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INCREASING THE COMPETITIVENESS OF ENTERPRISES USING DIGITAL FUNCTION OF PRODUCT PROMOTION

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INCREASING THE COMPETITIVENESS OF ENTERPRISES USING DIGITAL FUNCTION OF PRODUCT PROMOTION

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АННОТАЦИЯ

Развитие науки и технический прогресс, удаленный доступ к глобальным образовательным и розничным платформам позволили за последнее десятилетие вдохнуть в экономику новый импульс и расширить площадки для продаж, продвижения, маркетинга, сервиса клиентской поддержки, повысить качество обслуживания и реагирования на жалобы потребителей. Сегодня повестка дня крупных, средних ритейлеров, а также небольших онлайн магазинов охватывает новые каналы промоушн-акций, использующих такие коммерческие инструменты для повышения конкурентоспособности, как электронная коммерция или цифровой маркетинг. Повсеместное использование доступных онлайн технологий и наличие полного спектра товаров, представленных в Интернете, развитие методов электронной коммерции и контроль безопасности онлайн-покупок обуславливают рост потребительских расходов. Поэтому цифровой сектор экономики быстро развивается в наши дни и предоставляет уникальные возможности тем предпринимателям, которые ищут передовые технологии для получения прибыли от продаж и расширения доли рынка.

Для изучения опций, которые используются в цифровом маркетинге для продвижения продукции, автор детально исследовал состояние розничной индустрии и ее конкурентных показателей, проанализировав общие показатели США по онлайн-расходам, затронул европейский вклад и указал на примере корпорации Amazon.com возможные пути повышения конкурентоспособности ритейл сектора. Автор анализирует макроэкономическую ситуацию в цифровом розничном маркетинге, проводит микроэкономическую оценку компаний в сфере цифрового продвижения, затем обобщает основные тенденции и инструменты цифрового маркетинга в мире. Кроме того, в работе представлена оценка научных подходов к управлению конкуренцией, типов и методов конкурентоспособности предприятия, а также проводится эмпирический анализ рынка США,

связанный с онлайн-покупками и продвижением, рассчитывается эффективность продаж и проводится SWOT-анализ Amazon.com с точки зрения уровня конкурентоспособности.

Объект исследования – розничная индустрия в США.

Предметом выступает анализ и оценка методов повышения конкурентоспособности предприятия, использующих цифровую функцию продвижения товара.

Целью исследования является оценка эффективности сектора розничной торговли при использовании инструментов цифрового медиа-маркетинга в конкурентной среде путем внедрения методов эконометрического моделирования с целью расширения охвата аудитории бренда и продвижения продукции.

CONTENTS

INTRODUCTION

Relevance and novelty. The development of science and technological progress, remote access to global educational and retail platforms over the past decade have allowed us to breathe new momentum into the economy and expand our platforms for sales, promotion, marketing, customer support services, improve the quality of service and respond to consumer complaints. Today, the agenda of large, medium-sized retailers, as well as small online stores, covers new promotion channels that use commercial tools to increase competitiveness, such as e-commerce or digital marketing. The widespread use of available online technologies and availability of a full range of products presented on the Internet, development of e-commerce methods and control of the safety of online purchases lead to an increase in consumer spending. That is why digital sector of economy is rapidly emerging nowadays and provides unique opportunities to those entrepreneurs who seek advanced technologies in order to profit sales and broaden market share.

Assessment of the current state of the scientific problem being solved. To study the options that goes within the digital marketing to product promotion we have scrutinized the assessment of retail industry state and its competitive indicators while considering the overall performance of the USA in online spending thoroughly, touched the European inputs and pointed out the example of Amazon corporation amongst the other representatives of retail sector. The author presents macroeconomic situation in digital retail marketing, does microeconomic assessment of companies in digital promotion industry, then gathers basic trends and tools of digital marketing in the world. Furthermore, it is being evaluated the scientific approaches to competition management, types and methods of enterprise competitiveness, as well as pursued an empirical analysis of the US market related to online purchasing and promotion, calculated the efficiency of sales and conducted SWOT-analysis of Amazon.com, Inc. in terms of its competitiveness level.

Basis and baseline for writing work. Theoretical and practical aspects of the ways of increasing the competitiveness of enterprises using digital function of product promotion, the notions of competitiveness and digital marketing techniques at different times were discussed and evaluated with versatile sense of clarity in the works of foreign researchers and scientists, such as A. Smith, E.H. Chamberlin and J. Robinson, R. Rothschild, R. Huggins, M.E. Porter, P. Drucker, C. Bowman and D. Faulkner, P.Krugman, C. W. L. Hill, G.R. Jones, M.A. Camilleri, D. Chaffey, B. Swoboda, L. Morbe, J. Hirschmann, T. Sreeraman, J. A. Allo, and others.

Object of the research is the retail industry in the USA.

Subject is an analysis and evaluation of methods toward increasing the competitiveness of enterprises using digital function of product promotion.

Purpose of the study includes the assessment of the retail sector performance while using digital media marketing tools in a competitive environment by implementing econometric modeling techniques in order to boost brand audience reach and product promotion.

To achieve the main purpose the following objectives have been stated:

– to conceptualize basic scientific approaches to competition management;

– to conduct the analysis of competitiveness types;

– to provide management evaluation methods of enterprise competitiveness;

– to assess macroeconomic situation in digital marketing;

– to observe microeconomic evaluation of companies in digital promotion industry;

– to analyze the contemporary trends and tools of digital marketing in the world;

– to construct the methodology for the digital promotion industry analysis using multiple linear regression model;

– to review econometric modelling of the observable problem and build Panel Data Set of the US digital market variables;

– to forecast the market's retail state using time series;

– to provide problem analysis of the company and evaluate possible ways of its added value optimization

Objectives and methods of research. In the research, we applied such methods of forecasting and econometric modelling as: modelling using regression equations of basic macro-economic indicators in retail industry and forecasting using regression equations of basic macro-economic indicators in retail industry. Besides, the author implemented the measurements of Panel Data Set of the US retail market variables for processing and determination of the most relevant, algorithms of the Econometric Modeling Process. A lot of models was proposed for advertising effectiveness: The Defining Advertising Goals for Measured Advertising Results or DAGMAR model, Internet Advertising Model (IAM), Model of key success factors of effectiveness of online advertising. When analyzing the algorithms of the Econometric Modelling Process in online promotions, we utilized the following techniques: multiple linear or so-called pairwise regression, time-series method, ordinary least square method, econometric verification with test for autocorrelation, test for heteroscedasticity and testing for normality, whereas the whole analysis was done using Gretl software in order to describe the results economic, statistical and econometrical verification.

Theoretical and practical significance of the work. Theoretical and methodological approach includes academic, scientific, experimental and applied works of foreign and some Russian researchers on the problems of competitiveness management, forecasting basic macroeconomic indicators of retail industry and digital media marketing tools. Empirical base of the study was encompassed by numerous research papers, statistic data and links, ratings and rankings official documents, balance reports, and corporate web sites.

In the first chapter we investigated the nature, types and basic scientific approaches to competition management. In modern conditions, the main criterion for the stability and survival of an enterprise is its competitiveness, the analysis, assessment and forecasting of which becomes a necessity, since in a comprehensive competitive struggle, for all its scale, dynamism and acuteness, the enterprise that constantly analyzes and fights for its competitive positions wins. The author distinguishes the types of competition: functional, subjective, specific, intra-industry, intersectoral, international, perfect (free) and imperfect competition, as well as scrutinized the major schools of economic theory related to the notion of “competitiveness”. Then it is presented the analysis of enterprise competitiveness and factors which determine it, effects of competitive behavior, the role of product promotion in competition. Also, the management evaluation methods of enterprise competitiveness have been proposed, such as matrix method and model GE/McKinsey, methods based on the theory of effective competition, and on the evaluation of competitiveness of enterprise products, integrated methods. Then the author provided key indicators of financial stability of an organization.

Second chapter is dedicated to scrutinizing evaluation of product promotion in digital marketing environment using data from American and European purchasing habits. Considering macroeconomic situation in digital world, we give the definition of digital marketing which has often been understood as the promotion of products or brands via one or more forms of electronic media, assess business treated as digital and related e-commerce management as well as provide contemporary vision on digital marketing tools in 2020.

On one hand, the author dwells on macroeconomic and competitive indicators of the USA and overall economic profile of the country in terms of GDP, personal income, international trade, personal consumption expenditures, unemployment rates, online spending, and connected indexes. On the other hand, we present the state of retail industry globally and in the US specifically drawing attention to its omnichannel strategy and nature. The author admits, the trajectory of digital marketing channels and e-commerce categories are evolving at differing levels, depending on the market’s development factors and regional specifics. Then the competitive analysis of the global retail corporation of Amazon has been conducted in terms of overall basic economic indicators, including a SWOT-analysis. As the research shows, in the US the growing influence of Amazon is holding the trend, and the company is now the third largest digital ad platform in the US with forecasting increase its online advertise spending. The main idea is that for the purposes of product promotion, reach brand awareness and profit sales, a combination of all digital media techniques will serve as a new marketing strategy.

Within the third chapter, the author implements the methodology for assessing digital promotion industry in retail sector, does Panel Data Set of the US digital market variables, forecasts the Amazon corporation revenue captured from online advertising in 5-years ahead, and estimates possible problems and ways of added value optimization of a company. We investigated the impact factors in online advertisements on revenue of the company and carried out a panel data set analysis. The main aim of the analysis is to check whether the money spend on online marketing within macroeconomic indicators of USA can influence on competitiveness of Amazon company. Focus has been placed on expenses on online marketing that include Pay Per click expense and SEO optimization spending, rather than on attitudinal responses. According to the calculations, only in 2023 two basic indicators Revenue and Marketing spending are expected to be higher than in current year. Despite the fact the company's indicators showed the decline for the next 3 years, we can derive the interesting observation that decrease in Expense on online marketing causes the decrease in Revenue of Amazon company. That have proved our assumption, that the key and the most successful factor that affects the competitiveness of the company is investing in appropriate online marketing channel.

The possibility of using the results. In order to conduct a dignified research within the framework of writing a dissertation, the thesis includes conducting an analysis on retail market and digital product promotion techniques and provides an Econometric Modeling. So, let us get acquainted with the main findings.

All methodologies used financial research and sophisticated mathematical formulas to calculate current and future earnings that can be attributed directly to a product promotion. Summing up the contributions and conducted outcomes, we can observe the following: online advertising has sizable effects on brand loyalty and attitudes that cannot be reflected in only click-through. Online advertising features force consumers to make relationship with company's brand, which leads to increase company's competitiveness and brand image in consumer's mind.

Among conventional elements of product promotion like trade-marketing or advertising and PR we assume that the most fast-growing segment is digital marketing, the marketing of goods and services using digital technology. Since people are online, the communication takes place via social media networks. The interaction existing among users and companies and the huge amounts invested on advertising in social media may be effectively used to increase a company's brand awareness and sales.

Moreover, we revealed the factors which affect the data about the US digital market conditions: personal consumption expenditures on online purchases due to digital promotion ads, GDP per capita, unemployment rate, revenue of the company, and marketing spending.

To study that options thoroughly the author presents a brief performance of the retail industry, kinds of its activity in an international scale, pursue an economical and macro-economic analysis, as well as make a competitive analysis of the related market, analyze the efficiency of sales and conduct SWOT-analysis about the targeted markets of products or services the industry provides.

According to the findings, research has shown that myriad factors (internationalization speed, store format diversification, country-level distances) can influence the performance of international retailers. Recent empirical work suggests that leading international retailers tend to expand aggressively by entering multiple countries and/or operating multiple store formats, as well as utilize digital marketing tools and opportunities.

The structure of this Master Thesis includes an introduction, three chapters, conclusion and list of the literature used in the research, as well as 44 figures, 15 tables and 9 formulas.

1 Theoretical foundations of enterprise competitiveness management

1.1 Basic scientific approaches to competition management

Socio-economic transformations, economic instability, inflation, high tax rates, attachment to the currency exchange rates, high interest on loans lead to fierce competition and determine the right to exist of an organization. Competition among industry enterprises allows us to identify leading companies. Proper management of the enterprise's competitiveness can reduce financial risks and develop a system of measures aimed at preventing bankruptcy, which in turn will ensure the principle of the continuity of the business entity.

In modern conditions, the main criterion for the stability and survival of an enterprise is its competitiveness, the analysis, assessment and forecasting of which becomes a necessity, since in a comprehensive competitive struggle, for all its scale, dynamism and acuteness, the enterprise that constantly analyzes and fights for its competitive positions wins.

The basis of competitive advantages is often a different degree of availability of resources (distribution channels, special knowledge or logistics technologies), which can tell the company the advantages in terms of costs or in the quality of goods or services over competitors. In such a situation, timely analysis of a company's competitiveness and its financial stability is especially relevant.

1.1.1 Basics of competition

The concept of "competition" (from Latin "clash", "fight") is a form of mutual rivalry of subjects of a market economy. When market relations are in track of development, the competitive products manufacturing is no longer a universal tool in the struggle for the enterprise competitiveness.

It is standard to distinguish the following types of competition.

Functional competition arises in meeting the specific needs of the buyer with a variety of products.

Subjective competition is more typical for cases of mass sales. For the personal sale of expensive goods, unique devices or sales to consumer organizations, there is most often a kind of functional competition. These types of competition allow you to develop long-term action strategies to conquer the consumer market in the competitive field [22].

Specific competition arises when satisfying the customer's needs with uniform goods that differ in essential characteristics (for example, cars with different engine power). In specific competition, the struggle between competing firms can be carried out by more diverse methods than in case of subjective competition, since the number of instruments for influencing a customer increases – the product has new characteristics [46] (Figure 1).

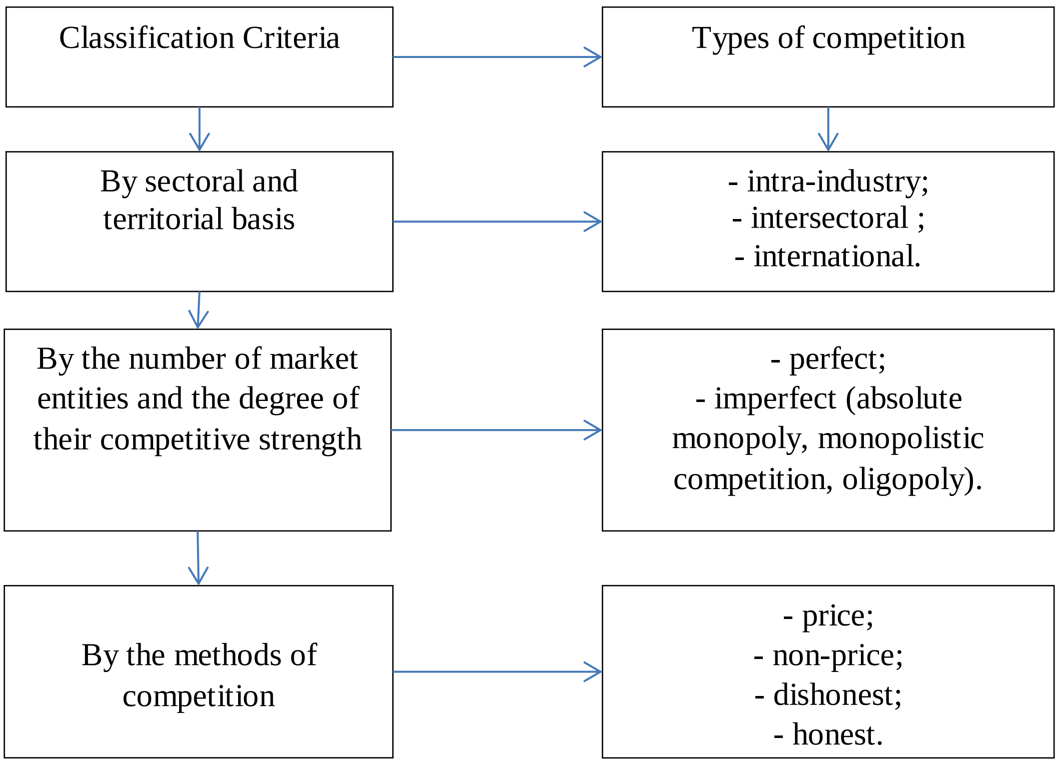

Figure 1 – Classification of competition types [46]

Subjective competition arises when the buyer offers almost the same goods, differing, perhaps, only in quality. This is the most difficult form of competition for manufacturing and intermediary firms.

Indeed, a good is called as a product equipped with market attributes (packaging, brand, means of promotion). Thus, with subjective competition in the market, goods obtained from a particular main product compete only with the addition of various market attributes, or with different qualities.

Intra-industrial economic competition is a rivalry among manufacturers of a particular industry (intra- manufacturing competition) for more unique and favorable conditions in order to obtain greater profit from sales and increase production of goods. Main characteristic of intra-industrial competition is having the individual value of goods decreasing in comparison with the single market social value of a purchase, that can be determined as average costs presented in the industry. With this struggle, those enterprises owners win who possess individual and personal value of goods less than a social value that a unit represents, thank to different advanced technologies of production organization and promotion tools used. All this provides an opportunity to earn extra money, as it happens.

As an example, modern neoclassical approach introduces super or extra economic profit which can be defined as the difference between a company's total revenue gained from sales of goods and economic expenses. The latter may encompass internal costs, external costs and normal profit. New promotional achievements lead to the following outcome: intra-industrial economic competition provides a boost to the Research and Development dimension, reopens new market opportunities to reduce costs of production and improves the quality of each unit. Nevertheless, intra-industrial economic competition has not had any elimination of the return on capital role when it is invested in several industrial sectors.

The solvation of the issue can be met in another type of competition, *inter-sectoral competition*. This is the rivalry among producers which are concentrated in various economic sectors and eager to find the most beneficial conditions (or areas) for investing the capital. Inter-sectoral competition in economy often experiences the fluctuational capital migration from one industry to another which can be characterized by low or not sufficient rate of return. As a result, profit rates are built on average economic scale. Here producers and owners follow the principle: "Isometric profit on equal amount of capital" [94].

Different spheres of production and more efficient industrial sectors can be moved up and varied by capital flows. Hence, it is contributing to inter-sectoral competition expressed in optimal utilization of resources available in the society. Simultaneously, more efficient industrial sectors may establish necessary and appropriate economical proportions in use of capital. We can admit, that in relatively modern economic practice and under rough conditions in some sectors a businessman encounters a situation where the use of capital depends on the highest profitability and other residues, it has been happening for quite long period. The reason we may propose to that is if particular spheres of capital reserves or significantly monopolized sectors can be entered into a new niche. Therefore, the prevailing part of inter-sectoral economic capital overflow occurs within conglomerates, monopolies, as well as diversified concerns in modern conditions.

As the world economy is getting matured and developing, *international competition* also appeared. This is the struggle among transnational, national and sometimes regional economic entities for the greater favorable and beneficial outcomes for obtaining a market position and production chain in the world market. International competition may be complemented by intra-industrial and inter-sectoral types of competition. It combines capital and goods flows amongst various states and metropolitan regions, promotes balanced and representable development of global economy and the sector it includes. Transnational and national companies located in the developed countries are currently dominating in this field and in overall world market [50].

The next type of competition is a *perfect (free) competition*. It includes the situation in market when various and independent manufacturers act within the niche to take advantage in selling identical products and neither of them has a possibility to influence on price control mechanisms and market conditions [38].

We can accumulate features which characterize completely (or perfect) competitive market:

- based on the supply and demand principle, there are many buyers and sellers and no one of them can affect prices determined un the market;

- products of each other sellers are standardized and homogeneous, so a manufacturer produces similar units in one batch;
- there are no any barriers, or they are minimal to conquer and enter the market;
- no chance to evolve for any simulated restrictions connected with movement of company resources, supply, demand;
- such information as the market goods' price, supply, demand is reachable and transparent for any attendant of the industry [70].

Perfect or free competition creates tough conditions as if no particular competitor to struggle with. The enterprise in the market is pushed by the rivalry where the marketplace is always served as anonymous. Independence of each other competitor or entrepreneur relies on the market conditions in general. Here manufacturers should respond properly to market fluctuations and form competitive behavior that might be changed due to the economic situation. It describes the ideal model of competition (perfect) which has been summarized in the works of classical capitalism founders and approached to small and medium-sized enterprises in particular. Nevertheless, real business practice isn't aware of such a pure and concentrated form a competition.

Prevailing type of modern market competition can be characterized by *imperfect competition.* It arises when free competition in the market is absent. Main feature of imperfect economic competition can be described as when market participants, individual or enterprises, are able to receive additional profit my means of influencing market prices [95].

We can accumulate the three kinds of imperfect economic competition: absolute (pure) monopoly in a market, oligopolistic competition in a market and monopolistic competition in a market.

Absolute monopoly can be characterized by lack of choice amongst a number of buyers in market toward the only one seller. This situation forces customers to purchase goods at the offered monopolistic price. Economic, political, technical or even legal restrictions and barriers may close the market to new enterprises and other middlemen participants. The other option of absolute monopoly is when no other business unit can represent the whole industry. In the marketplace there are no any similar substitutions and all goods are not assorted and undifferentiated. Thus, a monopolist entity obtains an extra revenue.

In contrast to the previous one, a *pure monopsony* economic situation may arise when a buyer and a seller act monopolistically to cover the entire market. Here a lot of similar monopolist-sellers propose defined goods to the one unique customer. Another sub-type of monopsony is when one monopolist-buyer meets needs of another seller-monopolist and creates a kind of *bilateral monopoly*. Frequently, this sub-type of economic situation can be involved in state control facilities and infrastructure as gas, heat, water supply markets, military markets, market of strategic natural resources. However, market of absolute monopoly is very seldom meet.

Second kind of market structure can be called as *oligopolistic competition* (from Greek “oligos” – small). It can be characterized by the situation when a few large corporations monopolize manufacturing, promotion, sales of great volume of products.

Oligopoly may have the following features:

- differentiated and homogeneous goods are affected by quite a few numbers of companies in chosen industrial segment and control the whole bulk of products and market share;

- tough barriers and hard restrictions for those enterprises which are out of the industry;

- oligopolistic companies are dealing with a huge interconnections and relations in many spheres, in outputs, price and benefits;

- competing oligopolistic enterprises can coordinate forces to control pricing mechanisms in order to have synergetic effects.

Also, a concept of “hard” oligopoly can be distinguished from a number of business entities and it depends on the situation when 3-5 companies run a major activity and play a vital role in the market. Whilst a concept of “soft” oligopoly means when a dozen enterprises offer a bulk of the products in particular industry, as well as they produce and sell them. When we speak about *duopoly model*, we draw attention to the basic type of oligopolistic market: here on the market the only two companies operate. Whilst *oligopsony model* means a kind of imperfect economic competition characterized by a few buyers that operate in the market toward a certain good has been produced in this market structure.

Enterprises in oligopolistic markets could realize and determine their super or extra profits which based on interdependences among them as well as understanding and forecasting competitors' reaction directly related to decision-making process and depending on production volume and also product-price levels. Afterwards all these companies may choose the appropriate condition: either they go to oligopolist economic structure being a price-leader or they have to join to main market course for price coordination and discussion with other competitors and partners. If they aware of such a dependence between an oligopolistic company and the other enterprises which they are compete with, we can name this situation as *oligopolistic rationality* [66].

Foreign, especially western economic and political sources and papers argue nowadays that comprehensive oligopolies are characterized by not about limitation the power of customers and how deeply a seller will listen to and care of their concerns and requirements, in terms of changing or raise price and cost of production but mostly by the strong opposition not to compete with oligopolistic buyers.

Monopolistic economic competition combines a few elements of perfect (free) competition and the trend of monopolism. There are two ways it synthesizes a perfect competition: 1) numerous buyers and sellers; 2) to enter and to exit the market is free in fact and in practice, although the obstacles exist. To differ them we can underline that in perfect economic competition products and services are standardized and identical (homogeneous) whilst in monopolistic competition all goods produced and sold are heterogeneous and various [81]. All this differentiation exists due to the following features: high quality of products affects, unique and appropriate design and shape of a good unit, more acceptable and convenient packaging, branding with logos and brand awareness, various conditions for pre-sale and post-sale options and services, advertising and marketing campaigns, broaden sale points and promotions. All these criteria give prominent and transparent advantages for the sellers in terms of competitiveness and even attract relatively better buyers which are ready to offer a higher price for the same product. It can be called the manufacturers' monopoly with a set of differentiated and assorted goods which allow them to earn additional extra profit due to price increase.

