KEY DEVELOPMENT OPPORTUNITIES FOR GLOBAL PRESENCE OF LOCAL DIGITAL MARKETING AGENCIES IN REGION

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SUMMARY

The paper aims to answer the question of which factors might influence the success or failure of collaborations with clients from other countries and seeks to enhance the understanding of business models in local digital marketing agencies, as well as the challenges these agencies face. The core issue addressed is how to effectively and efficiently diversify the base of international clients to ensure sustainable operations in the dynamic digital market. By identifying successful strategies, this desk research can contribute to the development of business practices within the industry and enable local agencies in region to position themselves as competitive players on the international stage.

KEY WORDS: *digital agency, sustainable growth, global presence, AI based- tools*

KLJUČNE RAZVOJNE MOGUĆNOSTI ZA GLOBALNO PRISUSTVO LOKALNIH AGENCIJA ZA DIGITALNI MARKETING U REGIONU

SAŽETAK*:*

Rad ima za cilj da odgovori na pitanje koji faktori mogu uticati na uspeh ili neuspeh saradnje lokalnih digitalnih agencija sa klijentima iz drugih zemalja i nastoji da unapredi razumevanje poslovnih modela u lokalnim agencijama za digitalni marketing, kao i izazova sa kojima se ove agencije suočavaju. Ključno pitanje koje se obrađuje je kako efikasno i efikasno diverzifikovati bazu međunarodnih klijenata kako bi se obezbedilo održivo poslovanje na dinamičnom digitalnom tržištu. Identifikovanjem uspešnih strategija, desk istraživanje može doprineti unapređenju poslovne prakse u industriji i omogućiti lokalnim digitalnim agencijama u region da se pozicioniraju kao konkurentni igrači na međunarodnoj sceni.

KLJUČNE REČI: *digitalna agencija, održiv razvoj, globalno prisustvo, alati zasnovani na veštačkoj inteligenciji*

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INTRODUCTION

The research problem focuses on finding solutions for being resilient and agile in a highly competitive and rapidly evolving global market. The significance of desk research relies in its ability to provide insights into how local digital marketing agencies can achieve sustainable growth and establish long-term partnerships in the global market. The relevance of this topic is particularly important given that digital marketing transcends geographical boundaries, allowing local agencies to expand their operations not only regionally but also on a global scale. This opportunity presents potentially more profitable possibilities for local agencies, especially considering the growing demand for digital services internationally, where they can leverage their unique skills and competitive advantages.

In regards to regional performance of digital marketing agencies like in Serbia, Bosnia and Herzegovina and Montenegro, according to several sources, it has been established that this sector is emerging and developing. The total business income of Serbian digital marketing agencies in 2022 increased by 25.07%, and the net profit by 32.23%. The number of employees in digital marketing agencies increased by 9.53%. (Agency for Business Registers of the Republic of Serbia, 2022). In the context of the profitability of marketing activities on the Bosnia and Herzegovina market, it must be borne in mind that the costs of digital marketing are, as a rule, significantly lower compared to earlier allocations for marketing. When, in addition to lower costs, you add the possibility of immediate monitoring of the effectiveness of campaigns and corrections of them "on the fly", it is clear why digital marketing is an increasingly dominant form of modern marketing. (Sinanović & Jerković, 2023)

Digital marketing can be simply defined as the achievement of marketing goals through the use of digital technologies and media. (Chaffey, 2016) Digital marketing uses data and information and communication technology (ICT), media platforms and various tools to expand the reach and impact of marketing efforts. Its primary goal is to promote products/services, stimulate interest in purchasing and engage customers. (Pratiwi et al., 2023)

Digital marketing builds the company's digital identity, through which it presents itself to a large number of users in the virtual world in order to achieve its business goals. (Marić et al., 2024) Digital marketing agencies are specialized firms that deal with the promotion of brands, products and services through digital channels, such as the Internet, social networks and search engines. Their main role is to help companies increase their visibility, build their image and attract new clients.

