese economy, i.e. 6.0% of GDP, an increase of 1.3 p.p. compared to 2017.

Also according to the research developed, it was also observed that the productivity of companies tends to increase the higher their digital maturity, as well as average wages will tend to rise in companies in a more advanced state of digital maturity.

However, still, despite being relevant, the economic impact of pure digital is below the results achieved in other European countries - the impact on Portuguese GDP is almost 3 times lower than the values achieved in the European digitalization leaders.

To combat the existing gap, according to the survey, the country should continue to invest in digital literacy, investment promotion, digital infrastructure, cybersecurity, and a responsible regulatory environment that generates consumer trust.

Finally, regarding priority areas for development in the national space, medium and large companies indicate for 2022 digital marketing, research & product development and the supply of new services and digital products as priority development areas.

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