Monopolistic competition as a theoretical concept was accumulated and researches at the beginning of the XX century simultaneously and developed independently by E.H. Chamberlin and J. Robinson. In 1933, two books appeared that changed the way economists dealt with imperfect competition, namely Joan Robinson's "The Economics of Imperfect Competition" and Edward Hastings Chamberlin's "The Theory of Monopolistic Competition" [17]. They drew attention to the tendency in which if we differentiate similar type of products the sellers tend to create a partially separated network with interconnections instead of working in single economic market. With that, the certain market network accumulates a number of certain products with differentiated prices, costs of production, various goods output volume. Such distinction also promotes standard monopolistic behavior when we speak about individual manufacturers and sellers.

Monopolistic economic competition participants can develop well in common market industrial sectors like clothing and footwear, perfumes, catering services and soft drinks, agricultural products and even show business. This area is also suitable for large, medium-sized and small enterprises.

1.1.2 Approaches to competition management

Then overall performance of the competition management can be presented through the following scientific schools. Here we are going to present a structured and brief outlook connected with various and classical theoretical implications from published sources and identify their effects for competitiveness concept. There are major economic schools of competition theory and management follow the significance of the determinant “competitiveness” (implicit or explicit). In some cases, it relates to nation in general if we speak about competitiveness of a country, in some ways it goes to an enterprise or to a region within a country. The latter means “regional competitiveness” [50] and relevant to our research. Let us concentrate on these.

1. Classical political economy theory. This economic concept specializes on the “division of labour” proposed by Adam Smith’s and provides opportunities for scaling economies in order to differ its productivity across any developed nation. In the 1770s A. Smith summarized his understandings about the labour division to give lectures and then to finalize his prominent paper the Wealth of Nations [86].

According to Smith and his idea, any enterprise can meet the needs to improve its output growth and increase or raises productivity in order to facilitate its specialization field by utilizing so called investment in capital (or improved manufacturing and machinery) and international trade (increasing the size of the market). Furthermore, division of labour and the connected with that business growth of a company can be strengthen by increasing production output.

We are about summarizing the key elements of this theory in Table 1.

Table 1 – Key elements of classical theory [86]

KEY ELEMENTS OF CLASSICAL THEORY	
Key assumptions • Division of labour enables technological differences across countries (i. e. cross country differences in productivity). • Trade based on absolute advantage (Smith) and later comparative advantage (Ricardo). • Within countries, factors of production (labour) are perfectly mobile across industries.	**Key driving factors** • Investment in capital (i. e. improved technology) enhances the division of labour (specialisation) and, hence, raises productivity. • Trade (move from autarky to free trade) provides an engine for growth (static gains from trade).
Implications for (regional) competitiveness • All countries have a role in the division of labour based on their comparative advantage. But if technology, and hence productivity, is the same across countries (regions) then no basis for trade. • Even though a country may be more productive (absolute advantage/productive efficiency) in the production of a good, it may nonetheless see this industry decline with free trade.	

2. Neo-classical concept. Perfect competition world in accordance with that theory consists of full and a number divisibility of factors and creates necessary

conditions to existence of the situation when participants provide constant returns to economic scale and possess perfect information. The Heckscher-Ohlin (H-O) model [68] has its core assumption related to the respect of trade and meant “factor-proportions model” built in contribution to Ricardo’s model [15]. These two models describe incorporation of labour factor and capital factor in factors of production chain (as Ricardo assumed).

We are about summarizing the key elements of this theory in Table 2.

Table 2 – Key elements of neo-classical theory [68]

KEY ELEMENTS OF NEO-CLASSICAL THEORY	
Key assumptions • Perfect information (same technology across countries), constant returns to scale and full divisibility of all factors leads to a world of perfect competition. • Trade based on factor endowments (labour and capital). • Within countries, factors of production (labour and capital) are perfectly mobile across industries.	**Key driving factors** • Trade (move from autarky to free trade) provide an engine for growth (static gains from trade).
Implications for (regional) competitiveness • All countries have a role in the division of labour based on their relative factor proportions. But if factor proportions are same across countries (regions) then there is no basis for trade. Theory is most relevant for North-South or developed-developing country trade (i. e. where nations display major differences in factor proportions). • Factor price equalisation implies convergence of returns to capital and labour. • Given (universal) perfect competition, the notion of ‘competitiveness’ is essentially not relevant in the long run.	

3. Keynesian economic theory. Keynes's theory is radically different from classical economic theory in some important respects. Here, the most representative is the ideology and technology of the functioning of markets (Keynes, 1936) [16]. Keynes, unlike his predecessors, doubted that the market works only under the influence of prices. Relying only on the price of the goods, we can talk about adjusting production according to the number of manufactured goods. Here, the price-result ratio is not so obvious. Another important point for the separation of understanding is the view of labor and capital. Classical economists regarded labor and capital as two independent factors of production. Keynes suggested that labor and capital complement each other. [12].

We are about summarizing the key elements of this theory in Table 3.

Table 3 – Key elements of Keynesian theory [16]

KEY ELEMENTS OF KEYNESIAN THEORY	
Key assumptions • Price adjustments might be slow, leading to adjustments in quantity. • Markets are not necessarily in equilibrium: shortages on demand or supply side. • Possibility of false trading (i. e. against non-equilibrium prices). • Capital and labour are complementary.	**Key driving factors** • Capital intensity. • Investment. • Government spending, such as investment in the public domain and subsidies/tax cuts for enterprises.
Implications for (regional) competitiveness • Governments can intervene successfully in the cycles of the economy: timing is crucial. • Assumption of imperfect markets allows for regional differences. • Convergence of regions can be achieved through economic policy. • Capital intensity increases productivity and growth.	

4. Development economics. This area of economic interests was one of the most discussed in scientific circles. Important topics in the development economy are free trade, foreign direct investment and effective international assistance. Of interest to us is the theory of Rostow (1960) [80] on the stages of economic development. The scientist classifies and divides development societies into five historical stages: traditional society, transitional, average take-off society, mature society, and high mass consumption. Typical features exist at every stage of development. The state economy reaches a higher level when specific development conditions are met. Market forces and market mechanisms interact together.

We are about summarizing the key elements of this theory in Table 4.

Table 4 – Key elements of development economics theory [80]

KEY ELEMENTS FROM DEVELOPMENT ECONOMICS	
Key assumptions • Incomes do not necessarily converge over time. • Some countries develop more successfully than others. • Economic policy plays an important role in determining this success.	**Key driving factors** • Move from agriculture to higher value added sectors. • Openness to trade. • Foreign direct investment (FDI). • (Foreign) development funds.
Implications for (regional) competitiveness • 'Central' regions with initial productive advantages are likely to maintain their lead over less productive 'peripheral' regions. • Catch-up in productivity between regions is likely to be a slow process. • Policies should take into account a region's stage of development. • Policies are needed to promote 'spread effects', e. g. through FDI or development funds.	

5. New economic growth theory, or theory of endogenous growth. The circle of scientists and researchers believed technological progress is exogenous in nature. However, this statement was refuted, since human capital, investments in society are mediated by a person's experience and his achievements. The theory of endogenous growth (or a new theory of growth) suggests that the technical and technological aspects of economic growth have an endogenous model of development by nature (Martin and Sanley) [61]. The theory of endogenous growth is trying to explain the economic history of states and to understand why some countries succeeded in economic growth, while others fell into decay. The founders of the theory assume that the accumulation of knowledge contributes to the success of the nation. New knowledge and new technology cannot be distributed instantly across the territory, between enterprises, regions, countries. New knowledge must be developed within each society.

Key elements of this theory can be summarized in Table 5.

Table 5 – Key elements of New economic growth theory [61]

KEY ELEMENTS FROM NEW ECONOMIC GROWTH THEORY	
Key assumptions • Technological progress no 'manna from heaven'. • Increasing returns from accumulation of knowledge. • Introduction of human capital as production factor. • Markets do not automatically generate optimum. • Path dependency.	**Key driving factors** • R&D expenditure. • Innovativeness (patents). • Education level. • Spending on investment in human capital (schooling, training). • Effective dissemination of knowledge (knowledge centres).
Implications for (regional) competitiveness • Regional differences in productivity and growth can be accounted for by differences in technology and human capital. • Improvements in technology and human capital are engines for growth. • Open trade may be supportive of growth and technological development. • Investments in research and development are crucial. • Improving human capital (by schooling and training) is of key importance.	

6. New trade theory. The founders of the traditional theory of trade (classical and neoclassical) suggest that trade occurs and develops between countries with different technologies or factors of production [59]. Representatives of the new trade theory explain how trade between industrialized countries is organized. Thus, the important elements of this system were the scale of trade, imperfect competition between companies and differentiation of goods manufactured by industrialized

countries. The new theory of trade suggests that increasing profits is the reason for the development of a firm's specialization and the formation of its comparative advantages. Trade also arises when comparative advantages are of little importance.

Key elements of this theory can be summarized in Table 6.

Table 6 – Key elements of New trade theory [59]

KEY ELEMENTS FROM NEW TRADE THEORY	
Key assumptions • Technology is an explicit and endogenous factor of production. • The production of new technology reflects decreasing returns to the application of capital and labour. • The production of new technology creates externalities. • There are increasing returns to scale in the use of technology. • While technology is mobile (across companies and countries), there is imperfect mobility of the ability to use technology. • Imperfect competition	**Key driving factors** Factors influencing 'first mover' advantage e. g. • Skilled labour. • Specialised infrastructure. • Networks of suppliers. • Localised technologies.
Implications for (regional) competitiveness • Specialisation is needed at the industry/branch level, in order to allow external economies of scale. • Size of home markets is crucial for obtaining internal economies of scale. • Investing in skilled labour, specialised infrastructure, networks of suppliers and localised technologies enhance external economies of scale.	

1.1.3 Basics of competitiveness

In the 21st century, the notion of competitiveness of nations and regions expanded rapidly by research of academia and published literature on the topic. Policy-relevant sources such as empirical and theoretical examined a range of current interest topics which include network and clusters analysis, productivity, creativity and innovations, role of institutions and institutional agility component, governance, cultural, human and social capital, economic complexity, further geographic and geo-spatial considerations (global, international, national, regional, urban-rural scaled).

Competitiveness – a conscious human impact on objects, the participation of people in them, which is carried out in order to give a certain direction to the economic activity of the enterprise and to obtain the desired results by this enterprise.

The term competitiveness has been intensively dissected in the academic literature ever since it became a focus of the policy debate in the late 1980s and early 1990s (Krugman [58]; Porter [74]).

The Sixth Periodic Report on the Regions issued by the European Commission in 1999 [98] defined competitiveness as the ability to produce goods and services which meet the test of international markets, while at the same time maintaining high and sustainable levels of income or, more generally, the ability of (countries, regions, enterprises) to generate, while being exposed to external competition, relatively high income and employment levels. In other words, for a region to be competitive, it is important to ensure both quality and quantity of jobs.

In accordance with the latest findings of the World Economic Forum, we live in the Fourth Industrial Revolution (4IR). Here humanity has entered a new phase. The World Economic Forum leaders recognized that there is a new tool for understanding and assessing competitiveness. Nowadays competitiveness includes several significant elements as the 4IR gathers human capital, innovation, resilience and agility. These qualities are captured through a number of new, critically important concepts (e.g. entrepreneurial culture, companies embracing disruptive ideas, multi-stakeholder collaboration, critical thinking, meritocracy, social trust) complementing more traditional components (e.g. information technology, physical infrastructure, macroeconomic stability, property rights) (Figure 2) .

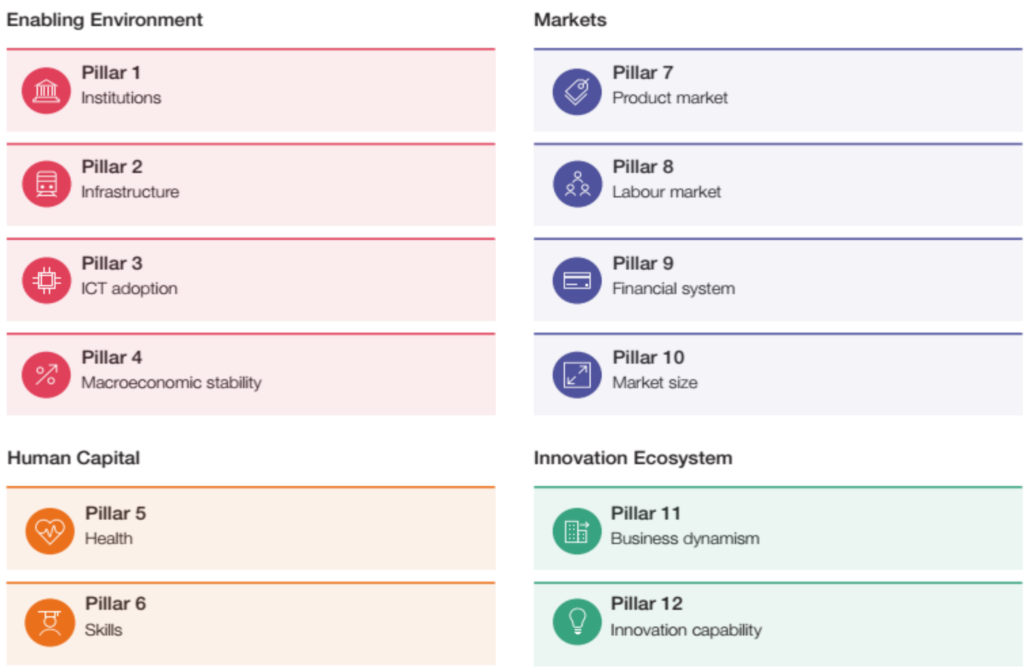

Figure 2 – Competitiveness dimensions [98]

Above in Figure 2 there are four dimensions and 12 pillars in which competitiveness as definition arises: enabling environment, markets, human capital, innovation ecosystem .

We will define competitiveness as the ability of firms to compete in markets. For example, national competitiveness refers to the ability of the enterprise base in one country to compete in international markets. Firms' ability to compete at high levels of productivity is deemed essential to support job creation and high incomes, which in turn are the key determinants of high and rising living standards.

For instance, the Irish National Competitiveness Council (NCC) published another vision of competitiveness in 2016 [78]. NCC used a framework model to understand and analyse national competitiveness and its drivers. This model consists of three levels alike pyramid (Figure 3).

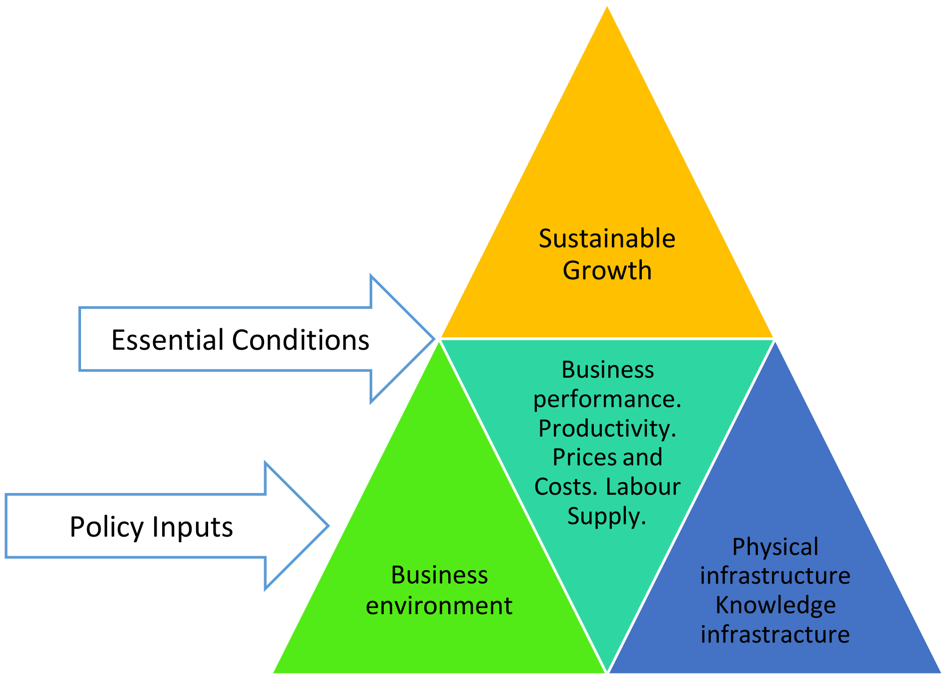

Figure 3 – Pyramid of competitiveness [78]

1. At the bottom of the pyramid are the policy inputs. These are factoring that policy can directly influence and that ultimately drive the competitiveness performance of the country. The framework distinguishes between business environment, physical infrastructure, and knowledge infrastructure.

2. At the intermediate level of the pyramid are so-called “essential conditions”. These conditions are driven by the underlying policy inputs and reflect directly the conditions under which firms compete. The framework lists specifically business performance, productivity, prices & costs, and labour supply.

3. Objective. At the top level of the pyramid is sustainable growth as an ultimate policy objective. This objective is seen as not directly under the control of policy makers, but as influenced by the nature of essential conditions and the choices on policy inputs made at lower levels of the pyramid.

In addition, there are new developments in the academic debate of competitiveness. The core debate about the term competitiveness has not changed very much since the early 1990s; it continues to follow the path outlined above.

1.2 Analysis of competitiveness types

Depending on the size of the object of determination, competitiveness is divided into the following types:

1. The competitiveness of a country is determined by the ability of a particular country to produce goods and services that will meet the requirements of markets at various levels, including world ones, as well as create conditions for increasing state resources at a speed that allows for sustainable GDP growth and a quality of life for the population at world level indicators.

2. The competitiveness of a region is determined by the ability of a particular region to produce goods and services that meet the requirements of markets, both domestic and global, can create conditions for increasing regional resources, as well as ensuring the growth of the potential for economic competitiveness at a speed that would ensure the region a steady growth rate and high quality of life.

3. The competitiveness of the industry is determined by the ability of each industry to produce such goods and services that would meet the requirements of both global and domestic markets, and could create the conditions for the growth of the competitiveness potential of enterprises in each industry based on the basic available macro technologies.

4. The competitiveness of a cluster is defined as its ability to use the potential of macro technologies at all levels of vertical integration to obtain the multiplicative effects of the production of services and goods that meet the requirements of the markets, as well as enhance certain advantages due to the achieved leadership in production technologies and optimization of sales management forms as the main prerequisite to increase competitiveness [82].

5. The competitiveness of the enterprise is considered separately in each aspect of its activities.

Therefore, for consumers, it represents the ability to satisfy emerging needs based on the production of services and goods that could exceed the products of competitors in the required set of parameters. At the level of competitors, it represents the ability to produce such services and goods that can meet markets at various market levels and be able to create conditions for the growth of competitiveness potential. At the investor level, competitiveness expresses the ability to use various enterprise resources for the dynamic development and expansion of markets, increase the market value of the enterprise.

At the level of other market entities (partners), competitiveness is the ability to produce competitive products, as well as create positive conditions for the growth of the competitiveness potential of other entities [95].

The industrial development policy developed by the state, which is aimed at increasing the competitiveness of industry enterprises, should ensure the solution of two priority tasks. This is the reform of enterprises in order to improve the quality and effectiveness of their management and the development of government regulation measures that stimulate the development of domestic producers. In this regard, the development of the theory of competitiveness management is acquiring extremely important practical importance today.

Overall, a specific object in a competitive market determines competitiveness. Competitiveness can be strategic and tactical. At the stages of strategic marketing, strategic and innovative management, forecasted level indicators and strategic competitiveness standards are formed and gradually updated, and after the manufacture of goods, methods and means are found to maximize the competitive advantages of the finished object and service system, i.e. implemented tactical competitiveness.

1.2.1 Analysis of enterprise competitiveness

Competitiveness is recognized as an important market category. With constant quality characteristics of the products, services, and operations of the enterprise, its competitiveness has the ability to change over a fairly wide range if the enterprise responds to various factors determined by the competitive environment. Based on this, the competitiveness of the enterprise can be represented as follows (Figure 4).

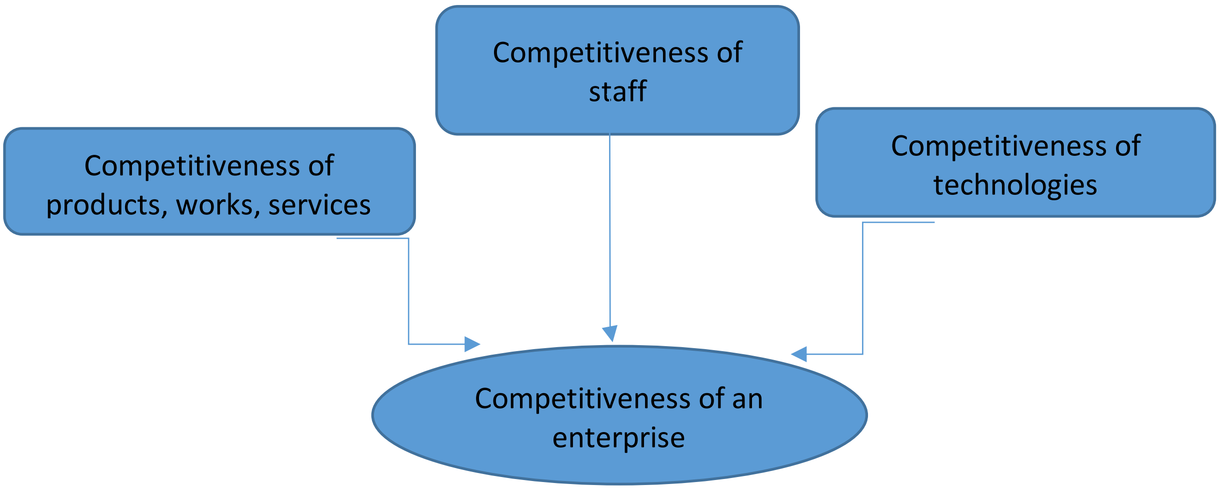

Figure 4 – Factors determine the competitiveness of an enterprise [57]

Achieving a high level of competitiveness of an enterprise, its products, both on regional and world markets is inconceivable without constant technological updating of production, as well as without the use of progressive and highly effective methods of organizing production processes [57]. It should be noted that in recent years the problems of ensuring the safety of production and their environmental friendliness have become acute.

We speak about the compliance of the technologies used by the enterprise with the increased requirements that largely determined the level of competitiveness of domestic companies.

The effect of any changes in the enterprise, such as the introduction of new technologies or progressive organizational and economic transformations, can be achieved only with appropriate reinforcement of human resources. People represent a significant competitive advantage of the enterprise, which must be developed in parallel with other resources in order to successfully achieve the strategic goals of the enterprise.

According to the representative of the positioning school, M.E. Porter, competitiveness is presented as a concept in the form of competitive advantages or benefits. In his opinion, competitiveness results from an enterprise's competitive strategy in the process of achieving and maintaining competitive advantage. In his concept, he distinguishes two key strategies: cost-based leadership and diversity, being the basis for achieving competitive advantage [75].

According to C. Bowman and D. Faulkner, we distinguish basic competitiveness which includes processes and systems due to which an enterprise may become the leader in its trade and key competitiveness resulting from the fact that a company possesses skills due to which it will obtain a sustainable competitive advantage on the market. The indicated authors adopt the definition of competitiveness as a multi-level microeconomic category due to relations taking place between the managing entity, its potential and skills, and the market structure along with possibilities appearing on it [40].

According to the reputable creator of contemporary management concept, P. Drucker, competitiveness should be interpreted as a sign of market success of an enterprise due to entrepreneurship shaped by means of innovation. The factor determining the presence of competitiveness is innovations due to which it is possible to expand the market offer, improve and increase the quality of offered products and services, maintain qualified staff and their high productivity and ensure customer satisfaction [33].

At present, the competitiveness of an enterprise, along with technologies and methods of organizing production, is determined by the availability of qualified employees, the degree of their motivation, the effectiveness of the organizational structure and form of work, which can allow a high level of competitiveness of employees and make more efficient use of their existing labor potential.

Given the intersection of the three components, it is possible to achieve the competitiveness of the enterprise as a whole, which is the key to its effective work:

- competitive technologies and methods of organizing production and labor;
- competitive products (works, services);
- competitive staff.

1.2.2 Competitive behavior

It is important to define here economic entities – these are participants of intra-industry and intersectoral competition, depending on market conditions and goals that they set for themselves, can carry out the following types of competitive behavior: creative, adaptive, guaranteeing [65].

The creative type of competitive behavior involves providing the subject with advantages over the opponent by introducing new components (products, technologies, forms of organization of production, etc.). An important sign of creative competition is the desire of market counterparties to change the existing structure of supply and demand [19].

The adaptive type of competitive behavior consists in anticipating the actions of competitors in the field of modernization of production. It is used when an entrepreneur is not confident in his innovative capabilities and tries to copy the achievements of his rivals in a short time.

The guaranteeing type of competitive behavior is designed to ensure long-term stabilization of the achieved market positions and improve them by improving product quality, updating its assortment, providing additional services related to warranty service, etc. This type of competitive behavior is used, as a rule, when the entrepreneur does not have the ability to significantly change the production and commercial programs and has a weak innovation base.

