

# Strategic orientations and digital marketing tactics in cross-border e-commerce: Comparing developed and emerging markets

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# **Strategic orientations and digital marketing tactics as drivers of business performance when expanding across borders: comparing small firms in e-retailing from developed and emerging e-commerce markets in Europe**

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## **Abstract**

This study analyses the impact of strategic orientations on the use of digital marketing tactics and subsequently, on the international business performance of small electronic retailers (e-retailers) in cross-border electronic commerce (e-commerce). Furthermore, these relationships are compared between e-retailers originating in developed e-commerce markets and those in emerging e-commerce markets. Using a sample of 446 small business-to-consumer e-retailers from 20 European countries, we find that the deployment of digital marketing tactics has a positive effect on international business performance. Of the strategic orientations examined, foreign market orientation is most associated with the use of digital marketing tactics. Remarkably, growth orientation only has a positive effect on e-retailers from developed e-commerce markets, while customer orientation negatively affects e-retailers from emerging e-commerce markets. The differences identified between e-retailers from developed and emerging e-commerce markets are prominent and show that markets should not be considered as either uniform or generalisable.

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## **Introduction**

By 2022, business-to-consumer (B2C) cross-border online sales are expected to account for 22 percent of the total e-commerce worldwide (Forrester Research, 2019).

Accordingly, the number of e-retailers crossing national borders continues to grow. In 2018, more than 13 percent of EU retailers, which originated in both developed and emerging e-commerce markets, were selling their products in multiple countries using the Internet (European Commission, 2020). Recent studies indicate, unfortunately, that small firms are not yet reaping the benefits of the digital transition in the European market but are lagging behind large firms with their digital competences (European Commission, 2020). These findings are in line with studies among small firms and their usage of digital marketing activities (Eggers et al., 2017; Taiminen and Karjaluoto, 2015). Yet, digital competencies are needed to foster cross-border e-commerce. In order to succeed, e-retailers need to effectively translate their business strategy into the use of digital marketing tactics to raise awareness of their electronic business (e-business) and entice customers to make purchases in their electronic stores (e-stores). Following Chaffey and Ellis-Chadwick (2019), we define digital marketing tactics not only as the use of online marketing communications (such as for example search engine marketing, social media marketing), but also as campaign-based e-marketing communications (such as advertising and bannerings). Digital marketing tactics are driven by the firms' strategy that work together to represent the online value proposition of the e-retailer, and to subsequently achieve business objectives (Chaffey and Ellis-Chadwick, 2019; Mazzarol, 2015). In foreign markets, however, this is a complex venture, as e-retailers face language barriers, cultural disparities, and differences in consumer behaviour (Bartikowski and Singh, 2014; Cyr, 2008; Usunier et al., 2017).

So far, scholarly knowledge about how small e-retailers' strategies influence their use of digital marketing tactics in foreign markets has mainly been based on insights from larger e-retailers (Chaffey and Ellis-Chadwick, 2019; Leeflang et al., 2014). Yet, researchers generally agree that approaches to marketing for small firms differ from those of their larger counterparts (Bocconcelli et al., 2018; Jones and Rowley, 2011; Kraus et al., 2019). Small firms usually have less resources available for the execution of digital marketing tactics (Eggers et al., 2017; Mazzarol, 2015; Taiminen and Karjaluoto, 2015). Furthermore, small firms are often managed by a

single owner/manager who tends to be a generalist rather than a specialist with marketing and IT competence (Jones and Rowley, 2011; Taiminen and Karjaluoto, 2015). At the same time, technology is becoming less resource-intensive due to the availability of open-source solutions, making the adoption and use of digital marketing technologies within the reach of even the smallest firms (Mazzarol, 2015; Morgan-Thomas, 2016; Taiminen and Karjaluoto, 2015). As an example, using search engine advertising (SEA) allows small e-retailers to appear at the top of Google search results for their larger counterparts. Yet, even though the implementation of multiple digital marketing tactics is of great importance for small e-retailers and cross-border e-commerce as well, the topic remains understudied in the international small business literature.

In addition to the size of the e-retailer, the maturity level of the e-retailer's original e-commerce market may affect the link between the e-retailers' strategy and its choice of marketing tactics. Previous research has indicated that firms from developed and emerging markets have different levels of operational experience, have engaged in international expansions to varying extents, and have different motivations for expanding beyond their domestic market (Banerjee et al., 2015; Javalgi and Todd, 2011; Yamakawa et al., 2008). For example, firms which originated in developed markets have had the opportunity to gain operational experience in their competitive domestic market, which they can then convert into creating value in foreign markets (Argote and Miron-Spektor, 2011; Banerjee et al., 2015). In contrast, firms from emerging e-commerce markets lack such opportunities in their domestic markets (Banerjee et al., 2015). Although studies comparing firms from different countries within the SME literature are limited, there are some indicating that the relationship between strategic orientations and business performance is moderated by the economic market context of the firms' home country, as this context causes variations in the performance effects of different strategic orientations across different countries (Korsakiene and Tvaronavičiene, 2012; Laukkanen et al., 2013). It is therefore necessary to develop an understanding of the extent to which small e-retailers from both developed and emerging e-commerce markets translate their firms' strategy into digital marketing tactics and how this determines their performance in international markets.