Through collaboration with international partners, agencies can gain valuable experience and insights into diverse industry standards and cultural specificities, enabling them to tailor their services to different markets. This cooperation not only generates additional revenue and diversifies business operations but also allows agencies to build a global reputation, which can open doors to new opportunities and long-term strategic partnerships. Following strategies can serve as a list for agencies planning to penetrate foreign markets: • Strategies for creating a client base, • The importance of diversifying the client base, • Strategies for overcoming language and cultural barriers, • The importance of networking.

Moreover, working with foreign clients offers the chance to apply innovative solutions and technologies, further strengthening the agencies' competencies and their ability to compete on the international stage.

Adapting digital content to resonate across cultures is critical for businesses and organizations operating in today's globalized world. (Okonkwo et al., 2023) Successful global companies invest in culturally aware market research and localization strategies to ensure that their products and messages align with local values and sensitivities. (Dang, 2023)

MARKET PENETRATION AS AN OPPORTUNITY FOR AGENCY GROWTH

Digitization provides new opportunities for businesses to connect with foreign customers and clients and to reduce the capital investments needed to compete effectively in foreign markets. (Mayer et al., 2023) Cooperation with clients from abroad can be a challenge, but also an opportunity for local digital marketing agencies. This type of client requires an understanding of different markets, cultures and business practices. It is crucial to adapt communication and marketing strategies to match the expectations of international clients, while respecting cultural norms and specificities. Effective communication, flexibility in approach and the ability to adapt to different time zones and work practices stand out as factors that can significantly influence the (failure) of such cooperation.

New products, services, or technologies do not necessarily lead to new markets. The key distinction lies in whether they ultimately result in new consumption. In the global market, agencies are ranked based on competitiveness, quality, and similar factors, but they are more significantly ranked according to how well they meet specific market needs. Wunker (2011) identifies two ways in which new markets drive growth:

- New Customers: A new market often leads to people or institutions purchasing products or services they have not previously bought. Sometimes these products are entirely new to the global market, such as Apple's iPad, while in other cases, they may have become newly discovered, accessible, or available, as mobile phones have become in developing countries.
- New Opportunities for Product or Service Use: A new market can also emerge from new opportunities for consumption. Colgate created a new market with its Wisp toothbrush, an ultra-portable, disposable toothbrush designed for on-the-go use. E*Trade enabled consumers to trade stocks much more frequently than they could with traditional brokers.

The task of agencies planning to enter foreign markets is to find clients they can truly help, solve a specific problem, or enhance their business operations. Before embarking on strategy creation for international clients, it is crucial for agencies focusing on any segment of digital marketing to clearly define the concept of their services, precisely understanding what they offer and what their core service is. In contemporary digital marketing, which is a broad field, it is becoming increasingly difficult to position oneself as a generalist, especially since competition in the global market is fierce.

The key to success lies in specialization – becoming an expert in a specific segment of digital marketing is the only way for an agency to stand out in the market. Additionally, it is essential to have a thorough understanding of the target market and carefully determine the target audience for the campaigns. Defining the target group within the chosen niche and focusing on it is crucial, as it is challenging to cover all possible niches simultaneous-

ly. Successful market penetration requires thoughtful planning and an understanding of whom, how, when, and in what manner the agency will address. For example, resources for the Netherlands are three times smaller than for Germany due to the smaller market and less competition, while agencies aiming to operate in the German market would face competition from the United States or rest of Europe.

Digital marketing is intangible, and agencies must be aware that when offering services such as website design, optimization, or Google advertising, they are not offering a tangible product that can be immediately seen or touched. Often, the services offered do not yield immediate results; long-term contracts are usually required. A client may only be able to evaluate the quality of work after six months to a year, depending on the area and service.