A potential entrepreneur who intends to begin his business activity is aware that upon implementing his business idea he will be a participant of the market game whose inseparable part are competitive activities performed by his business opponents. For this reason, his part when running his own company is competent observation and reading the processes taking place in the micro- and macro-environment of the company he runs. As part of the entrepreneurship processes taking place inside a business entity, the entrepreneur formulates an area of competitiveness and organizational capabilities which are to affect the company's final achievements [73].

1.2.3 Role of product promotion in competition

In recent years, the role of the product promotion system has grown significantly due to increased competition for the consumer, increased risks associated with creation of new products and increased requirements for product quality standards. In these conditions, the success of an organization depends at a large extent on how it is able to manage a complex system of marketing communications. Product promotion is an important component of the marketing activities of any enterprise and requires appropriate organization and planning.

Among conventional elements of product promotion like trade-marketing or advertising and PR we assume that the most fast-growing segment is digital marketing, the marketing of goods and services using digital technology. It is used at all stages of interaction with consumers in the B2C and B2B segments. The effectiveness of this area is due to close interaction with consumers and the coverage of the target audience. Digital marketing is actively used to promote well-known brands. Unlike online marketing (which uses the World Wide Web), offline channels are also involved in digital marketing (offline tools like smart gadgets, POS terminals, etc.). Digital marketing is confused with Internet marketing, so it is worthwhile to dwell on this in more detail. We will do that in the second chapter.

If summarize the role of digital promotion, we can define the following. Digital marketing services were especially in demand in the B2B and B2C segments. The use of advanced digital capabilities allows us to reach a maximum of target consumers and establish the effectiveness of interaction with them, which ensures high efficiency of this approach and competitiveness of the enterprise.

1.3 Management Evaluation Methods of enterprise competitiveness

At the present stage, the struggle for the consumer requires the creation and sale of truly competitive products. In this regard, the problem arises of finding economically rational approaches to the competitiveness of goods and the costs of their implementation.

Therefore, it seems appropriate to assess the competitiveness of the enterprise, taking into account three main factors: the results of economic activity, the degree of satisfaction of the market requirements with competitive products, the potential capabilities of the enterprise. At what level each component will be fulfilled, from that position one can judge the competitiveness of the enterprise as a whole.

Levels of competitiveness have fairly close internal and external relationships. In the analysis, a system of organizational and economic instruments for ensuring competitiveness is considered in the form of a sum of actions of seven components:

- parameters of production factors;
- parameters of demand for products;
- availability of suppliers;
- the strategy of the enterprise, its structure and the nature of competition between them;
- formation of a competitive environment;
- industrial policy of the state;
- events of a random nature.

The basis of success lies in the systematic and cyclical monitoring of all seven components. The essence of an integrated approach is to ensure the maximum competitiveness of the research object based on the effective combination of these factors. In this case, one of the instruments for ensuring competitiveness may be the structure of indicators of production competitiveness in the form of a “tree of indicators”.

Analysis of the economic literature on the subject allows you to select multiple approaches to assess the level of competitiveness.

1) Matrix method. Matrix methods of assessment of enterprise competitiveness based on the use of matrix tables organized by rows and columns of elements. There are many matrix models, which can be used to assess the level of competitiveness of the enterprise: matrix «The growth of the industry/market share» (model BCG); matrix «market attractiveness/competitive position» (model GE/McKinsey); directional policy matrix or «industry attractiveness/competitiveness» (model Shell/DPM); matrix «stage of the market / competitive position» (model Hofer/Schendel); matrix «stage of the life cycle of products / competitive position» (model ADL/LC) [101].

Using matrix methods, executives have the opportunity to assess the level of competitiveness of potential of not only their company, but also its closest competitors, which will help to develop a strategy of market behavior.

2) Methods based on the theory of effective competition. One of the most common methods of estimation of competitiveness of enterprises. According to this theory the most competitive are companies where the best arranged work of all services and divisions. On the efficiency of each of the services is influenced by a number of factors, resources of the firm.

Evaluation of the effectiveness of each of the units involves an assessment of the effectiveness of the use of these resources [14]. The method is based on evaluation of 4 groups of indicators or criteria of competitiveness: efficiency indicators of production activity, the financial position of the company, the effectiveness of the marketing and promotion of goods, competitiveness of a product.

3) Methods based on the evaluation of competitiveness of enterprise products. Methods based on the evaluation of competitiveness of enterprise products. This group of methods is based on the idea that competitiveness is higher, the higher the competitiveness of their products.

To determine the competitiveness of products uses various marketing methods, which are based on finding the ratio price-quality. The calculation of the index of competitiveness for each type of products is carried out using a parametric and economic competitiveness index. In turn, these indices are determined by summation of the partial indices for each evaluated parameter with the given weighting coefficients [103].

4) Integrated methods. Methods classified under this approach are defined as complex due to the fact that the assessment of the competitiveness of enterprises under each of the methods is conducted by identifying not only current but also potential competitiveness of the enterprise [25]. The approach is based on the assertion that competitiveness is the integral value in relation to current competitiveness and competitive potential.

With the rise of multibusiness enterprises in the 20th century, companies began to struggle with managing a number of business units profitably. In response, management thinkers developed frameworks to address this new complexity. One that arose in the early 1970s was the GE–McKinsey nine-box framework, following on the heels of the Boston Consulting Group's well-known growth share matrix [62].

Let us consider the matrix below (Figure 5).

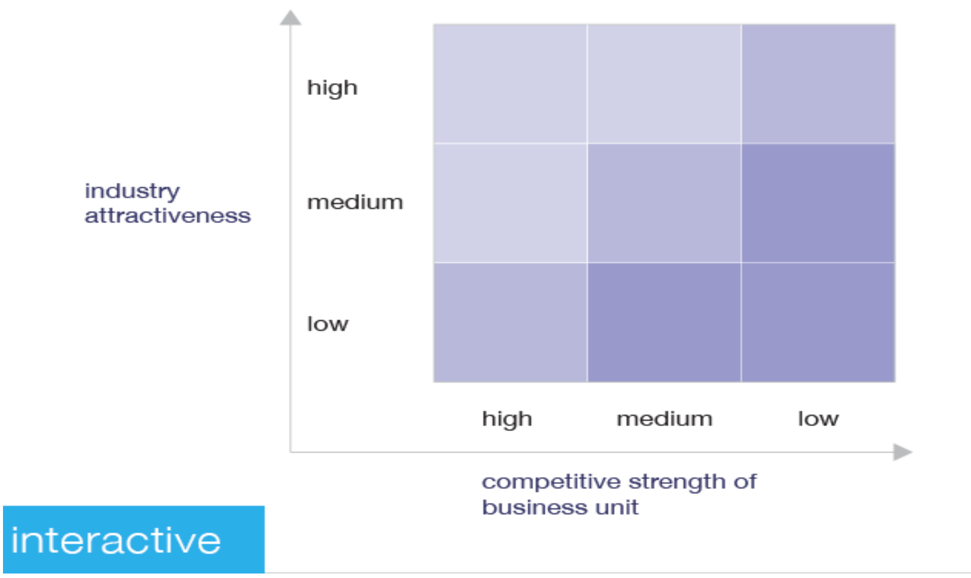

Figure 5 – The nine-box matrix [62]

The nine-box matrix offers a systematic approach for the decentralized corporation to determine where best to invest its cash. Rather than rely on each business unit's projections of its future prospects, the company can judge a unit by two factors that will determine whether it’s going to do well in the future: the attractiveness of the relevant industry and the unit’s competitive strength within that industry.

As far as we can agree, competitiveness management is divided into a number of types that determine the form in which control actions are transferred to the control object. Types of competitiveness management can be characterized as separate technological operations of management, its components, which make up the management process in its unity and combination.

Russian scientists used to propose a method for calculating the final indicator of the competitiveness assessment in a company (C) as the average of the three components according to the Formula [13, 21, 93]

$$C = Ms * Us * Ci * Cf \qquad (1)$$

where

MS - the marketing component of the company’s competitiveness;

Cf - the financial component;

Ci - the image of the company.

Integration of factors can be carried out by summing up their competitiveness. So, other researchers, when calculating the integral indicator of enterprise competitiveness, offer the empirical Formula

$$CCP = 0.15\ EP + 0.29\ FP + 0.23\ ES + 0.33\ CT \qquad (2)$$

where

CCP - coefficient of competitiveness of the enterprise,

EP – value of the criterion of the effectiveness of production activities of the enterprise;

FP – value of the criterion of the financial position of the enterprise;

ES – value of the criterion of the effectiveness of marketing and promotion of goods on the market;

CT – value of the criterion of product competitiveness.

The weights (coefficients) used are determined expertly by the method of successive comparisons. Each of the criteria has an additional calculation, and only after calculating all the criteria is the integral indicator of the enterprise's competitiveness for the analyzed year determined.

1) Consider the definition of the value of the criterion of the effectiveness of production activities of the enterprise – EP.

$$EP = 0.31I + 0.19F + 0.40RT + 0.10P \qquad (3)$$

where

I – relative indicator of costs per ruble of income;

F – relative indicator of capital productivity;

RT – a relative indicator of profitability of sales;

P – a relative indicator of labor productivity.

0.31; 0.19; 0.40; 0.10 - weighting factors

2) FP - the criterion of the financial position of the enterprise also has its own calculation formula and this is

$$FP = 0.29\ CA + 0.20\ CP + 0.36\ CL + 0.15\ CO \qquad (4)$$

where

CA – a relative indicator of the autonomy of the enterprise;

CP – a relative measure of solvency of the enterprise;

CL – a relative measure of liquidity of the enterprise (absolute);

CO – relative indicator of working capital turnover.

3) The value of the criterion of the effectiveness of the organization of marketing and promotion of goods on the market – ES is calculated by the Formula

$$ES = 0.37RP + 0.29CZ + 0.21CM + 0.14CR \qquad (5)$$

where

RP – a relative indicator of profitability of sales,

CZ – a relative indicator of overstock of finished products (assessment of the expert of the company), CM – a relative indicator of capacity utilization (assessment of the expert of the company),

CR – a relative indicator of the effectiveness of advertising and means of sales promotion (assessment of the expert of the company).

As we can see, the value of the criterion of the effectiveness of the organization of marketing and promotion of goods on the market consists mainly of expert evaluations of the company's marketing specialists.

4) CC – value of the criterion of product competitiveness in the framework of this study is taken as 0.8

As we can see, to analyze and evaluate the competitiveness of the company, an analysis of the financial condition of the enterprise is required, which will allow you to calculate and substitute the calculated values in the formulas and, based on the methodology, evaluate the level of competitiveness of the enterprise in dynamics.

The basis of financial analysis is the calculation of special indicators, often in the form of coefficients, characterizing one or another aspect of the financial and economic activities of the organization. Among the most popular financial ratios are the following:

1) The coefficient of autonomy (the ratio of equity to total capital (assets) of the enterprise), the coefficient of financial dependence (the ratio of liabilities to assets).

2) Current ratio (current assets to current liabilities).

3) Quick liquidity ratio (ratio of liquid assets, including cash, short-term financial investments, short-term receivables, to short-term liabilities).

4) Return on equity (ratio of net profit to equity).

5) Sales profitability (the ratio of profit from sales (gross profit) to the company's revenue), net profit margin (the ratio of net profit to revenue).

In the process of analysis, it is necessary to analyze financial stability – an integral part of the overall stability of the enterprise, as well as the balance of financial flows, the availability of funds that allow the organization to maintain its activities for a certain period of time, including servicing loans and manufacturing products. We can propose the following scheme to the analysis (Table 7).

Table 7 – Key indicators of financial stability of an organization [25]

Indicator	Description of the indicator and its normative value
Coefficient of autonomy	The ratio of equity to total capital. The generally accepted normal value: 0.5 or more (optimal 0.6-0.7); however, in practice it is highly dependent on the industry.
Ratio of financial leverage	The ratio of borrowed capital to equity.
Ratio of own working capital	The ratio of equity to current assets. Normal value: 0.1 or more.
Investment coverage ratio	The ratio of equity and long-term liabilities to total capital. Normal value for the industry: 0.7 or more.
Maneuverability coefficient of equity	Capital ratio of working capital to sources of equity.
Property mobility ratio	The ratio of working capital to the value of all property. It characterizes the industry specifics of the organization.
Mobility ratio of current assets	The ratio of the most mobile portion of current assets (cash and financial investments) to the total value of current assets.
Coefficient of security of stocks	The ratio of own working capital to the value of inventories. Normal value: 0.5 or more.
Short-term debt ratio	The ratio of short-term debt to total debt.

To correctly evaluate and further improve the competitiveness of the enterprise, many methods have been developed that can be applied both individually and in combination, depending on the tasks set before the assessment. The variety of methods existing today makes it possible to choose the most effective and simple assessment method for each particular enterprise.

Summarizing the foundations, suggestions and proposed analysis of competition management given in the first chapter, we reckon that competitiveness of an enterprise is understood to mean its ability to be in demand and successful in the market, compete with firms in market reality and receive more economic benefits compared to companies supplying similar products.

In general, competitiveness is a complex characteristic and it can be expressed through a set of indicators. To determine the position occupied by the economic entity in the domestic and foreign market, it is necessary to assess its competitiveness.

Assessment competitiveness means that companies need to carry out is often based on intuitive feelings, however, it can be quite formalized by describing a range of indicators that allow the assessment itself to be carried out and allow one to identify areas for increasing competitiveness by identifying influencing factors. The indicators that can be used in assessing the competitiveness of a company are different and their set may differ depending on the assessment methodology used.

Summarizing, we can admit, in recent years the role of product promotion has grown significantly due to increased competition for the consumer, increased risks associated with creation of new products and increased requirements for product quality standards. In these conditions, the success of an organization depends at a large extent on how it is able to manage a complex system of marketing communications. Product promotion is an important component of the marketing activities of any enterprise and requires appropriate organization and planning.

2 Product promotion as an analytical tool in digital world

2.1 Macroeconomic situation in digital marketing

2.1.1 American and European economic performance in online spending

Digital marketing has often been understood as the promotion of products or brands via one or more forms of electronic media. For example, advertising mediums that might be used as part of the digital marketing strategy of a business could include promotional efforts made via the Internet, social media, mobile phones and electronic billboards, as well as via digital and television and radio channels.

Today, 4 billion people (53% of the global population) are connected to the internet, and nearly all of them (92.6%) do so using their mobile devices. Every day, 85% of users (3.4 billion) connect to the internet and spend, on average, six and a half hours online, – The Nielsen Global Connected Commerce report says [26]. Companies recognize the influence and impact that their online presence (via branded digital properties – websites, advertising and social media) has had on their in-store sales growth, and for other companies this sparked the origins of e-commerce retailing. Development in retailing has quickly become greater in scope than either the physical or virtual store. The economic and technological environment challenges companies to rethink their competitive edge by turning into value the potential of digital tools and electronic commerce.

Thorough knowledge and expertise are necessary for the effectiveness of every digital endeavor. In this respect, a valuable contribution is brought by D.Chaffey's book, "Digital Business and E-commerce Management: Strategy, Implementation and Practice" [23], whose sixth edition was published by Pearson Education. According to Chaffey, digital business describes how companies apply digital technology and media to improve the competitiveness of their organization through optimizing internal processes with online and traditional channels to market and supply. Electronic commerce (e-commerce) is defined as "all electronically mediated information exchanges between an organization and its external stakeholders" [23]. The author underlines that e-commerce is narrower in scope than digital business. The case studies the book incorporates refer to companies that are either benchmarks or true failures in the digital environment. Positive examples, which develop their retailer strategies into the digital parallel are eBay, Google, Amazon, as well as Debenhams, Argos, Shell Chemicals, EasyJet, Dell, Tesco and Jansen-Cilag. As a digital blunder example, the case of the clothing retailer Boo.com represents its professional approach, which was considered by the Financial Times "Europe's first big Internet casualty".

In this paper we analyse the case from the American experience. Therefore, let us dwell on macroeconomic and competitive indicators of the USA and performance of the country. The Global Competitiveness Index is a global study and its accompanying ranking of countries of the world in terms of economic competitiveness according to the World Economic Forum. The ranking of global competitiveness, which has been compiled since 1989, includes 63 countries. Its authors evaluate competitiveness by 20 parameters, divided into four categories (indexes): economic efficiency, government efficiency, business efficiency and infrastructure. The parameters themselves, in turn, consist of more than 300 various variables – from the contribution to world GDP, gas prices and the level of tax rates to the cost of capital, transparency of state policy and the openness of national culture to foreign ideas. According to the research, in 2019 the United States lost the title of the most competitive economy in the world, losing it to Singapore, follows from the updated rating of the Swiss business school IMD.

The IMD World Competitiveness Ranking is a global study and the accompanying ranking of countries around the world in terms of economic competitiveness. The rating is calculated according to the methodology of the leading European Institute of Management (Institute of Management Development, IMD), based in Lausanne (Switzerland), and issued as part of a series of reports on world competitiveness The IMD World Competitiveness Yearbook. By the country's competitiveness, the Institute understands the ability of the national economy to create and maintain an environment in which a competitive business arises [111].

For the first time in the top ten were two economies in the Middle East – Qatar and the UAE [77]. The US, having held onto the top of the rating for a year, dropped to third place. The impetus given by D. Trump's tax reform (business tax cuts) is apparently running out, IMD explained. Although the United States holds the first place in the world in terms of infrastructure efficiency and macroeconomic indicators, the competitiveness of the US economy has been affected by rising fuel prices, weakening high-tech exports and dollar fluctuations.

According to the World Bank, the GDP of the USA contains $20,544 trln as of 2018 [99] (Figure 6).

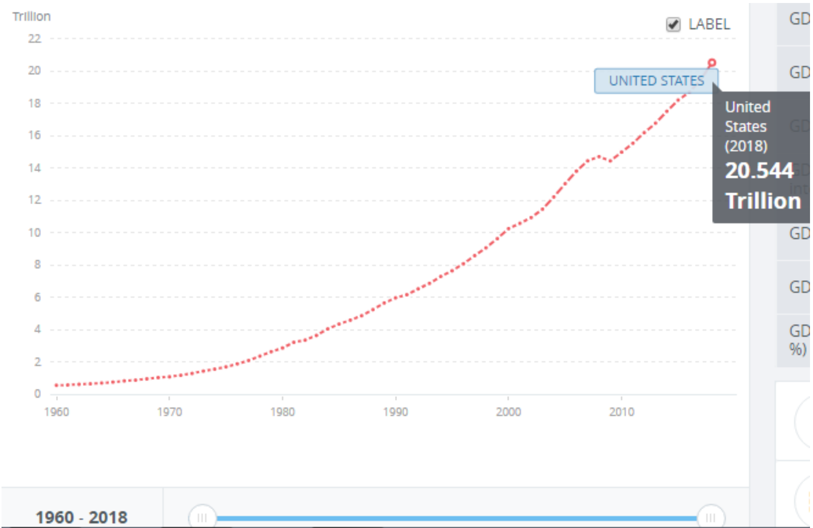

Figure 6 – GDP of the US [99]

Nevertheless, USA has its 2,9% growth of GDP annual change as of 2018 [42] in comparison with the other economies such as India and the UK (Figure 7).

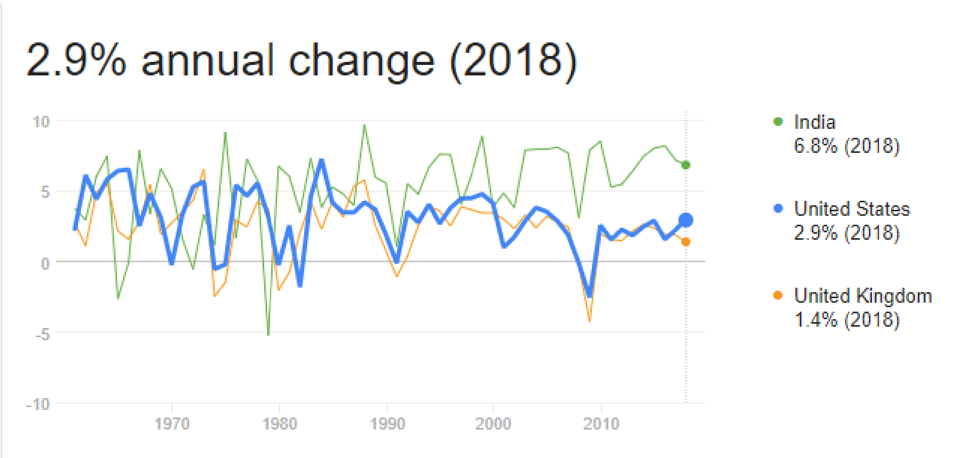

Figure 7 – USA GDP in comparison with the other economies,% [42]

The most recent competitiveness rankings presented in the Figure 8 below.

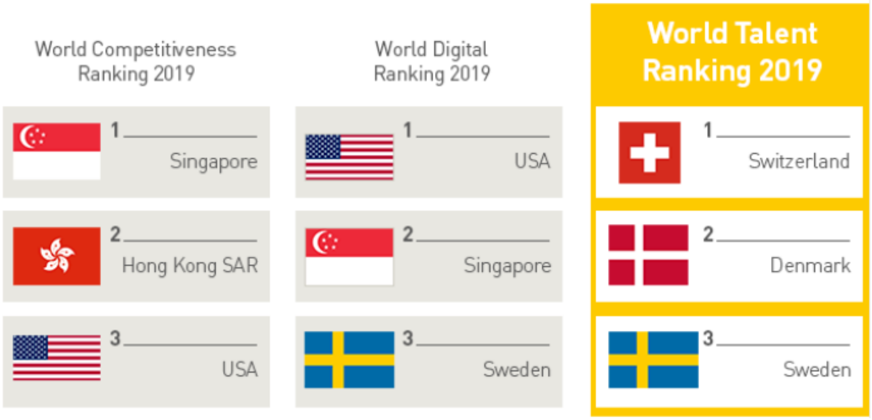

Figure 8 – World Competitiveness Rankings by the IMD [112]

In the IMD World Talent Ranking 2019, the top of the table is still led by European small and mid-size economies. Switzerland in the first and Denmark in the second position firmly lead the ranking for the seventh year in a row, followed by Sweden, Austria and Luxembourg. Although the US keep their race on the 3rd place in terms of World Competitiveness Ranking, and the 1st place in terms of World Digital Ranking as of 2019. The IMD World Competitiveness Ranking 2020 will be released on 16 June 2020, therefore we can assume that the rankings of each country will be changed a lot due to the economic effects of COVID-19 outbreak this year.

Relying on the economy profile data illustrated in the Global Competitiveness Report–2019, the USA held the 2nd place in terms of overall competitiveness index. Population is 328,240 mln, GDP per capita – 62,605.6 US$, 10-year average annual GDP growth – 2%. Unemployment rate 3.9%, Income Gini coefficient is close to balanced mid-equality – 41.5, where 0 (perfect equality) –100 (perfect inequality) [112].

The United States Bureau of Economic Analysis (BEA) uses the United States Census Bureau’s annual midyear population estimates. In 2018 the average per capita personal income in the US was US$ 56,663 [89].

According to the US Bureau of Economic Analysis, personal income decreased 2% in March after increasing 0.6% in February. Wages and salaries, the largest component of personal income, decreased 3.1% in March after increasing 0.5% in February [72] (Figure 9).

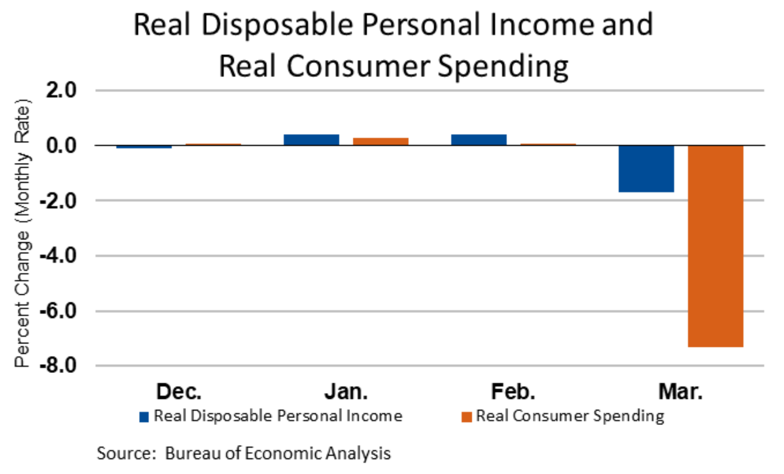

Figure 9 – Personal income in the US, percent change [72]

There are Principal Federal Economic Indicators presented at Figure 10.

Gross Domestic Product	Q1 2020	-4.8%
Personal Income	March 2020	-2.0%
International Trade in Goods & Services (Trade Balance)	March 2020	-$44.4B
U.S. International Transactions (Current Account Balance)	Q4 2019	-$109.8B

Figure 10 – Principal Federal Economic Indicators of USA [72]

As reported on May 2020 by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau, referred to exports of goods and services its decreased $20.0 billion, or 9.6%, in March to $187.7 billion. Exports of goods decreased $9.2 billion and exports of services decreased $10.8 billion. The decrease in exports of goods reflected decreases in industrial supplies and materials ($2.9 billion), in automotive vehicles, parts, and engines ($2.5 billion), and in capital goods ($2.0 billion). The decrease in exports of services reflected decreases in travel ($7.5 billion) and in transport ($2.6 billion).

As to imports of goods and services, its decreased $15.4 billion, or 6.2%, in March to $232.2 billion. Imports of goods decreased $4.7 billion and imports of services decreased $10.7 billion. The decrease in imports of goods reflected decreases in consumer goods ($4.0 billion) and in automotive vehicles, parts, and engines ($2.7 billion). An increase in capital goods ($1.5 billion) partly offset the decreases. The decrease in imports of services reflected decreases in travel ($7.7 billion) and in transport ($2.9 billion) [105]. Exports and imports are presented in the Figure 11.

Figure 11 – The US monthly goods and services trade deficit, billion USD [105]

Real gross domestic product (GDP) decreased 4.8% in the first quarter of 2020, according to the “advance” estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2019, real GDP increased 2.1% [44] (Figure 12).

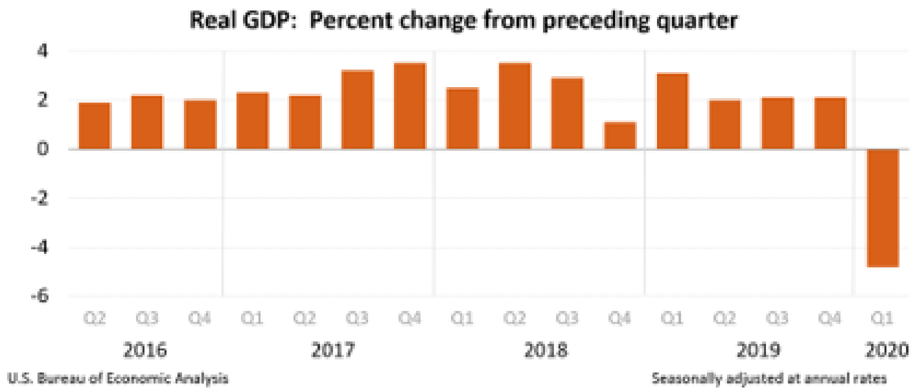

Figure 12 – Real GDP of the USA by quarters 2016-2020 years, percent change [44]

The first-quarter decrease in real GDP reflected decreases in consumer spending, business investment, exports, and inventory investment that were partially offset by increases in housing investment and government spending. Imports, a subtraction in the calculation of GDP, decreased. The decrease in consumer spending reflected decreases in services (led by health care) and goods (led by motor vehicles and parts). The decrease in business investment primarily reflected a decrease in equipment (led by transportation equipment). The decrease in exports primarily reflected a decrease in services (led by travel). The increase in housing investment primarily reflected an increase in new single-family housing, while the increase in government spending reflected an increase in federal government.

Real disposable personal income – personal income adjusted for taxes and inflation – increased 0.5% in the first quarter after increasing 1.6% in the fourth quarter. Personal saving as a percent of disposable personal income was 9.6% in the first quarter, compared with 7.6% in the fourth quarter. Prices of goods and services purchased by U.S. residents increased 1.6% in the first quarter of 2020, after increasing 1.4% in the fourth quarter of 2019. Food prices increased 3.1%, while energy prices decreased 11.0% in the first quarter. Excluding food and energy, prices increased 1.9% in the first quarter of 2020, compared with an increase of 1.3% in the fourth quarter [104].

The U.S. monthly international trade deficit increased in March 2020 according to the U.S. Bureau of Economic Analysis and the U.S. Census Bureau. The deficit increased from $39.8 billion in February to $44.4 billion in March, as exports decreased more than imports (as presented at Figure 13).

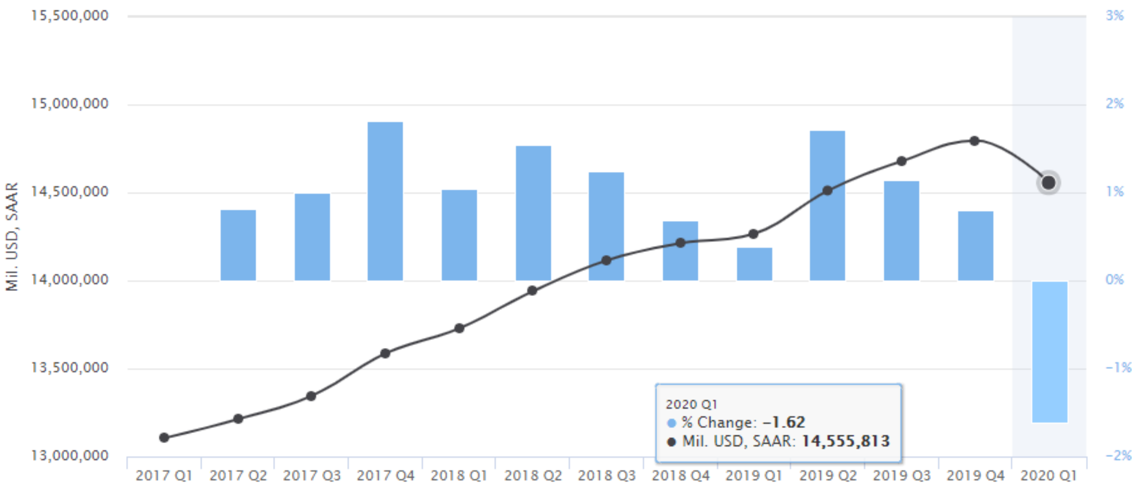

Figure 13 – USA Private consumption, mil. USD [104]

The previously published February deficit was $39.9 billion. The goods deficit increased $4.6 billion in March to $65.6 billion. The services surplus decreased $0.1 billion in March to $21.2 billion (as presented at Figure 14) [109].

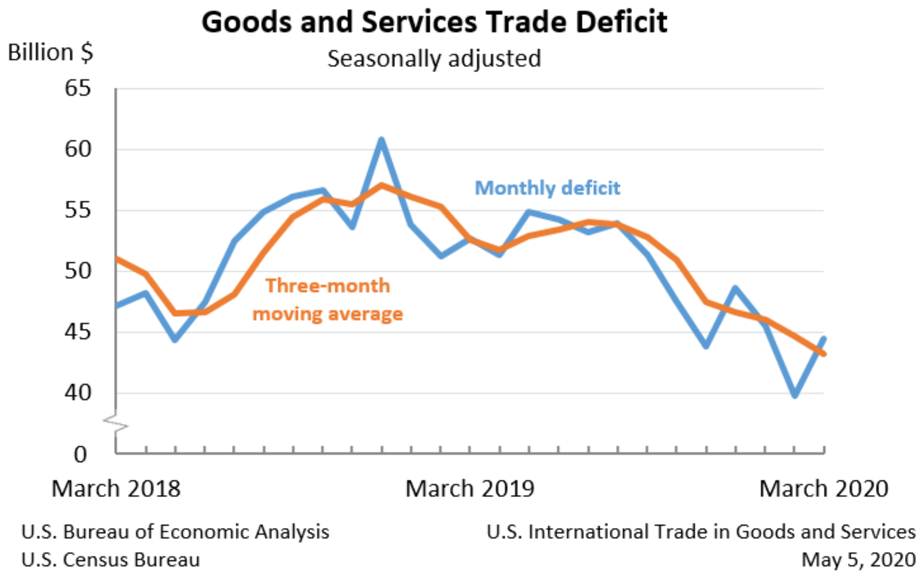

Figure 14 – Goods and services trade deficit in USA, billion USD [109]

State personal income increased 4.4% in 2019, after increasing 5.6% in 2018, according to estimates released by the US Bureau of Economic Analysis (BEA). In 2019, increases in earnings, property income (dividends, interest, and rent), and transfer receipts contributed to personal income growth in all states. For the nation, earnings increased 4.5% in 2019; increasing in all 24 industries for which BEA prepares estimates [89]. See Fig. 15 below:

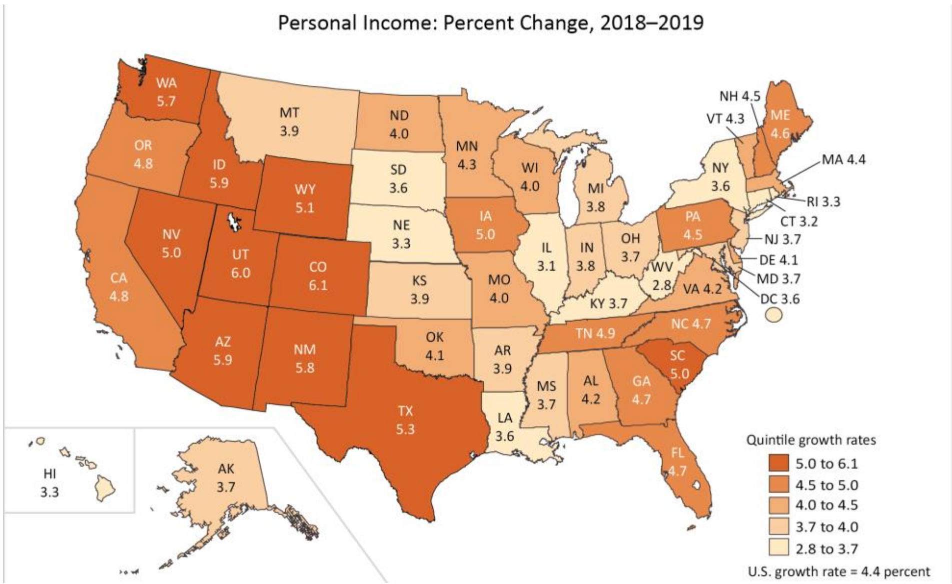

Figure 15 – Personal income per capita in USA, percent change [89]

Earnings growth in three industries – professional, scientific, and technical services; health care and social assistance; and state and local government – were the leading contributors to overall growth and were leading contributors to growth in the five fastest growing states: Colorado, Utah, Idaho, Arizona, and New Mexico (Figure 16).

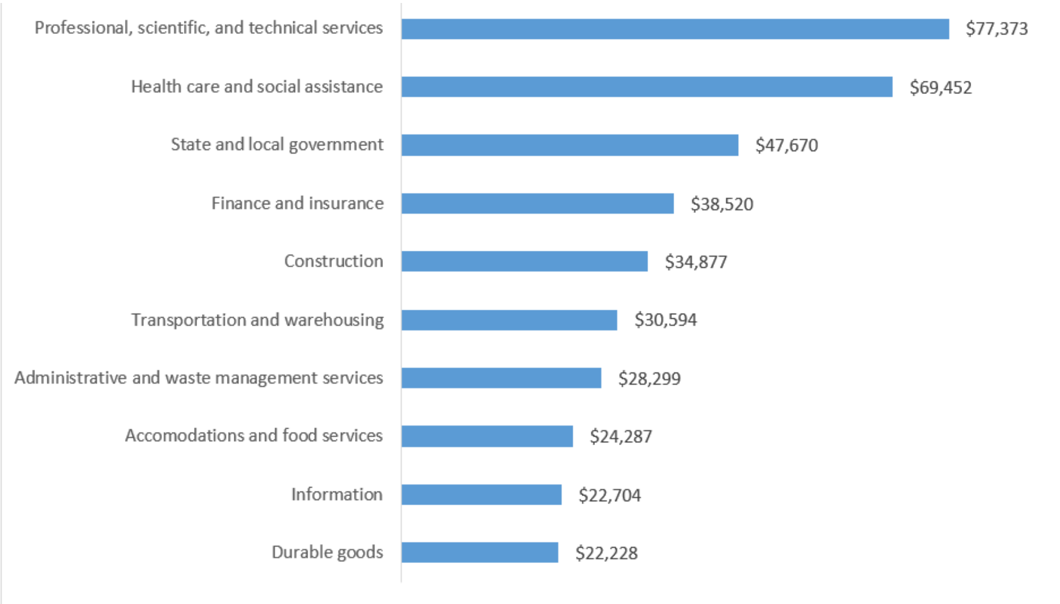

Figure 16 – Change in earnings from 2018 to 2019 years in the US , in millions of USD [71]

Personal consumption expenditures (PCE) is the primary measure of consumer spending on goods and services in the US economy [71]. PCE by type of product is classified into the following broad categories:

• Durable goods: motor vehicles and parts, furnishings and durable household equipment, recreational goods and vehicles, and other durable goods.

• Nondurable goods: food and beverages purchased for off-premises consumption, clothing and footwear, gasoline and other energy goods, and other nondurable goods.

• Services: housing and utilities, health care, transportation services, recreation services, food services and accommodations, financial services and insurance, and other services.

Personal consumption expenditures by major type of product illustrated in the Figure 17.

Line	Name	Mar 2020	Feb 2020	Mar 2019
		Billions of Dollars		
1	Personal consumption expenditures (PCE)	13,813.2	14,940.5	14,354.6
2	Goods	4,430.1	4,569.8	4,447.6
3	Durable goods	1,314.2	1,548.6	1,508.9
4	Nondurable goods	3,115.9	3,021.3	2,938.6
5	Services	9,383.1	10,370.7	9,907.0
	Addenda			
6	PCE excluding food and energy	12,040.2	13,319.3	12,763.2
7	Food	1,245.8	1,040.4	1,019.3
8	Energy goods and services	527.2	580.9	572.1
9	Market-based PCE	11,859.9	12,976.6	12,504.9
10	Market-based PCE excluding food and energy	10,087.3	11,355.8	10,914.0

Figure 17 – Personal Consumption Expenditures by Major Type of Product, Billions of Dollars [41]

Referred to the US unemployment, in March 2020, the unemployment rate was 4.4%. That's at the high end of the range of 3.5% to 4.5% or natural rate of unemployment [27]. If unemployment is less than the natural rate, businesses can't find enough workers to keep operating at full capacity.

In April 2020, the unemployment rate skyrocketed to 14.7%. The total number of unemployed was 23.1 mln [106]. The Bureau of Labor Statistics reports these indicators in the Employment Situation Summary each month. Most of the unemployed were laid off to limit the spread of the COVID-19 pandemic. Most state governments asked or required nonessential businesses to close. Many of the unemployed expect to be rehired soon. State governments were slowly allowing restaurants, services, and other nonessential businesses to gradually reopen [27]. April's 2020 unemployment rate was the highest since the Great Depression. In 1933, the unemployment rate reached a record of 24.9% [107].

In another important report given by the US Bureau of Labor Statistics (BLS), there is the Consumer Price Index, which measures inflation. The BLS surveyed 23,000 businesses to get price data on 83,000 items. This data was rolled-up into important categories, like food, oil and apparel. Inflation is important here for the US economy as to measure, since it can affect consumer behavior. If shoppers know that prices will continue to edge up, they will be more likely to buy now when prices are relatively cheaper. This stimulates demand, which spurs economic growth. However, too much inflation robs families of their ability to buy greater quantities. This can hurt demand, as factories don't need to produce as much, – the Report says [108]. A reduction in manufacturing jobs is often the first sign of an impending recession.

Contributing to the American global outreach in online sales, the European Union adopted the long-term vision in development of digitalization in 2015 called "A Digital Single Market Strategy for Europe". The European Structural and Investment Funds expected to programme around EUR 21.4 bln in this area. Efforts need to close the digital gap between urban and rural areas. Complementing current EU programmes, the European Fund for Strategic Investment designed to support a wide range of digital projects, due to their high innovation and research component (and thus higher risk). "The global economy is rapidly becoming digital. Information and Communications Technology (ICT) is no longer a specific sector but the foundation of all modern innovative economic systems. The Internet and digital technologies are transforming the lives we lead, the way we work – as individuals, in business, and in our communities as they become more integrated across all sectors of our economy and society. The digital economy can expand markets and foster better services at better prices, offer more choice and create new sources of employment. A Digital Single Market can create opportunities for new start-ups and allow existing companies to grow and profit from the scale of a market of over 500 million people" [37].

As The World Economic Forum says in its Platform for Shaping the Future of Financial and Monetary Systems and the Recommendations for Policy-Makers Based on Industry Practitioner Perspectives: "Flattening the curve" of firm mortality must be a top policy priority, and governments will have to expand the size and scope of support programmes over time. By early March, short-term funding markets and international US dollar funding markets started to show signs of stress and, in the weeks to follow, there were signs of illiquidity in the US Treasury market, the deepest and most liquid financial market in the world. These stresses carried through into credit markets, making it difficult for firms and governments to borrow funds at any tenure" [100].

As to European sector, digital content is one of the main drivers of the growth of the digital economy. 56% of Europeans use the internet for cultural purposes and spending on digital entertainment and media is predicted to see double digit growth rates (around 12%) for the next five years.

Platforms generate, accumulate and control an enormous amount of data about their customers and use algorithms to turn this into usable information. The growth of such data is exponential – 90% of all data circulating on the Internet were created less than 2 years ago. Moreover, platforms have proven to be innovators in the digital economy, helping smaller businesses to move online and reach new markets. New platforms in mobility services, tourism, music, audiovisual, education, finance, accommodation and recruitment have rapidly and profoundly challenged traditional business models and have grown exponentially. The rise of the sharing economy also offers opportunities for increased efficiency, growth and jobs, through improved consumer choice, but also potentially raises new regulatory questions.

The main prerogative of the EU is Standardization which has an essential role to play in increasing interoperability of new technologies within the Digital Single Market. It can help steer the development of new technologies such as 5G wireless communications, digitization of manufacturing (Industry 4.0) and construction processes, data driven services, cloud services, cybersecurity, e-health, e-transport and mobile payments.

According to the document, an inclusive e-society will perform the following components:

- Digital skills and expertise. Digital skill levels need also to be raised among employees in all economic sectors and among job seekers to improve their employability. Change is needed in the way education and training systems adapt to the digital revolution.

- E-government. Online public services are crucial to increasing the cost-efficiency and quality of the services provided to citizens and companies. Public procurement represents approximately 19% of EU GDP and EU wide e-procurement is expected to save EUR 50 billion annually. In this case the Commission presented the e-Government Action Plan 2016–2020.

According to the IAB Europe, digital advertising includes promotional advertisements and messages delivered through email, social media websites, online advertising on search engines, banner ads on mobile or web sites and affiliates programs [96].

The digital advertising and marketing industry is ever evolving if compare by definition. To measure the impact that the pandemic is set to have on the industry, IAB Europe conducted some research in April 2020. Through an online poll, respondents were asked a series of questions to measure the impact of COVID-19 on employment, investment and market confidence. The following results were based on the responses from the 183 people from across Europe who completed the poll. Key results enclosed in the following infographic (Figure 18 and Figure 19) [51].

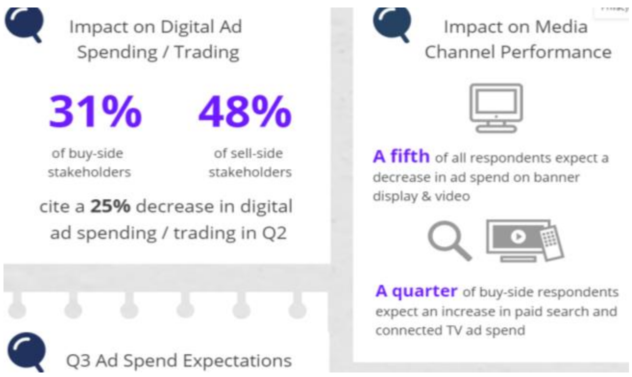

Figure 18 – Impact on digital ad spending,% [51]

According to Figure 19, there are several niches which have been considered as possible to invest during ad campaigns in 2020: healthcare – 42%, FMCG and entertainment sectors – each of 35%, retail – 23%, and computer products and electronics – 22%.

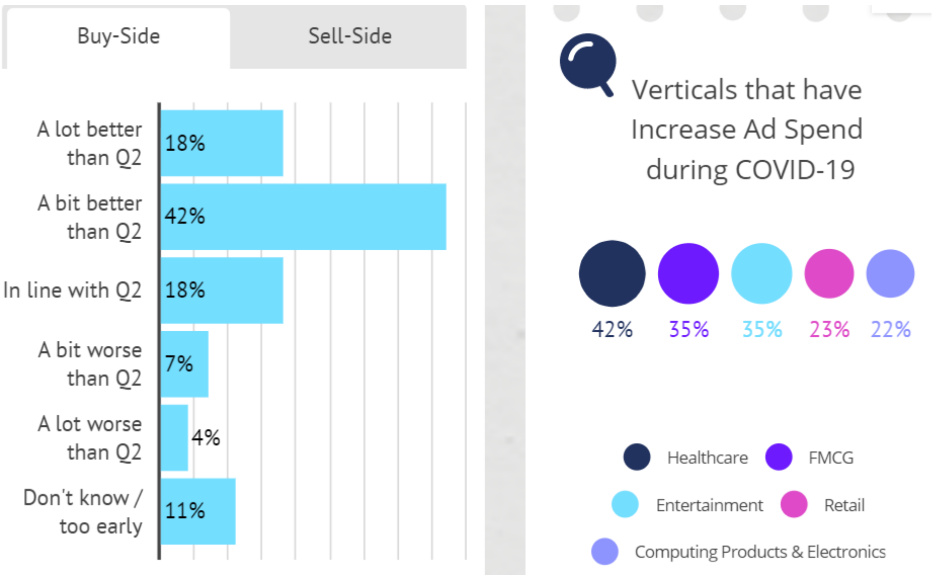

Figure 19 – Ad spend expectations in Q3 and increased ad spend, % [51]

Summarizing the given information, we can admit the following figures according to the leading analytical agent. IAB Russia is a provider of data on the Russian digital advertising market in AdEx Benchmark – the annual report on the state of the European online advertising market from IAB Europe. There are some recent data. The top 10 countries by market volume are as follows: UK – €6.6 billion, Germany – €4.6 billion, France – €2.8 billion, Russia – €1.5 billion, Italy – €1.4 billion, Netherlands – €1.2 billion, Spain – €0.9 billion, Sweden – €0.8 billion, Norway – €0.6 billion, Denmark – €0.6 billion [97]. The largest annual growth was demonstrated by the markets of Russia (34%) and Turkey (30.4%).

2.1.2. State of the online retail industry

Nowadays almost everyone made any purchase online. Customers can find their interested products by visiting the website make couple of clicks and get the doorstep delivery the next day. E-commerce shopping allows consumers to shop sitting in an office or at home and operate for 24 hours. Convenience is the major factor driving the overall online shopping market growth. The other factor is that online product is low in price as compared to retail stores. Global retail e-commerce market is expected to witness a high growth. The overall market is projected to grow at an approximate 10% from 2016 to 2024 [43].

Online shopping helps customers to see product specifications and compare them with their alternatives in every point of the Earth. In addition, customers have the option to see reviews on the product, which helps in decision making for other consumers. A lot of manufacturers nowadays launch their products only online because it helps to reduce operational costs of a business. As well as to avoid stock out as in the case of a retail store [63].

The financial services market has undergone significant changes in recent years. Information technology, including models of modern information architecture, databases and data warehouses, data protection, data management, computer communication, modern statistical software and other IT tools, contributed to an enormous increase in the speed of data processing, the introduction of ATMs, the functioning and processing of various types of credit and payment cards and a like. This technology advancement enabled financial organizations to offer a wide range of quality products and services to the market. In addition, due to the exponential growth of digital communication channels, and in particular social networks, the role of digital marketing takes on an increasingly important item in determining the overall marketing budgets [32].

The traditional purchase pattern existence is expected to slow down the global industry growth over the forecast period. There are still a lot of consumers who believe in product purchase after having its touch and feel. In addition, physical stores are capable to provide spare parts and conduct repairs in case of product defects.

The other reason for not that rapid growth of online retail is that online monetary transactions have given an opportunity to hackers to break into the website and get consumer information [76]. Key players in the global retail ecommerce market include eBay, Amazon, Alibaba, and Flipkart.

The Nielsen Global Connected Commerce global survey interviewed 26 countries to find out how consumers use the Internet to make shopping and online shopping decisions. Buyers are increasingly keen to make online purchases abroad, more than 50% of those surveyed who have bought online in the past six months say they have bought abroad [26].