This is particularly significant for agencies that base their business on Search Engine Optimisation (SEO) services. SEO requires three to six months before a client's website begins to rank for key terms and generates more potential customers or users. Implementing an SEO strategy can feel like pushing a stone downhill; it starts slowly, but once it gains momentum, it accelerates rapidly. However, it is important to note that an effective SEO strategy will eventually generate significant traffic volume with a relatively low cost per visit (or cost per acquisition) (Kingsnorth, 2016).

These agencies should consider incorporating Pay Per Click (PPC) into their service offerings. SEO and PPC together provide an ideal service for new clients, as they allow for a quicker return on investment (ROI). (Nelson, 2019)

STRATEGIES FOR BUILDING A CLIENT BASE

When it is not possible to rely on marketing strategies to attract clients, either due to a lack of financial resources or because the agency has no way of reaching specific company contacts, the *cold calling* method of seeking potential clients may be the best option. This is the most intensive form of sales, and a technique like cold calling is not always recommended unless the agency has no other options.

Nelson (2019) identifies four key elements that cold outreach should include: creating a basic funnel, creating a list, contacting, updating the list. The same author suggests acquiring lists through various associations (e.g., the Real Estate Agents Association). The advantage of lists from associations is that members have paid to join, and the agency can obtain all their verified data.

Thus, initially, without marketing, client base creation can be reduced to finding as many companies as possible in a particular industry and directly contacting them (LinkedIn). One of the most effective tactics for finding future clients is email marketing. This involves collecting email addresses of companies or their key personnel in the industry you wish to target. Campaigns can be sent several times a week, several times a month, or once a month, where agencies present and offer their services.

Digital marketing agencies can use email campaigns to send personalized audits to companies. These audits can offer a brief analysis of the company's online visibility and other relevant digital marketing metrics. Based on the results obtained, agencies can propose specific solutions to improve performance and strategies, serving as an effective way to attract new clients. This approach requires an initial investment to purchase email addresses through data brokers. However, in the long run, email campaigns can provide the

best results in creating a client base. The most crucial aspect of email campaigns focused on finding potential clients is personalization. Personalized campaigns, where the agency or its sales team directly addresses each potential client, can generate much higher-quality leads than automated email campaigns.

The campaigns that will be implemented in practice depend most on the type of campaign, industry, audience, service, or product being promoted, and less on geographical location. If we assume we are running an email marketing campaign where we try to sell 100 computers to legal entities, the process would be the same for both domestic and foreign markets. The only difference to investigate for each country is the data confidentiality laws, such as GDPR.[3]

Today's technology provides much information about the people you are sending the campaign to, such as their location, age, gender, etc. With this data, various segments can be created, providing ample room for customization for different groups and markets. The technical aspect of email marketing is essentially the same for all:

- Data collection.
- Planning.
- Campaign preparation.
- Email campaign execution.
- Reporting.

IMPLEMENTING AI-BASED TOOLS

The strength of artificial intelligence (AI) compared to traditional computer systems lies in its ability to process unstructured data, such as text, images, audio recordings, likes, etc., by assigning values to such data and offering similar outputs (Paschen, Wilson, Ferreira, 2020).

The main categories are the four leading perspectives that overlap in attempts to define artificial intelligence. Paschen et al., (2020) highlight a common misconception arising from definitions that suggest computers demonstrate intelligence akin to human cognition. In reality, contemporary AI systems are information systems that act rationally based on the information they possess. In other words, the performance of an AI system is not measured by its resemblance to human intelligence, but rather by its achievement of ideal performance, known as rationality. This implies that artificial intelligence aims to "do the right thing" based on the information and data it has – focusing on problem-solving to achieve optimal results or the best possible outcome. According to Paschen et al. (2020), AI systems collect data (inputs) from their environment, process them in ways that create value (processes), and provide information (outputs) back to the environment. For instance, when somebody visits a website, he or she leave behind a certain amount of data that may initially appear to be a random, disorganized set of information. Websites collect data such as the IP address from which the site is accessed, the time of access, session duration, pages visited on the site, and so on. These are structured (numerical) data that AI algorithms process by sorting and classifying them to ultimately generate an output that is informative. For example, the output might be, "From location XY, visitors during

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3   https://gdpr-info.eu/chapter-2/

the morning hours spend the most time on pages selling coffee makers," if the website in question is an online store for small household appliances. Such information can guide the seller to potentially create a marketing campaign targeting that segment of customers, thereby boosting coffee maker sales.