Using an omnichannel strategy is becoming increasingly important for enterprises that need to adapt to the changing expectations of consumers who need increasingly complex offers throughout the purchase process. Retailers are increasingly focusing on their online presence. Over time, this can lead to the fact that consumers will buy goods online that match their needs, and sellers will not need to conduct an inventory inside the physical location of the store. Some online retailers, on the contrary, are moving from the Internet to the real world in order to open appropriate outlets for the provision of personal services, professional assistance and tangible experience with their products.

In markets around the world categories such as travel, entertainment (books, music, events) and durable goods (fashion, IT/mobile, electronics) are the front runners for consumers to enter the online retail sphere. After two decades of e-commerce retailing, these categories have higher online purchasing penetration and frequency of purchasing than most consumer goods categories (Figure 20).

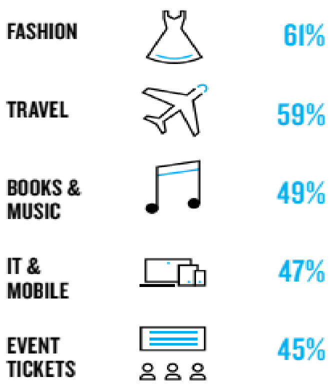

Figure 20 – Top online category purchasing, % [26]

The trajectory of e-commerce categories has followed similar evolutionary paths in markets around the world. The categories with the highest online purchasing penetration are comparable across the regions, albeit at differing levels, depending on the market’s development factors. Markets at earlier stages of e-commerce development, such as Latin America, Africa/Middle East and parts of Southeast Asia, are still growing purchasing penetration across services, entertainment and durables categories, while more established ecommerce markets enjoy increasing online purchasing incidence and frequency, as well as expansion into consumables categories (Figure 21) [26].

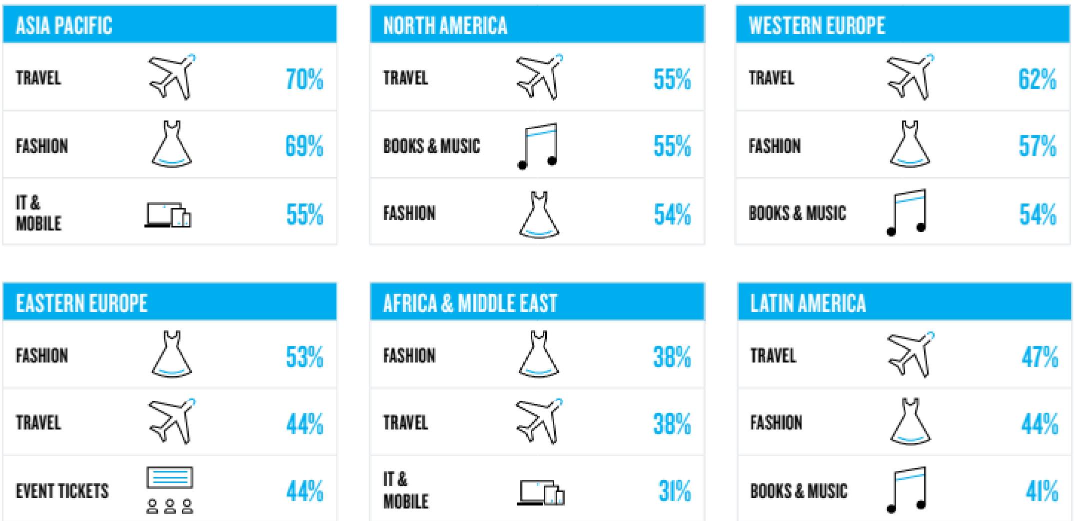

Figure 21 – Online purchasing – Top-3 categories by region, % Global Consumers Claimed Purchasing [26]

Markets in North America, Pacific and North Asia are benefitting from increases in online purchasing in FMCG categories: personal, health and household care, as well as packaged grocery products. Strong online purchasing markets, China and South Korea, are further advancing from e-commerce growth in dry and fresh grocery products. The growing acceptance of edible consumable products highlights the transforming FMCG dynamics and opportunities for markets around the world in the years ahead.

Consumers' first touch into connected commerce may not be to make a purchase, but to browse for information, compare products and prices and discover new stores or items of interest. They may click on an attention-grabbing advertisement to view what's on offer or read reviews in social media that may prompt a purchase. Digital media assets are becoming a vital part of building awareness and consideration, satisfying shoppers' search needs and delivering tangible links to generate purchase outcomes. 52% of consumers visit store websites for fashion product discovery, 44% visit brand websites for consumer electronics, nearly one third, across categories, read online written reviews and more than a quarter go to social media [26] (Figure 22).

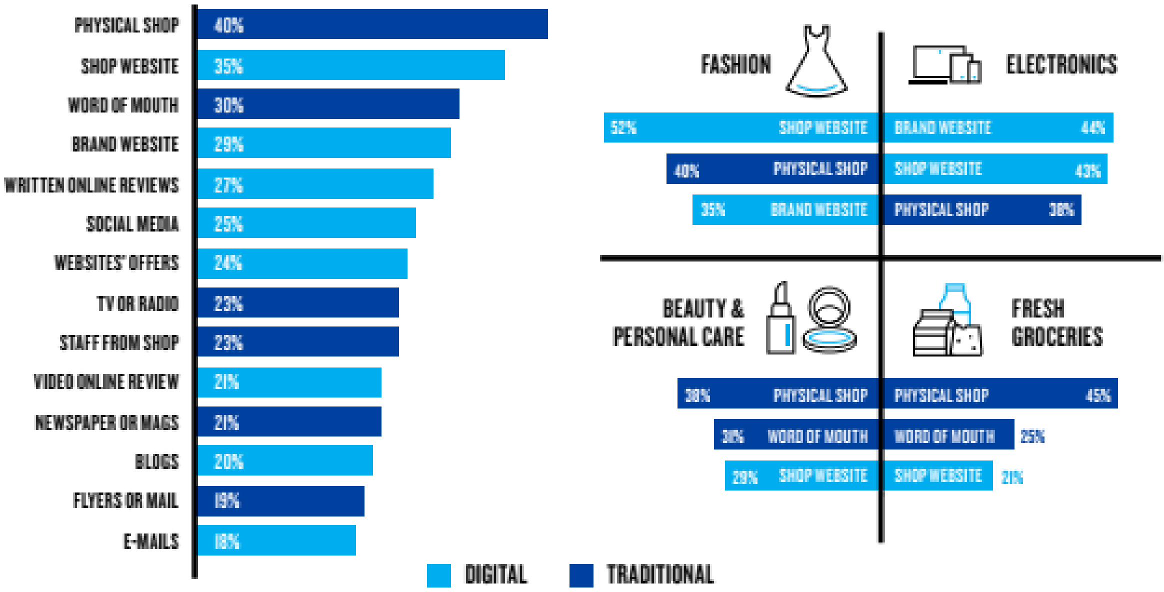

Figure 22 – Global information sources to aid decision making, % Consumers Seeking Various Information Sources Before Online Purchase [26]

Retailers have essentially two options to diversify their operations: diversify across product boundaries or diversify across market boundaries. The second option is especially prevalent among retailers that operate across national borders. Diversification across market boundaries includes both the geographic regions and the countries in which a retailer may choose to establish operations [29]. That is, countries within a given geographic region differ in terms of cultural, competitive, and political/legal environments, but are more similar to each other than countries in other geographic regions. There are cultural differences between the Czech Republic and Romania, for example, but these differences are not as substantial as those between the Czech Republic and China or Japan. Therefore, when retailers establish operations in countries from multiple geographic regions, they are exposed to more diverse international markets, thus increasing their degree of international involvement.

Now, let us have a look on online retail in different parts of the world.

Indian market offers great opportunities for overall market growth. Still few people buy products online despite large Indian population. But with the development of mobile networks and different software it will contribute to changing lifestyle.

Asian manufacturers such as Lenovo, Xiaomi and One Plus have been selling their products exclusively over the internet.

With no doubt North America dominated the global market. The forecast says that it will remain the dominating position in the future. The increase will be due to better internet transaction security that will increase customer awareness [43].

European demand in online stores will increase due to high-speed internet facilities coupled with the well-established supply chain for goods delivery.

The rapid growth will expect Asia-Pacific with the increasing of mobile internet usage and modern trend to adopt Western culture.

Unfortunately, South America and Africa are expected to show a slow growth. That could possibly happen because of bad internet facilities and undeveloped internet banking service [20].

Retailers' market offerings involve many location-bound issues and objectives, consequently precluding these firms from mimicking manufacturers that can opt for exporting their way to international markets. Research has shown that myriad factors (internationalization speed, store format diversification, country-level distances) can influence the performance of international retailers [91]. Recent empirical work suggests that leading international retailers tend to expand aggressively by entering multiple countries and/or operating multiple store formats, as well as utilize digital marketing tools and opportunities.

2.2. Microeconomic assessment of companies in digital promotion industry

2.2.1 The analysis of the online retail industry: Amazon

Amazon is one of the first Internet services aimed at selling real goods of mass demand, the world's largest turnover company selling a variety of goods and services via the Internet. The company was founded in July 1995 by American entrepreneur J. Bezos and specialized in the sale of books. Now Amazon offers 34 categories of products, including e-books, consumer electronics, children’s toys, food, household goods, sports goods, auto parts and much more. Now there are 8 branches of Amazon: in Canada, China, Japan, Germany, France, Spain, Italy, and the UK, and organized their operations into 3 segments: North America, International and Amazon Web Services. They differ from each other in the cost of delivery, the assortment of products and the interface language. Amazon remains the largest and most popular in the US, but in the last few years, branches in Germany and the UK have begun to gain popularity no less than the main unit. In general, such popularity is growing among the CIS countries [8].

As reporters say, Amazon might become a part of the so-called trillion-dollar club once again. The club is the collection of firms that have a market value of at least $1 trillion and encompasses tech giants Microsoft and Apple along with Google-parent Alphabet. Microsoft has a $1.27 trillion market value, Apple has a $1.38 trillion market value, and Alphabet has an approximately $1 trillion market value, CNBC reported [11].

Amazon.com, Inc. engages in the retail sale of consumer products and subscriptions in North America and internationally. The company sells merchandise and content purchased for resale from vendors, as well as those offered by third-party sellers through retail Websites, such as amazon.com, amazon.ca, amazon.com.mx, amazon.com.au, amazon.com.br, amazon.cn, amazon.fr, amazon.de, amazon.in, amazon.it, amazon.co.jp, amazon.nl, amazon.es, and amazon.co.uk. It also manufactures and sells electronic devices, including kindle e-readers, fire tablets, fire TVs, and echo; and provides Kindle Direct Publishing, an online service that allows independent authors and publishers to make their books available in the Kindle Store [4].

For example, online retailers such as Amazon.com used Web-based technologies to develop a home page customized for each individual user. When a customer accesses Amazon.com, he or she is offered a list of recommendations for books or music to purchase based on an analysis of prior buying history, a powerful competency that gives Amazon.com a competitive advantage [46].

Organizational structure of Amazon illustrates the Figure 24.

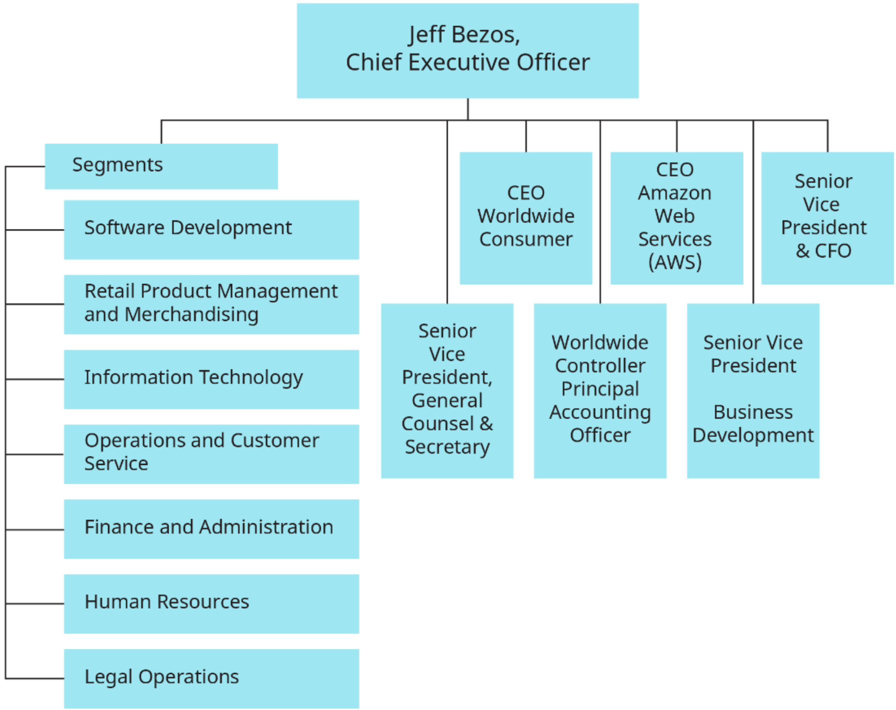

Figure 24 – Organizational structure of Amazon.com [46]

Amazon organizational structure can be classified as hierarchical. Senior management team include three CEOs and three senior vice presidents responsible for various vital aspects of the business reporting directly to Amazon CEO. Amazon organizational structure has the following three key features:

1. Hierarchical corporate structure. Hierarchical structure at Amazon has developed due to the immense size of the business. The largest internet retailer in the world by revenue employs more 798,000 people worldwide [6].

2. Flexibility of the business. It is important to note that despite its large size, unlike many other companies with hierarchical organizational structure, Amazon remains highly flexible to adapt to frequent changes in the external marketplace.

3. Stability in the top management. Stability is one of the key features of Amazon. Specifically, the largest internet company by revenue in the experiences "very little turnover among its most important power players, with many of them having been at the company for years, if not decades" [56].

Amazon does not have physical stores and all business exchanges on it are made only through the Internet. Gross profit margin of Amazon is growing steadily over past few years. It is higher than its main retail competitors are, which has gross profit margin around 20-25%. In the year 2012 the operating margin of Amazon was low because of the low pricing strategy as well as investments into various strategies were not that big. However, it has increased since then and in 2018, it was 3.08%. Net profit margin was positive – 1.74% comparing to 2016, when it was – (0.06%). Return on assets shows how well the company utilizes its assets to generate the return. The ROA of Amazon is 2.84% which is lower than average in retail industry, which is 8%. Amazon.com Inc. generated a below average ROE of 12.29% in 2016, while its industry returned 22%. It implies 0.13$ returned on every 1$ invested. Return on investment shows gain or loss generated on an investment relative to the amount of money invested. The ROI in 2018 was 25.49%, which describes that for 1$ invested they earned 25 cents [9].

Main competitors of Amazon are eBay, Alibaba, Walmart, Kroger (Table 8).

Table 8 – Competitive analysis of Amazon, eBay, Walmart, Kroger Co [made by the author]

Company	eBay Inc.	Alibaba	Walmart Inc.	Kroger Co.	Amazon.com Inc.
Stock name	EBAY	BABA	WMT	KR	AMZN
Market capitalization	28 B	372 B	309 B	25 B	837 B
P/E ratio	-	41.62	60.67	7.15	95.99
Volume	8 701 653.00	16 201 231.00	8 450 355.00	6 931 393.00	5 902 186.00

From the given table we can see that the highest market capitalization has Amazon.com Inc. and the second is Alibaba with 372 B. The P/E ratio the highest is in Amazon.com Inc. with 95.99 and Walmart is in the second place in the amount of 60.67, third one is Alibaba which is 41.62 [1].

The figure below shows the stock prices of Amazon.com Inc., eBay, Alibaba, Walmart, Kroger Company (Figure 25).

Figure 25 – Stock prices of Amazon Inc., % [1]

The dark blue line AMZN stands for Amazon.com Inc. and it is noticeable that it has been increasing slowly but masterfully without any extreme jumps as its competitors have.

As the Annual report of Amazon says [6], revenues Amazon.Com, Inc. in 2019 grew by 20.45% (Figure 26) compared with the fiscal year in 2018 (up to 280.52B). Net income rose 15.04% (to 11.59B).

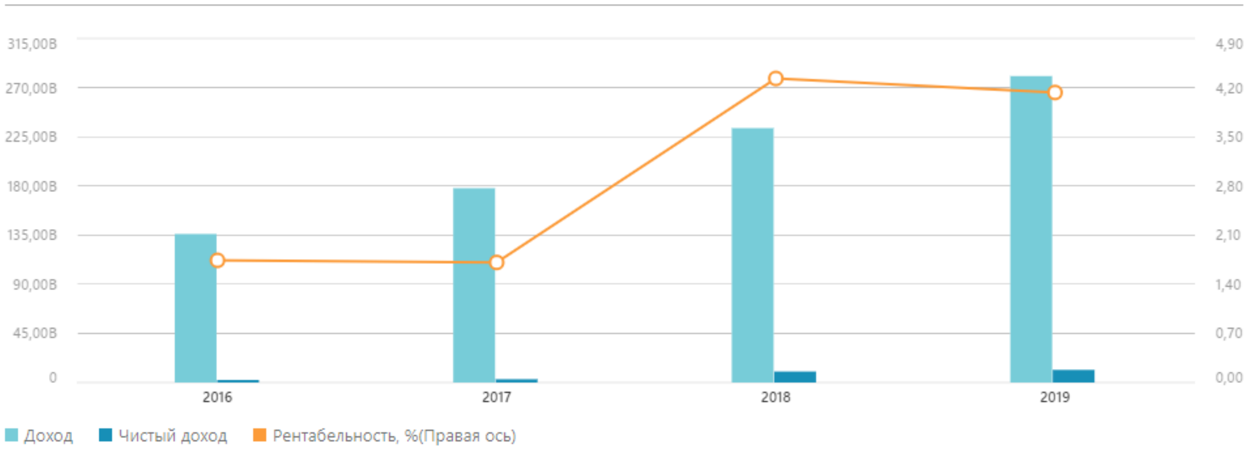

Figure 26 – Report about incomes and material losses, billion USD [6]

Operating Cash Amazon.Com, Inc. in fiscal 2019 increased by 25.36% compared with fiscal 2018 (up to 38.51B) [64] as depicted on Figure 27 and Figure 28.

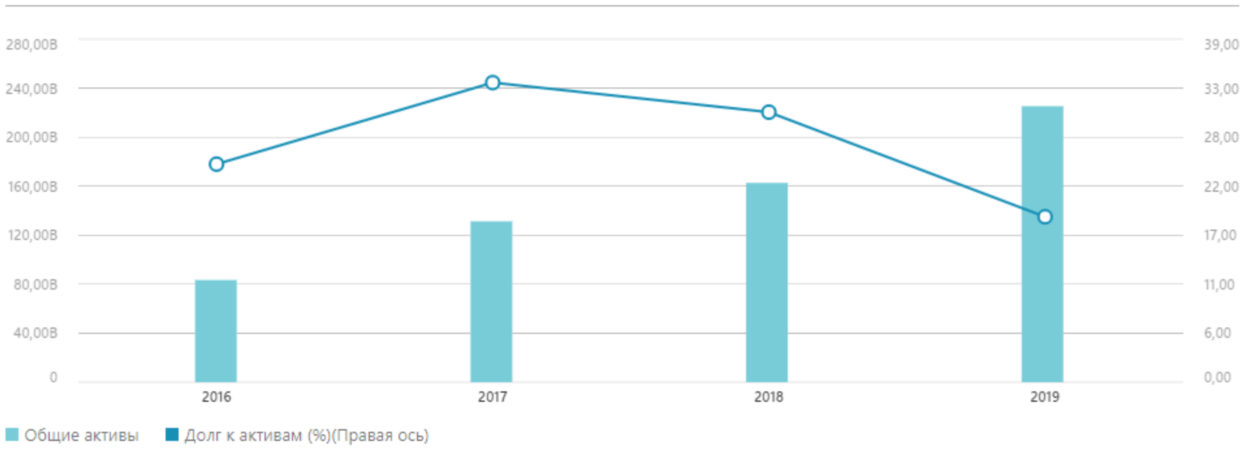

Figure 27 – Balance sheet, billion USD [64]

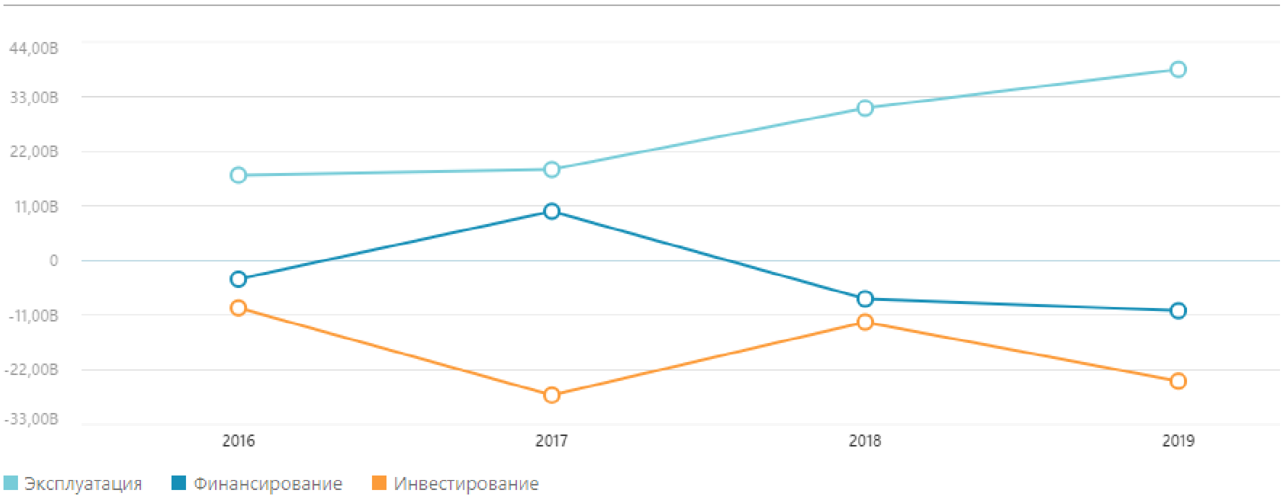

Figure 28 – Cashflow, billion USD [64]

Amazon annual/quarterly revenue history and growth rate from 2006 to 2020. Revenue can be defined as the amount of money a company receives from its customers in exchange for the sales of goods or services. Revenue is the top line item on an income statement from which all costs and expenses are subtracted to arrive at net income. Amazon revenue for the quarter ending March 31, 2020 was $75.452B, a 26.39% increase year-over-year. Amazon revenue for the twelve months ending March 31, 2020 was $296.274B, a 22.66% increase year-over-year expressed in Table 9 [4].

Table 9 – Common-Size Financial Statement of the Company [4]

#	Indicator	Meaning			Growth (+, -), %
		2017	2018	2019	
1	*2*	*3*	*4*	*5*	*6*
Part 1 Performance Measures					
1.1	Market Value Added, $	663,041	752,260	933,772	+40,83
1.2	Market-to-book-ratio (MVA spread ratio)	730.39	729.67	837.97	+14,73
1.3	EVA, $ (Net operating profit after taxes) Economic profit	4,698 (8,791)	13,690 (3,966)	16,097 (5,878)	+42,63
1.4	Return on capital ROC, %	5,53	13,04	10,44	+88,79
1.5	Return on equity (ROE), %	12.47	27.02	21.07	+68,96
1.6	Return on assets (ROA), % Return on investments (ROI), %	2.92 10.13	7.11 20.15	5.84 18.61	+200 +83,71
Part 2 Efficiency Measures					
2.1	Asset turnover	131,310 1,66	162.648 1,58	225,248 1,45	+71,54
2.2	Inventory turnover	2,17	2,26	2.35	+8,3
2.3	Days in inventory	36,59	35,01	33.41	-8,69
2.4	Receivables turnover	15,04	14,33	13,69	-8,98
2.5	Average collection period (days)	22	22	23	+4
2.6	Profit margin (MVA margin)	1.71 371.04	4.33 320.48	4,13 330.22	+41,5
2.7	Operating profit margin (Economic profit margin)	-4.92	-1.69	-2.08	-57,72
Part 3 Leverage Measures					
3.1	Total reported debt & leases	58,832	65,898	77,535	+31,7
3.2	Long-term debt-equity ratio	45,718	50,708	75,376	+64,8
3.3	Total debt ratio	40,669	42,385	54,749	+34,62
3.4	Times-interest-earned (Pre-tax income)	3,806	11,961	13,976	+67,2
3.5	Cash coverage ratio	24,926	30,723	38,514	+54,5

Table 9 (continued)

Part 4 Liquidity Measures					
4.1	Net-working-capital-to-total-assets (Invested capital)	79,125	103,096	127,845	+61,57
4.2	Current ratio	1,04	1,10	1,10	+5,8
4.3	Quick ratio	0,76	0,85	0,86	+13,15
4.4	Cash ratio	0,89	0,54	0,38	-57,3

Market value added (MVA) is the difference between a firm's fair value and its invested capital. MVA is a measure of the value a company has created in excess of the resources already committed to the enterprise. MVA spread ratio is the ratio of MVA to invested capital. It measures the efficiency with which investors' capital investment has translated into a franchise value and into an aggregate net present value premium. Amazon.com Inc.'s MVA spread ratio deteriorated from 2017 to 2018 but then slightly improved from 2018 to 2019 [60].

Economic profit is a measure of corporate performance computed by taking the spread between the return on invested capital and the cost of capital and multiplying by the invested capital. Amazon.com Inc.'s economic profit increased from 2017 to 2018 but then slightly decreased from 2018 to 2019.

Economic profit margin is the ratio of economic profit to sales. It is the company's profit margin covering income efficiency and asset management. Economic profit margin is not biased in favor of capital-intensive business models, because any added capital is a cost to the economic profit margin. Amazon.com Inc.'s economic profit margin improved from 2017 to 2018 but then slightly deteriorated from 2018 to 2019. Calculation. Economic profit margin = 100 × Economic profit ÷ Adjusted net sales = 100 × -5,878 ÷ 282,776 = -2.08%.

Profit margin can be defined as the percentage of revenue that a company retains as income after the deduction of expenses. Amazon net profit margin as of March 31, 2020 is 3.56%.

Amazon total assets can be defined as the sum of all assets on a company's balance sheet. Amazon total assets for the quarter ending March 31, 2020 were $221.238B, a

24.22% increase year-over-year. Amazon total assets for 2019 were $225.248B, a 38.49% increase from 2018 [5].

Asset Turnover measures how quickly a company turns over its asset through sales. It is calculated as Revenue divided by Total Assets. Amazon.com's Revenue for the three months ended in Dec. 2019 was $87,436 Mil. Amazon.com's Total Assets for the quarter that ended in Dec. 2019 was $212,174 Mil. Therefore, Amazon.com's Asset Turnover for the quarter that ended in Dec. 2019 was 0.41 [7].

The price to earnings ratio is calculated by taking the latest closing price and dividing it by the most recent earnings per share (EPS) number. The PE ratio is a simple way to assess whether a stock is over or under valued and is the most widely used valuation measure. Amazon PE ratio as of May 08, 2020 is 113.69.

Current ratio can be defined as a liquidity ratio that measures a company's ability to pay short-term obligations. Amazon current ratio for the three months ending March 31, 2020 was 1.08. The debt/equity ratio can be defined as a measure of a company's financial leverage calculated by dividing its long-term debt by stockholders' equity. Amazon debt/equity for the three months ending March 31, 2020 was 0.36. Inventory turnover ratio can be defined as a ratio showing how many times a company's inventory is sold and replaced over a period. Amazon inventory turnover ratio for the three months ending March 31, 2020 was 2.35.

ROIC % measures how well a company generates cash flow relative to the capital it has invested in its business. It is also called ROC %. Amazon.com's annualized return on invested capital (ROIC %) for the quarter that ended in Dec. 2019 was 9.46%. Amazon.com's ROIC % is 8.99% (as of May 10, 2020) [10]. Amazon.com generates higher returns on investment than it costs the company to raise the capital needed for that investment. It is earning excess returns. A firm that expects to continue generating positive excess returns on new investments in the future will see its value increase as growth increases.

Return on equity can be defined as the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Amazon ROE for the three months ending March 31, 2020 was 17.83%.

Return on assets can be defined as an indicator of how profitable a company is relative to its total assets. Calculated by dividing a company's operating earnings by its total assets. Amazon ROA for the three months ending March 31, 2020 was 5.05%.

Speaking about the aggregated digital marketing expenditures for Amazon we can state the following data. In 2017 Amazon wielded an annual marketing budget of $10.070 billion dollars (up 39% from $7.233 billion in 2016). According to estimates from Digital Commerce 360, they spend on digital marketing nearly $451.2 million [49]. Looking at online retailer's site traffic, we can quickly see the value (Figure 29).

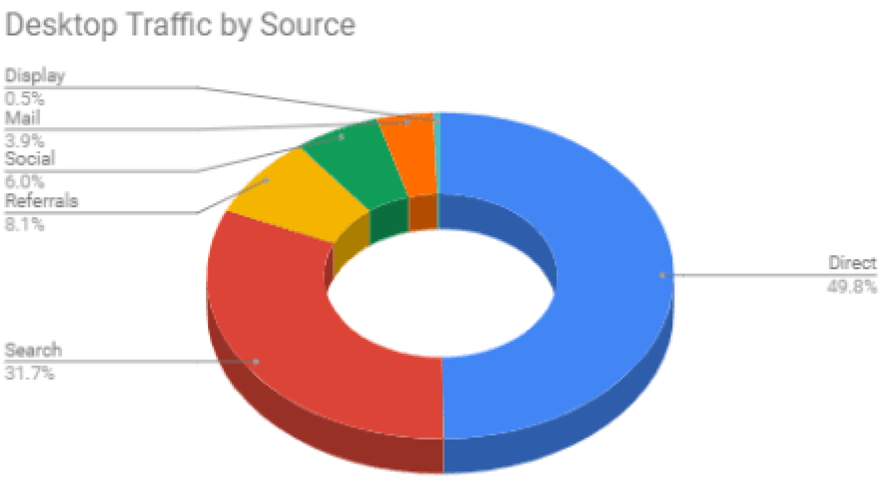

Figure 29 – Desktop traffic by source, % [49]

As the research shows, in the US, the growing influence of Amazon is holding the trend. Amazon is now the third largest digital ad platform in the US and many agencies plan to increase their Amazon spending. Despite this growth, most of their ad budgets are still going to Google and Facebook (Figure 30).

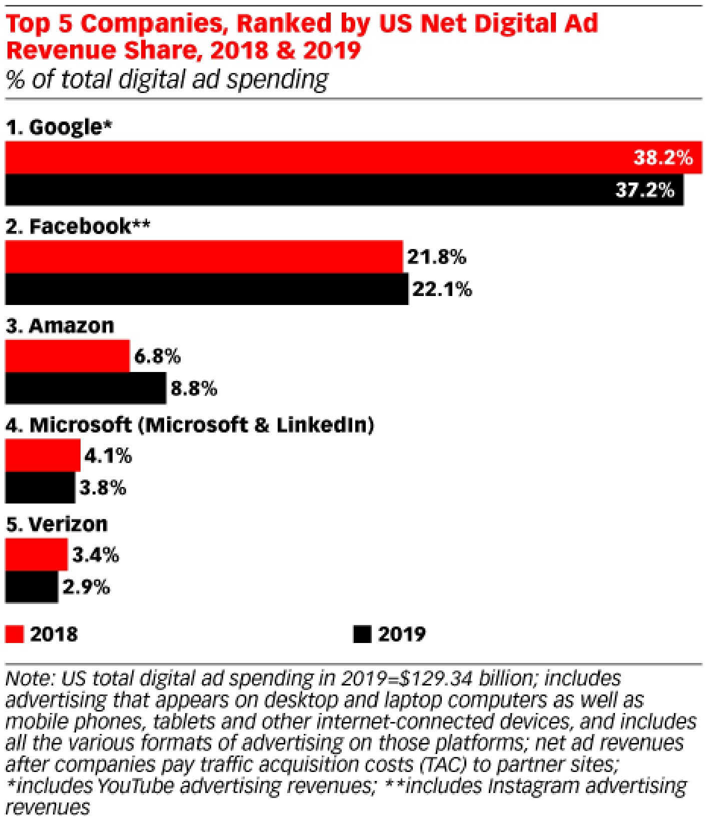

Figure 30 – Top-5 companies, ranked by US Net Digital Ad Revenue Share in %, 2018-2019 years [24]

As the research claims, "the advertising oligopoly" of Google, Facebook and Amazon is shown by this survey of 700 respondents, spending on average, 43% of their ad budgets on the three platforms [24]. As analytics say, this trend will continue as Amazon introduces more ad products not necessarily tied to selling on Amazon.

Here is presented Amazon advertising spending in the US [3]. The company continued to expand the sophistication and reach of advertising on and off Amazon, launching new ad types, new targeting strategies (Figure 31).

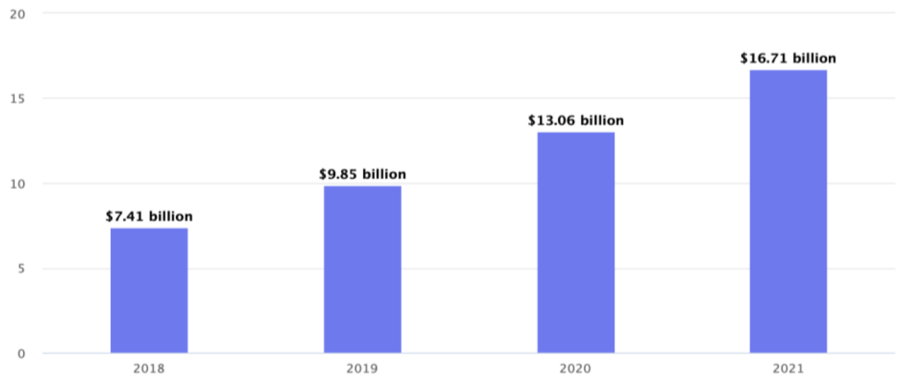

Figure 31 – Amazon advertising spending in the US, billion USD [3]

At Figure below we can see annual global marketing costs of Amazon from 2010 to 2019 (in million U.S. dollars) [90]. In the fiscal year 2019, Amazon's marketing spending amounted to almost 18.88 billion U.S. dollars, up from 13.8 billion U.S. dollars in the previous year. According to Amazon, the company's marketing costs primarily consisted of targeted online advertising, TV ads and related spending on marketing staff. The online retailer's most relevant marketing channels include third party customer referrals, sponsored search, social and online advertising, TV advertising, and other initiatives (Figure 32).

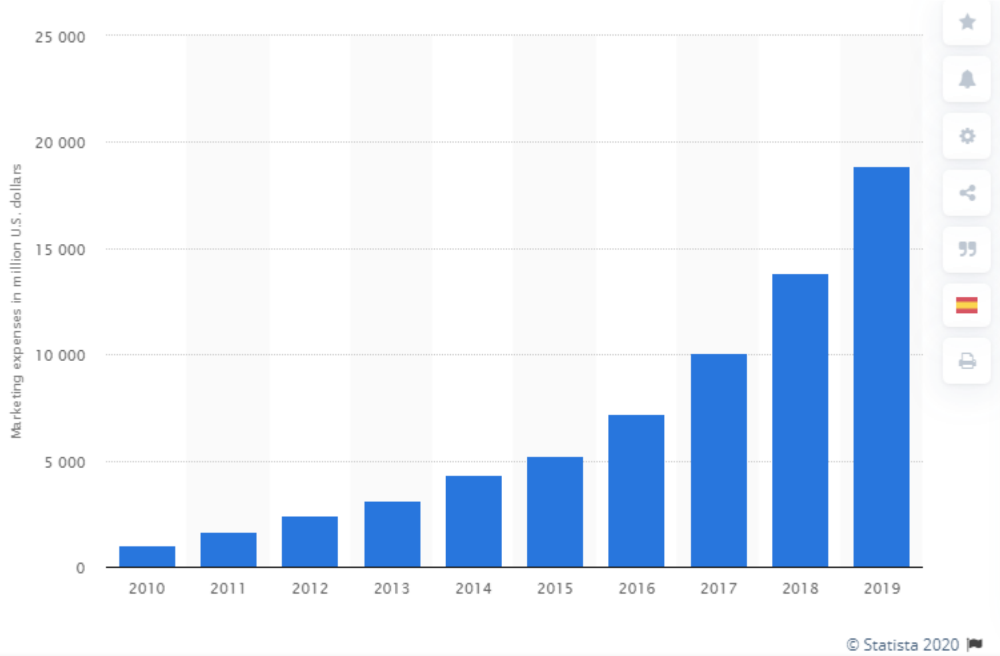

Figure 32 – Annual global marketing costs of Amazon from 2010 to 2019 years, million US dollars [90]

Moreover, in order to evaluate Amazon's competitive position better, we are going to apply Porter's five forces analysis. Graphically the results of Porter's five forces analysis are shown below in the Figure 33.

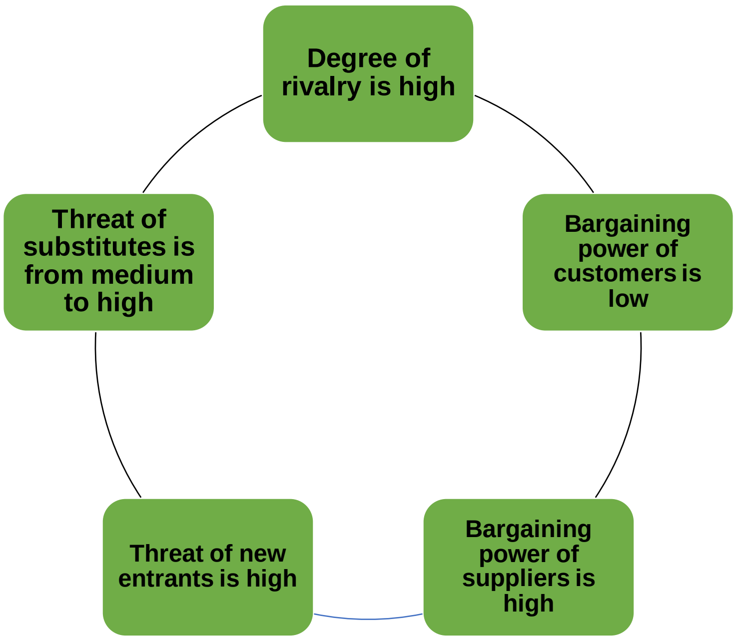

Figure 33 – Porter's five forces analysis of Amazon.com [made by the author]

In order to have a good understanding of Amazon's competitive advantages, the SWOT-analysis conducted and reflected in the Figure 34.

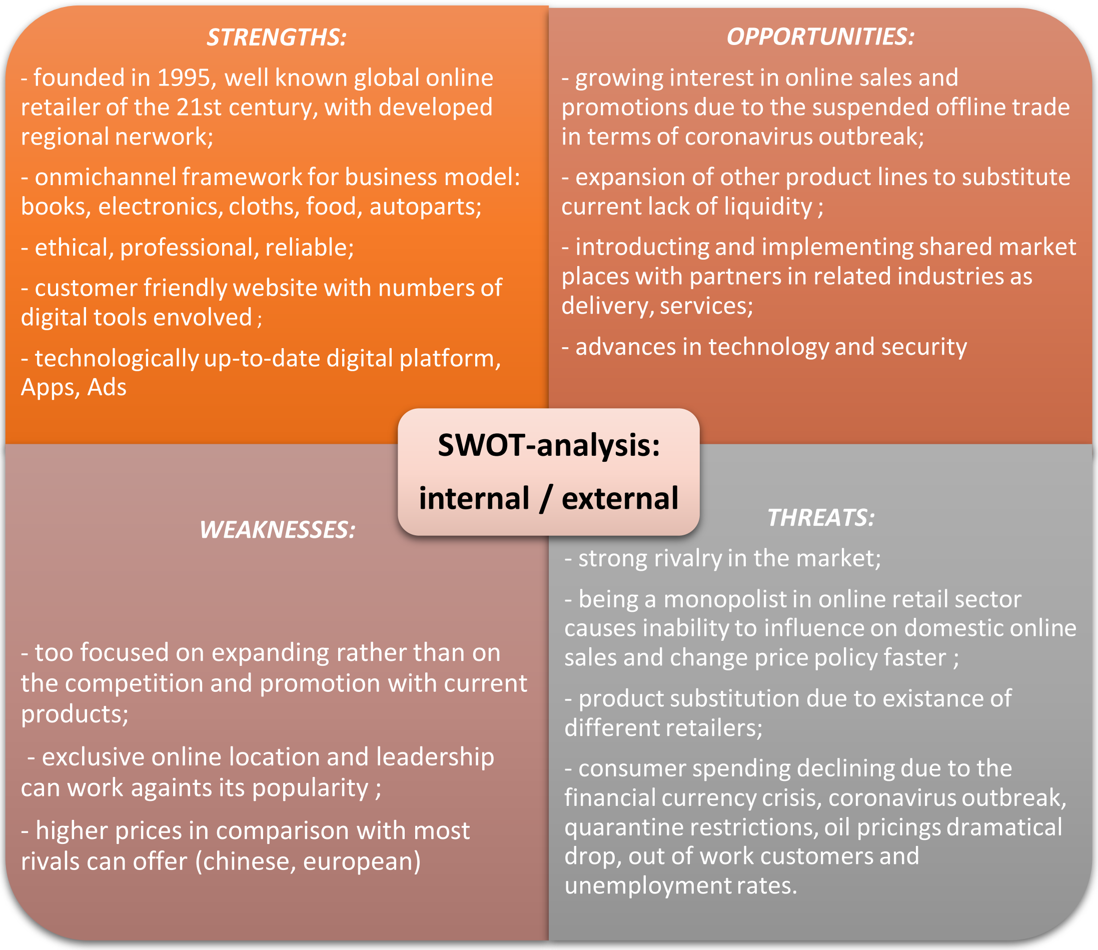

Figure 34 – SWOT-analysis of Amazon.com [processed by the author]

In contrast and making a brief conclusion, especially when we conducted the threats of Amazon.com given in the SWOT-analysis ahead, one of the threats of nearest future we can admit that the store itself is not dying, it is evolving in some ways. The right stores in the right locations will always play a vital role for retailers but, with all the recent commentary around the death of the physical store, we could hardly assume that no one will be going shopping in the future. Two statistics from recent research illustrate the importance of the offline store. First, around 90% of all retail spend is influenced by a physical store, and second, the presence of a physical store can double a retailer's online sales in that local catchment.

If we look ahead to 2026, research carried out by CACI and Revo suggests that 77% of transactions will still touch a store, even with the overall percentage of online sales increasing from around 20% to 30% [52]. If this is considered with the expectation that overall store numbers will decrease, there will be continued demand from brands for high-quality, high-footfall locations where they can maximize their productivity and profitability.

According to the analysis has been made, we can state that there is a new non-linear marketing approach evolved. To attract customers, retailers must move from a linear marketing approach of one-way communication to a model of value exchange, mutual dialogue and benefit-sharing between supplier and consumer. Information can be distributed through numerous channels, such as influencers blogs, YouTube, Facebook, Instagram, and a number of other platforms. Online communities and social networks allow people to easily create content and publish their opinions, experiences, thoughts and feelings on many topics and products, without any review, which speeds up the dissemination of information.

Nowadays the time is coming when digital learning in product promotion is changing media marketing beyond recognition. Already today it helps us to better understand users' buying paths, increase their engagement and make key moments of interaction more valuable. Therefore, marketers have more opportunities to analyze user behavior and mass personalization.

Responsible attitude to the information obtained through these technologies will make marketing more personalized, humane and multi-channel due to unprecedented personalization of content.

2.3 Analysis of contemporary trends and tools of digital marketing in the world

Summarizing the basic macroeconomic trends, we can assume the following tools evolving nowadays. The online shift in advertising budget from offline TV and print ads to digital media has been one of the biggest changes that we have witnessed with the growth of the Internet.

According to some marketers and marketing bloggers, there are basic top digital marketing trends for 2020 [55] which can be implemented by retail and any other e-commerce organization. Let us look at them in series.

1. True Google's algorithms. Google's algorithms are a complex system used to retrieve data from its search index and instantly deliver the best possible results for a query. The search engine uses a combination of algorithms and numerous ranking signals to deliver webpages ranked by relevance on its search engine results pages (SERPs) [47].

2. SEO, search engine optimization, is the process of making changes to your website design and content in order to help it appear in the search engines. By optimizing a website for the search engines, we can increase visibility in the organic, or un-paid, search engine results [110]. The Google SEO guide is also published for start-up entrepreneurs [84].

3. Another recent strategy involves new HTTPS requirements already impacting SEO results. Google now suggests us switch to a HTTPS format because it is essential to update website with the HTTPS designation to become secure enough.

4. Search Engine Marketing. SEM – is a form of Internet marketing where we increase SERPs through paid advertising methods (Google Ads and

search/display ads). They let to choose whether a specialist wants graphic display ads, YouTube video ads, text-based search ads, or in-app mobile ads. All of these are going to depend on business style and the targeted customers we need to reach. Google makes it even easier with localized ad capability, plus superior metrics to track how well the ads work.

5. Local Search Marketing is becoming important into the coming decade as local businesses realize the value of being found by local consumers. According to the marketing statistics, 78% of local mobile searches result in offline purchases; 85%of all customers use search engines to find local businesses; 52% of all searches are local (that is over 2 billion local searchers per day); 50% of local mobile searchers result in a store visit by the user in the same day [55]. Also, a specialist may utilize gifts from Google (Google My Business, business appearing on Google Maps.

6. Online reviews and inbound marketing are as much important as a social reputation for a business entity. Goods inspire customers to write positive reviews on places like Yelp. On social media, starting conversations and posting targeted content helps to utilize inbound marketing. Inbound techniques attract customers to a business rather than it is seeking them.

7. Content Marketing is a big part of attracting a targeted audience. Essentials are to make your content valuable, relevant, and consistent to make it worth the time of those consuming it, to focus on mobile content, native advertising, influencer marketing, and marketing automation. Mobile content is more preferable because smartphones are already making up 50% of all global devices (digital advertising, and how influencers promote your brand) [92]. Automation tools send content to prospects on their mobile devices at just the right times.

8. Remarketing. Another critical aspect of digital marketing is going after prospects again with marketing content if they didn’t respond to the site’s banner ads the first time. This works by tracking these visitors through cookies and creating new ads on related sites. Remarketing helps to stay more engaged with prospects,

aids in brand awareness, and increases conversions, also to gain the customers of competitors, helping pay back any investment business place in creating new ads.

9. Responsive Web Design. Making a website conform to mobile screens is one of the most essential parts of digital marketing. It is possible to achieve through responsive web design: to make a website automatically conform to all mobile screens, with one format, including tablets and increasing use of smartwatches. Smart technique is AMP (or Accelerated Mobile Pages), a new open-source code helping to make mobile web pages load faster.

10. Email Marketing is a tool for generating more leads than possible through any other marketing method, businesses can also increase sales and conversion rates, one of the most affordable and integrated methods (we can add social share icons, referral reward systems).

11. Social Media Marketing. Important step here is automation to post content when we exactly know our audience is reading, using tools like Hootsuite for post scheduling helps immensely when reaching users in other time zones. Hiring influencers to post content on popular social media channels is also valuable.

12. Marketing Automation. Statistics say that 92% of all small businesses lose money every month because they ignore marketing automation. There are steps here: search – website - web form – marketing automation database – emails trigger automation sequences based on campaigns – demographic and behavioral scoring of prospect – sales funnel – measure, analyze, improve.

13. Influencer Marketing. An influential person on social media doesn’t always have to mean being a celebrity. It can simply be someone with a lot of followers and a good track record of promoting products. First, we need to identify top influencers, to do research in hashtag searches on places like Twitter to see what people are saying about topics related to the industry.

14. Video. More consumers of content prefer video above any other visual medium. Recent statistics show 87% of all online marketers now use video content of some sort. A lot of this comes from massive viewership on places like YouTube. Successful video marketing can mean behind-the-scenes tours of a business, or

testimonials to show the human side of a brand. This means paying attention to one major trend in video marketing: storytelling.

15. Revisiting the Landing Pages. All marketing experts reiterate how landing page traffic is the nucleus of successful inbound marketing. Examples: to invest in PPC advertising (pay-per-click) to place ads for a site on related digital channels; buying sponsorships with other companies; email marketing with placing a link that takes the reader to the landing page for further content is a common strategy.

16. Chatbots – personal assistance without the personnel; 2020 tech breathes new "life" into chatbots, making them more convincing and popular than years past [35]. Close to that, voice searches – as more people use digital assistants like Siri or Alexa, SEO leans further towards voice searches, with keywords based on how people talk, not type.

According to Smart Insights research data, the most effective strategy in 2018–2019 was social media marketing, followed by content marketing, and the least was data management, with SEO being somewhere in the middle of it all [54]. Based to the chart below, marketers were asked which tactics will be used in their digital marketing strategy. Social Media Marketing (18%) Content Marketing (17%) and use of Marketing Technology (16%) are expected to be included the most in digital marketing strategies in 2019–2020. Least used was data management as well as paid search and social ads (Figure 35).