The element that enables this is NLP (Natural Language Processing), which is based on machine learning. Machine learning is an application of AI that uses statistical techniques to enable computers to learn and make decisions. It is based on the idea that computers can learn from data, recognize patterns, and make decisions with minimal human assistance. NLP combines computational linguistics with statistical and machine learning techniques. A good example of Natural Language Processing is the popular ChatGPT, an interactive language model chatbot capable of answering complex questions and assisting with various tasks.
[4] The user simply types a prompt, and the chatbot can quickly provide a solution or answer. Essentially, it is a conversation between a computer program and a user in which ChatGPT successfully analyzes the given prompt, processes the linguistic data, and offers an output.

Artificial intelligence represents enormous potential for agencies in the current environment. Although its development is often discussed, it is still not entirely clear how AI can be fully leveraged and what all its possibilities are. The Google Ads dashboard has undergone significant changes over the past four years. The capabilities for manual optimization and complete control over ads have been reduced, directly affecting SEO strategies.

Currently, AI cannot completely replace a marketing expert, but it can significantly reduce the number of people involved in a project and save time. The most beneficial and useful functionalities of artificial intelligence are predominantly technical in nature. Previously, the focus was on detailed targeting and micro-management of the audience, including segmentation and considerations on how to divide the audience (e.g., women aged 35 to 40 with specific interests). Currently, algorithms and artificial intelligence are taking over these tasks. This shift implies that after a test is conducted on a specific audience, the focus transitions to analyzing the results. The objective is less about refining targeting details and more about monitoring conversions, assessing their quality, and reporting on these metrics. AI takes on a portion of the workload, analyzing data and optimizing campaigns based on the insights derived from that data. The role of the marketing expert is to supply the necessary data and enable the AI to utilize this information effectively.

Beyond the implementation of AI-based tools, it is crucial to track and comprehend the development of new technologies being advanced by various platforms. For instance, in performance marketing, a sense of frustration may arise due to the reduced control over certain aspects of campaigns. Monitoring the evolution of new algorithms and embracing emerging technologies is essential for the successful operation and growth of digital marketing agencies. "While Viber marketing is popular in Serbia, WhatsApp is utilized differently in other regions and offers various functionalities. This serves as a prime example of how marketing strategies must be tailored to market specifics and the tools available. For example, in India, purchases can be made directly within a WhatsApp chat, meaning that WhatsApp is integrated with payment systems and can function as an e-commerce platform. One can order and pay for products directly in a WhatsApp conversation, similar to the process on a website. Interestingly, although WhatsApp is an American product, it is most popular in Brazil, where over 96% of the population and more than 60% of busi-

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4   https://openai.com/blog/chatgpt

nesses use it. These specific examples illustrate how the approaches and capabilities of different platforms can vary significantly depending on the region. Meta, for instance, is investing substantial resources in enhancing its technologies, as evidenced by developments on WhatsApp. The 'click to WhatsApp ads' option has been available for some time, and now the first interactions between different platforms are emerging – Google has begun beta testing this feature, recognizing WhatsApp's potential and striving to keep pace. Such interactions between platforms represent a new trend in digital marketing, introducing entirely new terms and professions, such as performance messaging marketing for various applications, which may be the most significant advancement in digital marketing to date."

CONCLUSION

Considering that digital marketing is still a relatively new sector and that the business of digital marketing agencies seems insufficiently researched and processed at the academic level, based on the findings stated in the paper, the conclusion is that digital marketing agencies in region (Serbia, BIH, Montenegro) can develop concrete strategies for better management of challenges in the context of international cooperation, such as adapting campaigns for global markets and improving communication with foreign clients.

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