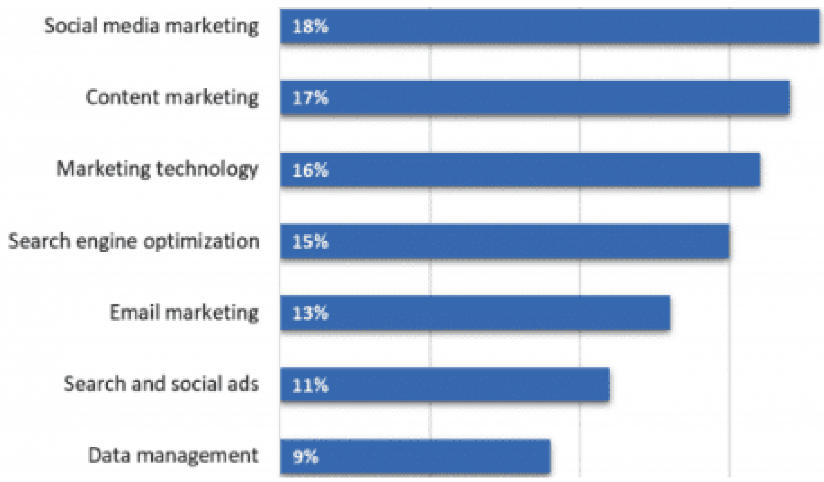

Figure 35 – The most effective digital marketing tactics [54]

Yet the Digital Marketing Institute says that the so-called bottom line with any digital marketing campaign or tactic is also important [31]. It means to stay aligned with core purpose, not just product. Focus on benefits, address customer's real needs, and understand what makes them tick. As well, stay on top of which social trends are affecting various demographics. The bottom line is presented in the Figure 36.

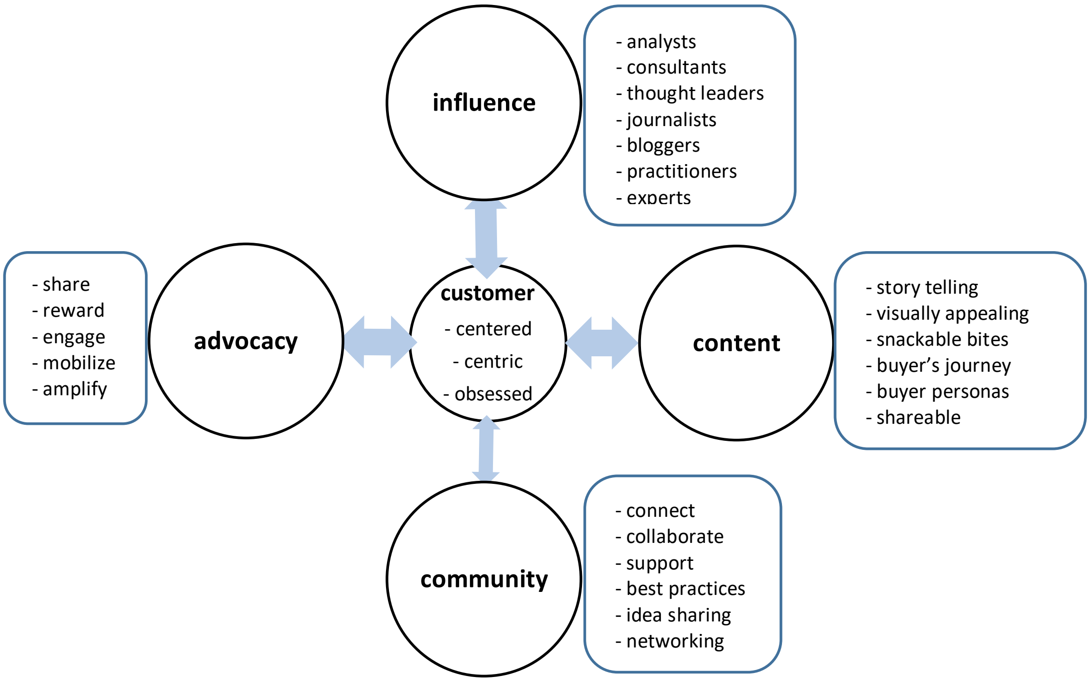

Figure 36 – The bottom line of customer approach [31]

With the increase availability of smart devices that are permanently connected to the internet, more people spend their time and communicate through social media. Quote from some researchers shows the current trend: "Social media has become a nearly-ubiquitous environment for human interaction. In fact, a recent study by the Pew Research Center on social media use in the United States found that over 80% of all Americans use at least one form of social media, and greater than two-thirds use Facebook specifically – more than 75% of whom check their Facebook pages at least once a day" [85]. This opens up another communication channel for the company to promote and advertise the product. Strong social media presence on platforms like Facebook, Instagram or Twitter can lead to increase in organic reach within the market. To obtain desired results, daily updates and strong engagement with fans and followers must be prioritized. Creating of new content on daily basis can be expensive. Strategic plan and budget should be set for each social media account ran by the company to prevent any budgeting problems.

There are three types of digital media [2]:

- Owned Media: Any online asset that you control like your website or social media channels. It is any online asset that controlled and directed, and which is unique to a brand. These types of digital media platforms include website, blogs, social media channels, mobile site, infographics and eBooks.
- Paid Media: Promoting your online content to improve traffic to your owned media assets. Paid media involves promoting online content to improve traffic to owned media assets, which drives earned media. It includes display ads, paid search ads, Facebook ads, and commercials. Although paid media is an expense for growing brand, it exposes content to a wider audience. If we use paid media strategically, we'll drive the right customers to your owned media assets. Paid media gives an explicit control over who sees business's advertising.
- Earned Media: Customers recommending you by word of mouth or through social media. Earned media is free advertising generated by customers. It's when customers become the channel of company's marketing by word of mouth or through social media, personal blogs, reviews, testimonials, shares, or reposts recommending your products or services. This form of recommendation or review is the best endorsement for a brand. In fact, more than 90% of consumers worldwide say they trust word of mouth or recommendations from family and friends more than any other form of advertising. Also, positive remarks from customers are more trusted than advertisements because customers have nothing to gain from praising a brand.

These types of digital media marketing can boost a brand audience reach. It may vary the way that target audience encounters a brand. For the purposes of product promotion, and to increase brand awareness and sales, a combination of all three will serve as a new marketing strategy.

The main three dimensions of marketing tools are demonstrated in Figure 37.

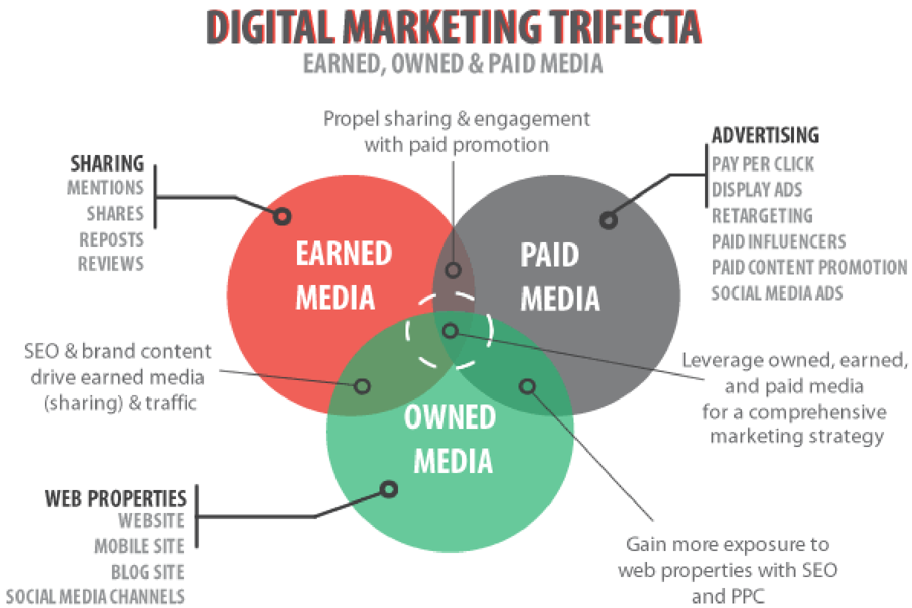

Figure 37 – Digital marketing triple tools [2]

In practice let us have a look and consider the online retailers statistics gathered for the US in terms of digital promotion spending. In 2019, about 22% of all digital advertising spending was in retail. Automotive, financial service and telecom companies were also among the top spenders that year. Companies within this sector spent roughly 500 million U.S. dollars on radio ads in 2018. Other high-spending verticals on the list included media & advertising, and business & technology.

In 2018, the companies investing the most in advertising in the United States were Comcast Corporation, AT&T, and Amazon. Comcast invested over six billion U.S. dollars in promotional activities that year. In terms of internet display advertising specifically, Amazon led the list, spending roughly 430 million U.S. dollars, which was more than twice the amount Comcast spent on those types of ads in the same period [30].

Internet advertising spending in the United States is predicted to increase by about 60%, from 72.5 billion U.S. dollars in 2016 to about 116 billion U.S. dollars in 2021 [45]. There were two on-top digital marketing techniques used: online content marketing and influence of ad placement. In 2019, content marketing was believed to be the single most effective digital marketing technique. Roughly a fifth of marketers worldwide considered this to be the activity that tends to make the largest commercial impact. Other effective techniques on the list included AI and machine learning, social media marketing, and search engine optimization (or SEO).

Influence of ad placement is where ads are placed online can have an impact on how consumers perceive a brand. In the second quarter 2019, 44% of surveyed internet users believed that displaying ads around relevant online content would not influence their perception of the brand. However, about 42% of users stated that it would have a positive effect. Only 6% of respondents reported it would have a negative impact.

Here is data presented the online/digital advertising spending in the U.S. 2019, by medium, published by Statista Research Department [67]. Tool leaders in digital promotion are consumer magazines, TV advertising, digital newspaper ad spending, out-of-home ads, trade magazines and radio (Figure 38).

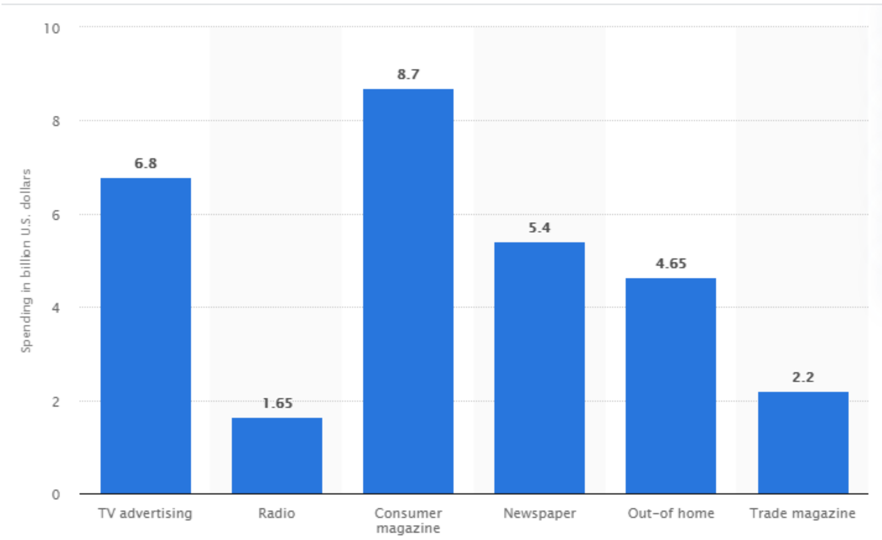

Figure 38 – Online/digital advertising spending in the United States in 2019 year, billion US dollars [67]

Many researchers say, retailers are at the forefront of mobile advertising, as strategies have shifted from a desktop-only to a dual-device approach. Also, when it comes to ad format, retailers are prioritizing search as companies increase Google and Amazon spend and embrace tactics like voice advertising. Search ad spend grew 22.5% to $13.12 billion [36], (Figure 39).

US Total Retail Sales, by Segment, 2018 & 2019
billions, % change and % of total

	2018	2019	% change	% of total 2019 spending	% of 2019 growth contribution
Brick-and-mortar/ in-store	**$4,800.65**	**$4,888.04**	**1.8%**	**89.3%**	**55%**
Ecommerce*	**$514.84**	**$586.92**	**14.0%**	**10.7%**	**45%**
Desktop/laptop	$311.00	$324.27	4.3%	5.9%	8%
—Smart speaker	$1.37	$2.03	47.8%	0.0%	0%
Mobile	$203.84	$262.65	28.9%	4.8%	37%
—Smartphone	$145.72	$199.28	36.8%	3.6%	34%
—Tablet	$56.52	$61.68	9.1%	1.1%	3%
—Other mobile	$1.60	$1.69	5.7%	0.0%	0%
Total	**$5,315.49**	**$5,474.96**	**3.0%**	**100.0%**	**100%**

*Note: excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales; *includes products or services ordered using the internet, regardless of the method of payment or fulfillment*
Source: eMarketer, May 2019

247726 www.eMarketer.com

Figure 39 – US total search ad spend growth, billion USD and % change [36]

If we take into consideration financial returns for one of the biggest platforms, Facebook, companies need to implement the use of social media in their advertising campaigns. According to Facebook report results for the 1st quarter of 2020, the advertising revenue for 2020 was 17,440 million dollars in comparison to 14,912 million in 2019, an increase of 17% year-over-year [39]. Since people are online, the communication takes place via social media networks. The interaction existing among users and companies and the huge amounts invested on advertising in social media may be effectively used to increase a company’s brand awareness.

Summarizing the basic macroeconomic trends, we can assume the mentioned tools evolving as ad-hoc nowadays. The online shift in advertising budget from offline TV and print ads to digital media has been one of the biggest changes that we have witnessed with the growth of the Internet. Among conventional elements of product promotion like trade-marketing or advertising and PR we assume that the most fast-growing segment is digital marketing, the marketing of goods and services using digital technology. Since people are online, the communication takes place via social media networks. The interaction existing among users and companies and the huge amounts invested on advertising in social media may be effectively used to increase a company’s brand awareness.

All in all, according to experts, basic top digital marketing trends for 2020 listed in this paragraph can be implemented by retail and any other e-commerce organization. Meanwhile, these types of digital media marketing can boost a brand audience reach. It may vary the way that target audience encounters a brand. For the purposes of product promotion, and to increase brand awareness and sales, a combination of all will serve as a new marketing strategy.

3 Suggestions for the competitiveness growth: methodology and solutions

3.1 Construction the methodology for the digital promotion industry analysis using multiple linear regression model

3.1.1 Impact factors in online advertisements on revenue of the company

One of the key questions nowadays is how to measure the effectiveness of online advertisement and what factors are involved in that process, especially when we speak about the competitiveness growth of a particular corporation. Big amount of studies revealed that online advertising can be audited through factors such as brand awareness, product recall, changes in the attitudes and behavior of the consumers or increasing of sales [48]. The studies and theories of this opinion focus on information processing on the internet.

One researchers think that the effectiveness of online advertisements should be evaluated by ability to generate click-through rate, how users click on a certain web advertisement, or some other behavioral responses, such as feedbacks or interactions on a website [87].

Others think that online advertisement is a complex phenomenon which is determined by factors relating to the predisposition of the audience, not the advertising itself [102].

Overall picture of online advertising cannot be provided by a single measure. While thinking about advertising effectiveness in order to promote competitiveness of an enterprise we must take in to account the objectives in marketing contexts. If we are talking about attraction users to visit the website, so in that case the desired behavioral responses should be measured. Nevertheless, if we are talking about increasing brand awareness, the responses are irrelevant.

Main factors can be theoretically divided into:

- advertiser-specific aspect (objective advertisement features);
- customer-specific aspect (subjective advertisement features).

Those factors include:

- structural element: advertisement features, formats and types;
- specific to users: personal propensities, perceptions, motivation.

Both elements may influence the effectiveness of online advertising [79].

A lot of models have been proposed for advertising effectiveness. The Defining Advertising Goals for Measured Advertising Results or DAGMAR model it is assumed that advertising works in the sequence of conviction, awareness, comprehension, and action [83]. Studies found that advertising on the web has huge effects on brand loyalty and attitudes that cannot be reflected in click-through rate.

Rodgers and Thorson proposed Internet Advertising Model (IAM) with additional features of online advertisements. They are interactivity, attitude toward online advertisements and attitude toward websites. Rodgers and Thorson divided factors into consumer-controlled and advertiser-control [79]. That factors altogether lead to consumer response: clicking on advertisement and exploring the website.

Then S. Papadopoulos proposed his Model of key success factors of effectiveness of online advertising [69]. Those factors are click-through rate and the page viewing duration.

In that thesis, we are going to conduct the econometric analysis. The main aim of the analysis is to check whether the money spend on online marketing within macroeconomic indicators of USA can influence on competitiveness of Amazon company. Focus has been placed on expenses on online marketing that include Pay Per click expense and SEO optimization spending, rather than on attitudinal responses, and it is necessary to evaluate digital function of product promotion from a more comprehensive perspective.

3.1.2 Algorithms of the Econometric Modelling Process using multiple regression analysis in online promotions

The econometric analysis of this thesis will be based on multiple linear or so-called pairwise regression. In pairwise regression, the choice of the type of mathematical function $\tilde{y} = f(x)$ (1.2.4) can be made by three methods: - graphical; - analytical, i.e. based on the theory of the relationship under study; - experimental.

The graphical method of selecting the type of regression equation is quite obvious in the study of the relationship between the two features. It is based on the gender of correlation.

Considerable interest implies an analytical method of choosing the type of regression equation. It is based on the study of the material nature of the relationship between the studied features. While analyzing the information on the computer, the choice of the type of regression equation is usually carried out by the experimental method, i.e. by comparing the residual dispersion value calculated for different models.

If the regression equation passes through all the points of the correlation field, which is likely only in the functional relationship, when all the points on the regression line $\tilde{y} = f(x)$, in fact, the values of the resultant index coincide with the theoretical ones $y_i = \tilde{y}_{xi}$, they are fully determined by the influence of factor x. In this case, the residual dispersion D=0. In practical studies, as a rule, there is some dispersion of points relative to the regression line. It is caused by the influence of other factors not taken into account in the regression equation. In other words, there are deviations of actual data from theoretical data $(y_i - \tilde{y}_{xi})$. The value of these deviations is the basis for calculating the residual dispersion

$$D = \frac{1}{n}\sum(y - y_x)^2 \qquad (6)$$

If the value of the residual dispersion is smaller, the least influence is exerted by other factors not taken into account in the regression equation, and the better the regression equation approaches the initial data. When processing statistical data on a computer, various mathematical functions are searched in automatic mode and the one for which the residual dispersion is considered to be smaller is selected.

If the residual dispersion turns out to be approximately the same for several functions, in practice the most simple type of function is preferred, because they are more open to interpretation and require the smallest size for the number of studies must be 6-7 times greater than the number of calculated characteristics with variable x. This means that it makes no sense to look for linear regression with less than 7 observations.

Ordinary Least square method is a statistical tool to find the relationship between variables. Suppose n statistical values of free explanatory variables x and n of statistical values of the dependent variable y are selected. The construction of a linear regression is reduced to the estimation of its parameters – a and b. Estimates of linear regression parameters can be found in various ways. It is possible to refer to the correlation field and, having picked up two points on the chart, draw a straight line through them, and then use the chart to find the parameter values. Parameter a is defined as the intersection point of the regression line with the axis 0y, and parameter b is estimated on the basis of the angle of inclination of the regression line as dy/dx, where dy is the increase of the result y, and dx is the increase of the factor x, i.e: $\tilde{y}_i = a + bx.$

The least squares method allows to obtain such estimates of parameters a and b, at which the sum of squares of deviations of the actual values of the resultant feature y from the calculated minimum

$$\sum_i (y_i - \tilde{y}_{xi})^2 \to min \qquad (7)$$

The parameters of the linear regression equation can be calculated as follows:

$$\begin{cases} na + b\sum x = \sum y \\ a\sum x + b\sum x^2 = \sum yx' \end{cases} \qquad (8)$$

The goal of linear regression is to quantify the relationships between economic variables.

The whole analysis was done using Gretl software. To describe the results economic, statistical and econometrical verification were used. Based on those verifications the prediction of the most significant parameters was done using time-series method.

Statistical verification includes such procedures as checking the significance of estimated parameter and explaining the Coefficient of determination.

$H_0 : \gamma = 0$ means that the parameter is equal to zero which means it's not statistically significant.

A: $\gamma \neq 0$ alternative hypothesis means that the parameter is statistically significant.

To check the significance of estimated parameters t-test was used. For statistical significance, we expect the absolute value of the t-ratio to be greater than table value. Table value was taken for alpha=5%, degree of freedom = n.

Coefficient of determination R^2 is a statistical measure that represents the proportion of the variance for a dependent variable that is explained by an independent variable.

Adjusted R-squared gives the percentage of variation explained by only those independent variables that in reality affect the dependent variable.

Econometric verification includes test for autocorrelation, test for Heteroscedasticity and testing for normality.

As a part of econometric verification we will test if there is autocorrelation among the residuals. We will use The Durbin-Watson test [34].

H0 : $\rho = 0$ => there is no autocorrelation

A1 : $\rho > 0$ => there is autocorrelation

The Durbin-Watson statistic has three regions. The first is if the Durbin-Watson statistic is less than d_L, reject the null hypothesis of no autocorrelation; assume positive autocorrelation. The second region is if the Durbin-Watson statistic is greater than d_U, do not reject the null hypothesis of no autocorrelation; assume no autocorrelation. The third region is if the Durbin-Watson statistic lies between d_L and d_U (or exactly equal to either d_L or d_U), the test is inconclusive.

Two critical values d_U (“d-upper”) and d_L (“d-lower”) could be found in the Savin and White tables. Table values depend on number of observations and a number of regressor.

To test the Heteroscedasticity Breusch-Pegan test will be used [18]. Alfa= 5%

For testing for normality Jarque-Bera test will be used [53]. Alpha is 5%The Jarque-Bera result from Gretl software should be compared to the Chi-squared table with n degrees of freedom to determine the critical value at an alpha level 0,05.

All in all, here we studied the impact factors in online advertisements on revenue of the company in order to boost its competitiveness level. In addition, we carried out a panel data set analysis. The following models were chosen during the experimental case: DAGMAR model, IAM Model, Model of key success factors of effectiveness of online advertising. When analyzing the algorithms of the Econometric Modelling Process in online promotions, the most appropriate techniques were implemented: multiple linear or so-called pairwise regression, time-series method, Ordinary Least square method, econometric verification with test for autocorrelation, test for Heteroscedasticity and testing for normality.

3.2 Econometric modelling of the observable problem: Panel Data Set of the US digital market variables

In this paragraph we are going to conduct a panel data set analysis which can be conducted if we are about increasing the competitiveness level of a company. We have got few data about the US digital market conditions and the factors which, we assume, influence it. Thus, the set of variables includes the following:

- personal consumption expenditures on online purchases due to digital promotion ads: personal consumption expenditures (PCE) measure price changes of consumer goods and services. Expenditures noted on the index include actual expenditures and expenditures that are attributed to households in the United States;
- GDP per capita – Amazon has a growing role in the US economy. It covers everything from global inflation to the profitability of small businesses. Company's investments contribute a lot in country's GDP;
- unemployment rate – Amazon investments have led to the creation of over 2 million job positions all over the world and 670.000 in USA. Also, Amazon engages a huge number of third-party contractors and companies for tasks like deliveries;

- revenue of Amazon company – it's hard to give a quantitative evaluation of the effectiveness of online marketing and overall performance of the company. The huge number of clicks, a big conversion or huge amount of money invested in marketing don't usually mean that the product was sold; this variable was chosen as a dependent one;
- marketing spending – Amazon direct customers to their stores primarily through a number of marketing channels, such as our sponsored search, third-party customer referrals, online advertising and other initiative. From our point of view, that variable fully describes the definition of digital marketing and can help to find out whether it increase competitiveness of the company or not.

The panel data set is presented in the Table 10.

Table 10 – Panel data for econometric analysis, based on Annual reports of Amazon 2005–2019 years [made by the author]

Year	Revenue, bln $	UV	GDP per capita, $	Uneployment rate, %	PCE, $	Marketing spendings, mln $
	Y_{1t}	X_1	X_2	X_3	X_4	X_5
2005	8,49	1	44044	5,08	49,1	198
2006	10,711	1	46231	4,61	51,9	263
2007	14,835	1	47902	4,62	56,6	344
2008	19,166	1	48311	5,8	59,8	482
2009	24,509	1	47028	9,28	64,2	680
2010	34,204	1	48394	9,61	67,2	1029
2011	48,077	1	49800	8,93	65,3	1630
2012	61,093	1	51521	8,08	60,3	2408
2013	74,452	1	53016	7,36	62,6	3133
2014	88,988	1	54935	6,18	69,4	4332
2015	107,006	1	56701	5,27	72,4	5254
2016	135,987	1	57797	4,87	75,3	7233
2017	177,866	1	59958	4,1	77	10069
2018	232,887	1	62887	4,1	77,2	13814
2019	280,552	1	65111	3,5	78	18878

After the parameters have been estimated we can come to the next step – applying Ordinary Least Square analysis. The results of this procedure are shown on the Figure 41.

```
Model 1: OLS, using observations 2005-2019 (T = 15)
Dependent variable: Revenuebln
Omitted due to exact collinearity: UV

                        coefficient    std. error    t-ratio   p-value
  ------------------------------------------------------------------
  const                 -186.779       35.1328       -5.316    0.0003   ***
  GDPpercapita             0.00408384   0.00103604    3.942    0.0028   ***
  Uneploymentrate          1.24574      0.998491      1.248    0.2406
  PCE                      0.0131474    0.446448      0.02945  0.9771
  Marketingspendin~        0.0107906    0.000797999  13.52     9.43e-08 ***

Mean dependent var   87.92153   S.D. dependent var   84.77805
Sum squared resid    248.6799   S.E. of regression   4.986782
R-squared            0.997529   Adjusted R-squared   0.996540
F(4, 10)             1009.066   P-value(F)           5.52e-13
Log-likelihood      -42.34495   Akaike criterion     94.68990
Schwarz criterion    98.23015   Hannan-Quinn         94.65219
rho                  0.053422   Durbin-Watson        1.523224

Excluding the constant, p-value was highest for variable 6 (PCE)
```

Figure 41 – OLS results [Gretl software output]

After processing the OLS method we have got the following model:

$$Y_1t = -186{,}779 + 0{,}00408\, X_2t + 1{,}24574X_3t + 0{,}0131474X_4t + 0{,}0107906X_5t \qquad (9)$$

The estimated parameters show by how many units revenue will change if one of the explanatory variables changes by one unit. That is so-called Economic verification can be presented in Table 11.

Table 11 – Economic verification of Amazon estimated parameters, own processing

Parameter	Value	Description
γ_1	-186,779	If all of the model's variables were equal to 0 then revenue of Amazon would by -186,779
γ_2	0,00408	If the GDP per capita increases for one unit, revenue of Amazon will increase by 0,00408 (in bln $)
γ_3	1,24574	If the unemployment rate increases by 1 unit, the revenue of Amazon will increase by 1,24574 (in bln $)
γ_4	0,0131474	If the personal consumption expenditures increase by 1 unit, revenue of Amazon will increase by 0,0131474 (in bln $)
γ_5	0,0107906	If the marketing expenditures increase by 1 unit, revenue of Amazon will increase by 0,0107906 (in bln $)

Based on the assumptions stated before preforming any sort of analysis, we can see that some of the parameters have an unexpected direction.

It was assumed that when GDP (γ2) per capita increases, standard of living and income will also increase. This should have affected revenue in a positive direction.

The parameters γ5 and γ4 are consistent with economic theory and our assumptions, since when marketing expenditures are high it can possibly bring higher revenue to the company. The same positive trend happens with the increase in personal consumption expenditures.

The parameter γ3 is not consistent with economic theory because when unemployment rate increases, people have less spendable income and can buy less products. That means that the value supposed to be negative. After completing the economic verification, we need to do statistical verification that includes such procedures as checking the significance of estimated parameter and explaining the Coefficient of determination.

To check the significance of estimated parameter p-value was used (calculations of SW Gretl). P-value was compared with different alpha levels (1%, 5%, 10%). Where γ_1 – revenue of Amazon, γ_2 – GDP per capita, γ_3 – unemployment, γ_4 – personal consumption expenditures in the US, γ_5 – marketing spending of Amazon.

H_0 : γ =0 means that the parameter is equal to zero which means it’s not statistically significant.

A: γ ≠0 alternative hypothesis means that the parameter is statistically significant.

Table 12 – Significance of estimated parameters (p-value) [made by the author]

	γ_1	γ_2	γ_3	γ_4	γ_5
p value	0,0003	0,0028	0,2406	0,9771	9,43e-08
alpha 1%	0,01	0,01	0,01	0,01	0,01
alpha 5%	0,05	0,05	0,05	0,05	0,05
alpha 10%	0,1	0,1	0,1	0,1	0,1

γ1, γ2 , γ5 are statistically significant with probability of error 1%.

$\gamma 3$, $\gamma 4$ are statistically insignificant at any level of alpha.

To check the significance of estimated parameters we can use another kind of test – Student's t-test (Table 13). For statistical significance we expect the absolute value of the t-ratio to be greater than table value. Table value was taken for alpha=5%, degree of freedom = 13.

Table 13 – Significance of estimated parameters (t-values) [made by the author]

	γ 1	γ 2	γ 3	γ 4	γ 5
t-value	5,316	3,942	1,248	0,02945	13,52
t-table value	2,16	2,16	2,16	2,16	2,16
Comparison	SS	SS	SI	SI	SS

Parameters γ_1 – revenue, γ_2 – GDP per capita, γ_5 – marketing spending are statistically significant. Parameter γ_3 – unemployment and γ_4 – personal consumption expenditures in the US are statistically insignificant.

Coefficient R^2 is used to measure the accuracy of our model, i.e. the level of explained variability in our model. As calculated during the parameters estimation in GRETL, our model's R^2 is 0,997529, meaning that 99,7% of the changes occurring in our variable revenue of Amazon can be explained by changes in the variables GDP per capita, unemployment, marketing spending, personal consumption expenditures.

Adjusted R-squared gives the percentage of variation explained by only those independent variables that in reality affect the dependent variable. Adjusted Coefficient of determination in our model is 0,996540 that means that 99,6% of variation of revenue is explained by variation in GDP per capita, unemployment, marketing spending, personal consumption expenditures.

The next part of analysis is econometric verification. It includes test for autocorrelation, test for Heteroscedasticity and testing for normality.

Firstly, we will test autocorrelation among the residuals using Durbin-Watson test. The Durbin-Watson statistic has three regions. The first is if the Durbin-Watson statistic is less than d_L, reject the null hypothesis of no autocorrelation; assume positive autocorrelation. The second region is if the Durbin-Watson statistic is greater than d_U, do not reject the null hypothesis of no autocorrelation; assume no autocorrelation. The third region is if the Durbin-Watson statistic lies between d_L and d_U (or exactly equal to either d_L or d_U), the test is inconclusive.

Two critical values d_U (“d-upper”) and d_L (“d-lower”) could be found in the Savin and White tables. Table values depend on number of observations and a number of regressor.

In our model we have 15 observations and 5 regressors. Table values are d_U = 1,967 and d_L = 0,390. The calculated value is 1,523224 => 0,390 < 1,523224 < 1,967 - it means that the test is inconclusive, test is unable to reach a decision.

Some of the reasons for autocorrelation are the following: exclusion of relevant variable into the model; inappropriate dynamics of the model; inappropriate analytic function form.

Secondly, we will test the Heteroscedasticity of our model using Breusch-Pegan test with alfa level= 5%.

The results of the Breusch test in Gretl are presenting in the Figure 42 .

```
Breusch-Pagan test for heteroskedasticity
OLS, using observations 2005-2019 (T = 15)
Dependent variable: scaled uhat^2

                     coefficient    std. error    t-ratio   p-value
  ---------------------------------------------------------------
  const              13.1139        5.04725        2.598    0.0266   **
  GDPpercapita       -0.000223681   0.000148839   -1.503    0.1638
  Uneploymentrate    -0.159688      0.143445      -1.113    0.2917
  PCE                -0.0169383     0.0641376     -0.2641   0.7971
  Marketingspendin~   0.000388730   0.000114642    3.391    0.0069   ***

  Explained sum of squares = 16.6816

Test statistic: LM = 8.340783,
with p-value = P(Chi-square(4) > 8.340783) = 0.079863
```

Figure 42 – Results of Breusch-Pegan test [Gretl software output]

According to Gretl calculations, p=0,07986 => p is greater than α => We accept H0. That means that there is no heteroscedasticity.

The last step after economic, econometric and statistical verification is to do forecasting of the significant parameters. Those parameters are revenue, GDP per capita, marketing spending. As the thesis is focused on online marketing, we will have to omit GDP per capita variable and pay attention on microeconomic indicators. Predictions will be done in Gretl software using time-series method for five-year period (Table 14).

Table 14 – Forecasting of the most significant indicators [made by the author]

Year	Revenue, bln $	Marketing spending, mln $
2020	228,018	13,493
2021	245,53	14,598
2022	263,042	15,704
2023	280,554	16,809
2024	298,066	17,915

From the mentioned above Table 14 we can see that the predictions show positive trend for all the indicators for the whole 5-year period.

Now, let us have a look at graphical visualization of two indicators for the researched and predicted period, presented on Figure 43.

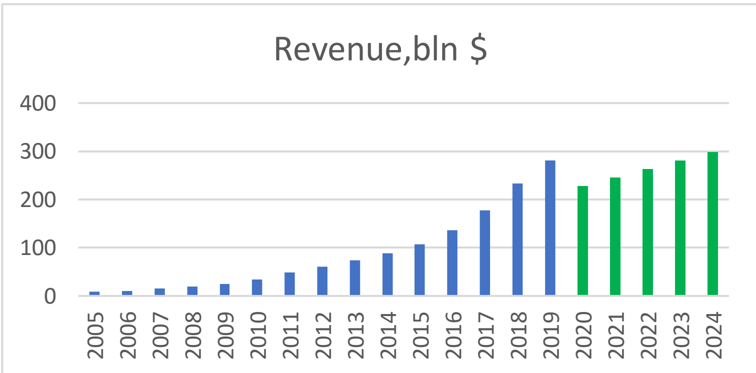

Figure 43 – Revenue forecasting 2020-2024 years for Amazon.com, billion USD [Gretl software]

The Figure 43 above shows, in 2020 Revenue of Amazon is expecting about 18,5% less than in 2019 due to the world economic crisis connected with the currency exchange rates, the pandemic situation and linked to that postponed purchases of the target audience.

Let us have a look at the marketing spending of Amazon depicted on Figure 44.

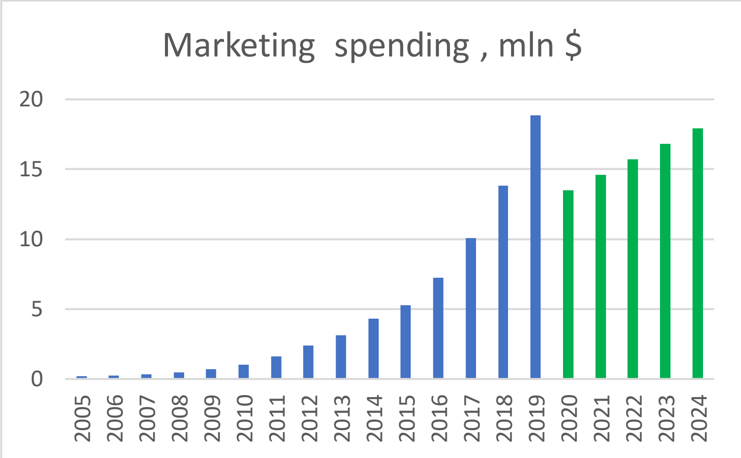

Figure 44 – Marketing spending forecasting 2020-2024 for Amazon.com, billion USD [Gretl software]

The Figure above shows the positive dynamics in future: the increase of marketing spending. As we can derive the data, marketing spending in 2020 is expecting to decrease about 28% than in 2019 due to the factors mentioned above. Only in 2023 year both indicators are expected to be higher than in current year.

The proposed model was aimed to find out if there are factors that can affect competitiveness of online retail company with the main focused on online marketing. The term competitiveness doesn't have any quantitative value but as the main performance indicator Revenue of the company can be performed. In fact, there are four factors that can be considered as main influencers: (1) GDP per capita; (2) Unemployment rate; (3) Personal consumption expenditures; (4) Spending on online marketing.

The model shows that with the increase of Marketing spending and GPD per capita Revenue also increases. That variables have strong correlation between each other, and they are statistically significant. In that case, we can admit the hypothesis that digital function of product promotion can increase the competitiveness of the company.

The data sample used shows very little impact on Revenue in such factors as Personal consumption expenditures and Unemployment rate. It is essential to mention that these are important variables that affecting the overall performance of the company but since the model focuses only on achieving the competitive advantage in retail industry, they are insignificant.

Forecasting of the most significant variables showed that during next 5 years Marketing spending and Revenue of Amazon company will slightly decrease. In 2020 Revenue will be 18,5% less than in 2019, Marketing spending will be 28% less than in 2019. Only in 2023 year both indicators are expected to be higher than in current year. Despite the fact the company's indicators showed the decline for the next 3 years, we can derive the interesting observation that decrease in Expense on online marketing causes the decrease in Revenue of Amazon company. That again proves our assumption, that the key and the most successful factor that affects the competitiveness of the company is investing in appropriate online marketing channel.

3.3 Problem analysis of the Amazon and possible ways of added value optimization

Giving the assumptions based on the contribution of all the research has been done in previous sections we need to perform overall problem analysis of the chosen example in order to optimize the added value of Amazon Corporation. According to the figures presented in this chapter, we derived basic economic indicators from the data sets and annual reports in order to optimize the added value of the company and by means of that to assess reasons and possible ways of solutions. We used the following data sets: Income statements, International Financial Reporting Standard data, Alternative performance measures, Operation performance, Gross value added (GVA) measures the economic contribution, evaluated components of product promotions in retail industry, economic and political factors affected on the current portfolio. Let us analyse the next indicators: problems, reasons and possible solutions in order to optimize the company added value and linked with that the level of its competitiveness (Table 15).

Table 15 – Problems, reasons and possible solutions of the case [made by the author]

Problems	Reasons of competitiveness lack	Possible ways of solution
Net rental income drop	Increasing of competitor's activities offline and online: EBay, Alibaba, Walmart, Kroger Reduction the level of uniqueness of product and services provided Level of lettings reduced slightly from economic uncertainty in 2019 Economic and political situation in the US and UK (Brexit) Falling the customers' incomes due to the economic depression and unstable situation in the EU	Cut rental expenses, optimization Contracts revision with partners and tenants Quality management of product and services, increasing the level of uniqueness (in product offerings, marketing strategy, customer relation management) Increasing flexibility and effectiveness in price policy for tenants
Net finance costs increase	Finance costs increased, mainly due to reduced capitalised interest Ineffective expense policy (high percentage rates on loans, leasing or other subsidized assets) Financial freeze in settlements (tenant debt increasing while other sections like salary, premium, training, charity activities are freezing or suspended) Opening new niches	Revision of bank relations and loans rates (changing a bank operator, debt restructuring, factoring measures in order to pay off part of receivables) Development of a flexible discount system, providing maximum discounts at 100% prepayment from a client Initiate more stable, long-lasting and loyal tenant management instruments to reach the target of sustainable development on most of the sections which might demonstrate fall in costs Switch to product promotions with partners and tenants using their marketing budgets Continue improvement in visitor satisfaction
Tax on underlying profit increased	Ineffective policy in terms of tax optimization Review tax policy for retailers in US by the Government Increased tax expense from current year estimated underpayment of minimum	New management team – was approved in 2020 – focused on creating and delivering new tax and sell strategy Hire professionals to avoid further drops and costs in underlying profits Include long-term and short-term tax planning and forecasting
Net assets attributable to owners of properties decreased	Adversely impacted by property revaluation deficit and change in fair value of financial instruments Exceptional finance and administration costs, primarily from unallocated swap payments Capital investment, mainly on developments transferred to held for sale	Initiate property revaluation process and revise in fair value of financial instruments Install needed prolonged forecasting police to avoid exceptional finance and administration costs Reduce basic capital investments in 2020

Table 15 (continued)

Problems	Reasons of competitiveness lack	Possible ways of solution
Market value of investment and development property decreased	Reduction predominantly as a result of property revaluation deficit Economic and political uncertainty Weak market sentiment affected the valuation of properties (down by 23% in 2019).	No 2020 dividend recommended for payment Reduction from disposal proceeds and transfers to held for sale Diversification of market value of investments: in addition to the retail and leisure mix, see intensification of sites introducing uses including residential, office and hotels which will cement the importance at the heart of their communities

The traditional purchase pattern existence is expected to slow down the global industry growth over the forecast period. There are still a lot of consumers who believe in product purchase after having its touch and feel. In addition, physical stores are capable to provide spare parts and conduct repairs in case of product defects.

The other reason for not that rapid growth of online retail is that online monetary transactions have given an opportunity to hackers to break into the website and get consumer information. Key players in the global retail ecommerce market include Amazon, eBay, Alibaba, and Flipkart.

Using an omnichannel strategy is becoming increasingly important for enterprises that need to adapt to the changing expectations of consumers who need increasingly complex offers throughout the purchase process. Retailers are increasingly focusing on their online presence. Over time, this can lead to the fact that consumers will buy goods online that match their needs, and sellers will not need to conduct an inventory inside the physical location of the store. Some online retailers, on the contrary, are moving from the Internet to the real world in order to open appropriate outlets for the provision of personal services, professional assistance and tangible experience with their products.

In markets around the world categories such as travel, entertainment (books, music, events) and durable goods (fashion, IT/mobile, electronics) are the front runners for consumers to enter the online retail sphere. After two decades of e-commerce retailing, these categories have higher online purchasing penetration and frequency of purchasing than most consumer goods categories.

As most of experts say, consumers increasingly shop across channels, but the store remains an important part of this omnichannel journey. For example, the inspiration for a purchase could come from social media on a mobile, which could be checked and bought in store or ordered online and picked up in store by click and collect. Plus, any items not wanted may be returned to store.

Summing up all the chapter contributions and conducted outcomes, we can observe the following: online advertising has sizable effects on brand loyalty and attitudes that cannot be reflected in only click-through. Online advertising features force consumers to make relationship with company's brand, which leads to increase brand image in consumer's mind.

We investigated the impact factors in online advertisements on revenue of the company and carried out a panel data set analysis. A lot of models was proposed for advertising effectiveness: The Defining Advertising Goals for Measured Advertising Results or DAGMAR model, Internet Advertising Model (IAM), Model of key success factors of effectiveness of online advertising. When analyzing the algorithms of the Econometric Modelling Process in online promotions, we utilized the following techniques: multiple linear or so-called pairwise regression, time-series method, Ordinary Least square method, econometric verification with test for autocorrelation, test for Heteroscedasticity and testing for normality, whereas the whole analysis was done using Gretl software in order to describe the results economic, statistical and econometrical verification.

Moreover, we revealed the factors which affect the data about the US digital market conditions: personal consumption expenditures on online purchases due to digital promotion ads, GDP per capita, unemployment rate, revenue of the company, and marketing spending.

Forecasting of the most significant variables showed that during next 5 years Marketing spending and Revenue of Amazon company will slightly decrease.

Therefore, we can derive the interesting observation: decrease in Expense on online marketing causes the decrease in Revenue of Amazon company.

As we can admit, Amazon directs customers to their stores primarily through a number of marketing channels, such as our sponsored search, third-party customer referrals, online advertising and other initiative. From our point of view, the variable of marketing spending fully describes the definition of digital marketing and can help to find out whether it increases competitiveness of the company or not.

CONCLUSION

As we can state, big amount of studies revealed that online advertising can be audited through factors such as product promotion, brand awareness, product recall, changes in the attitudes and behavior of the consumers or increasing of sales. Eventually all that affects competitiveness of an enterprise, its revenues, target sale assumptions and market share in general. Overall picture of online advertising cannot be provided by a single measure. While thinking about advertising effectiveness we must take into account the objectives in each marketing contexts including the existence of rivals and other external factors of competition.

Nowadays the time is coming the exact manner and digital functions of product promotion are changing marketing beyond recognition. Already today brand-new digital technologies help us to better understand users' buying paths, increase their engagement and make key moments of interaction more valuable. Therefore, marketers have more opportunities to analyze user behavior and mass personalization.

Responsible attitude to the information obtained through these technologies will make marketing more personalized, humane and multi-channel due to unprecedented personalization of content.

Speaking about the research outcomes, we can determine the following areas that are relevant in the electronic trading market at present:

– use of video hosting for the purposes of public relations of their own products and brands;

– creation of virtual platforms that will contain information about the real market, producers and distributors;

– significant redistribution of electronic market into mobile structures;

– increase in viral marketing and contextual advertising due to the popularity of social networks and video platforms.

Appreciating the use of Internet marketing in the activities of a company, a manufacturer is able to obtain the competitive advantages, such as:

- additional types of advertising: SMS alerts, automation of payment for goods or services through a mobile network, setting up the feedback function;
- expansion of the target audience;
- acceleration and automation of the processes of sale of goods;
- ability to increase the level of service personally for each client.

Recent empirical works suggest that leading international retailers tend to expand aggressively by entering multiple countries and/or operating multiple store formats, as well as utilize digital marketing tools and opportunities.

In contrast and making a summary, especially when we conducted the threats of Amazon.com given in the SWOT-analysis, one of the threats of nearest future we can admit that the off-line stores themselves are not dying, they are evolving in some ways. The right stores in the right locations will always play a vital role for retailers however, with all the recent commentary around the death of the physical store, we could hardly assume that no one will be going shopping in the future. Two statistics from recent research illustrate the importance of the offline store. First, around 90% of all retail spend is influenced by a physical store, and second, the presence of a physical store can double a retailer’s online sales in that local catchment.

According to the analysis has been made, we can state that there is a new non-linear marketing approach evolved. To attract customers, retailers must move from a linear marketing approach of one-way communication to a model of value exchange, mutual dialogue and benefit-sharing between supplier and consumer. Information can be distributed through numerous channels, such as influencers blogs, YouTube, Facebook, Instagram, and a number of other platforms. Online communities and social networks allow people to easily create content and publish their opinions, experiences, thoughts and feelings on many topics and products, without any review, which speeds up the dissemination of information.

Summarizing the basic macroeconomic trends, we can assume that the mentioned tools remain ad-hoc nowadays. According to experts, basic top digital marketing trends for 2020 listed in this paper can be implemented by retail and any other e-commerce organization. Meanwhile, these types of digital media marketing can boost a brand audience reach. It may vary the way that target audience encounters a brand. For the purposes of product promotion, and to increase brand awareness and sales, a combination of all will serve as a new marketing strategy.

As we can see, online platforms generate, accumulate and control an enormous amount of data about the customer base and use algorithms to turn this into usable information. The growth of such data is exponential – 90% of all data circulating on the Internet were created less than 2 years ago. Moreover, platforms have proven to be innovators in the digital economy, helping smaller businesses to move online, reach new markets and boost their competitiveness. New platforms in mobility services, tourism, music, audiovisual, education, finance, accommodation and recruitment have rapidly and profoundly challenged traditional business models and have grown exponentially. The rise of the sharing economy also offers opportunities for increased efficiency, growth and jobs, through improved consumer choice, but also potentially raises new regulatory questions.

The rapid expansion of Internet marketing in most of the countries should be a priority for companies that plan to make their business successful. The statistics of American or European electronic markets enables Russian companies to track global trends and apply Internet technologies on their platforms.

All in all, we studied the impact factors in online advertisements on revenue of the company in order to boost its competitiveness level. In addition, we carried out a panel data set analysis. The following models were chosen during the experimental case: DAGMAR model, IAM Model, Model of key success factors of effectiveness of online advertising. When analyzing the algorithms of the Econometric Modelling Process in online promotions, the most appropriate techniques were implemented: multiple linear or so-called pairwise regression, time-series method, Ordinary Least square method, econometric verification with test for autocorrelation, test for Heteroscedasticity and testing for normality. After economic, econometric and statistical verification we did forecasting of the significant parameters such as revenue, GDP per capita, marketing spending. As the thesis was focused on online marketing, we omitted GDP per capita variable and paid attention on microeconomic indicators as well.

The proposed model was aimed to find out if there were factors that could affect competitiveness of online retail company with the main focus on online marketing. The term competitiveness doesn't have any quantitative value but as the main performance indicator Revenue of the company can be performed. In fact, there were four factors that can be considered as main influencers: (1) GDP per capita; (2) Unemployment rate; (3) Personal consumption expenditures; (4) Spending on online marketing. The model showed that with the increase of Marketing spending and GPD per capita Revenue also increased. That variables had strong correlation between each other, and they are statistically significant. In that case, we can admit the hypothesis that digital function of product promotion can increase the competitiveness of the company.

Despite the fact the company's indicators showed the decline for the next three years, we could derive the interesting observation that decrease in Expense on online marketing caused the decrease in Revenue of Amazon company. That proved our assumption, that the key and the most successful factor that affects the competitiveness of the company was investing in appropriate online marketing channel.

As we can admit, Amazon directs customers to their stores primarily through a number of marketing channels, such as our sponsored search, third-party customer referrals, online advertising and other initiative. From our point of view, the variable of marketing spending fully describes the definition of digital marketing and can help to find out whether it increases competitiveness of the company or not.

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