Finally, although there is a large body of work on the internationalisation of small firms showing that strategic orientations, as part of the firms' strategy, steer the international performance of firms (Eggers et al., 2017; Musteen et al., 2014; Stoian et al., 2017) these studies focus on establishing and maintaining a physical presence in foreign markets. This contrasts with e-retailing which requires a strong online presence and an international distribution management through designated carriers. An online presence requires a different marketing strategy than a physical presence (Chaffey and Ellis-Chadwick, 2019). Unfortunately, there is a lack of studies that examine the relationship between strategic orientations and the use of digital marketing tactics by small e-retailing firms in an international cross-border context.

This research contributes to the literature on international small firms in three ways. First, we are among the first to assess the relationship between the firms' strategy and digital marketing tactics, which is of high importance for small firms (Eggers et al., 2017; Mazzarol, 2015), yet understudied in the small business literature (Bocconcelli et al., 2018). In this, we use multiple strategic orientations (i.e., growth orientation, customer orientation, and foreign market orientation) that may positively impact the use of digital marketing tactics in foreign markets by small e-retailers in B2C cross-border e-commerce, as studies have indicated that the inclusion of multiple strategic orientations best reflects strategies of small firms (Bamiatzi and Kirchmaier, 2014; Jones and Rowley, 2011; Laukkanen et al., 2013). Second, in addition to studying the influence of strategic orientations on the use of digital marketing tactics, we also study how this subsequently improves the international digital business performance of small e-retailers. In cross-border e-commerce, e-retailers are challenged by language barriers, cultural disparities, and differences in consumer behaviour (Bartikowski and Singh, 2014; Cyr, 2008; Usunier et al., 2017). Digital marketing tactics provide opportunities for small e-retailers to attract new customers and reach existing customers. With the mediating structure in our study, we show how the small e-retailers' strategic orientations and use of digital marketing tactics in foreign markets enhance the e-stores' international business performance (i.e., conversion rate, online turnover, and number of returning customers in foreign markets). Third, following calls from, among others, Laukkanen et al. (2013) and Sheth (2011), we assess the boundary conditions of the aforementioned relationships by comparing small e-retailers across developed and

emerging e-commerce markets. In particular, we assess how the effect of strategic orientations on the use of digital marketing tactics vary among small e-retailers originating from developed and emerging e-commerce markets.

This article is organised as follows. It first considers the theory of firm strategy and the digital marketing tactics, which are relevant to small e-retailers that internationalise via the Internet, and presents the hypotheses. It continues by outlining the methodology and then presents the results. To conclude, the article offers some implications for business decision makers and suggests directions for future research.

## **Theory and Hypotheses**

### *Strategic marketing orientations*

To understand how a small e-retailer's strategic marketing orientations affect the use of digital marketing tactics in cross-border e-commerce, we use the lens of traditional theoretical marketing frameworks. These frameworks (as outlined by Armstrong et al., 2012; Rust et al., 2004) provide insight into how marketing strategies determine the marketing tactics employed, which thereby impact a firm's performance. More recently, digital marketing frameworks have outlined this same relationship related to digital marketing strategy, digital marketing tactics, and enhanced business performance (Chaffey and Ellis-Chadwick, 2019).

The firm's strategic marketing orientations form a major part of the marketing strategy (Bocconcelli et al., 2018; Frambach and Nijssen, 2017). Small firms intend to adopt often used marketing concepts like customer orientation as part of its strategy, and undertake marketing activities related to these orientations (Lam and Harker, 2015). As such, small firms' strategic orientations drive the adoption and implementation of marketing technologies, such as the use of social networks (Eggers et al., 2017). The alignment of a firm's strategic orientations with the adoption of digital technologies positively influence an SME's performance and its competitiveness (Mazzarol, 2015).

Existing research into the impact of strategic orientations on marketing activities and international business performance centres either on the cross-border e-commerce context of large firms (such as Colton et al., 2010) or focuses on small firms operating internationally with a physical presence in foreign countries (Eggers et al., 2017; Musteen et al., 2014; Stoian et al., 2017). Therefore, to assess strategic marketing orientations

relevant for small e-retailers in cross-border e-commerce, we select as our starting point orientations that aim to: (1) promote international growth by allocating resources to international marketing tactics (i.e. growth orientation); (2) serve customers, since the main objective is to induce new foreign customers to visit the website (i.e. customer orientation); and (3) acquire knowledge about foreign markets, since local insight is necessary for the implementation of marketing tactics in new markets (i.e. foreign market orientation).

Table 1 summarises relevant empirical studies which describe how growth orientation, customer orientation, and foreign market orientation may lead to the usage of digital marketing-related technologies and may enhance business performance. None of these studies combine the three mentioned strategic orientations in a mediated structure with digital marketing tactics and international business performance, nor do they differentiate between small e-retailers originating from developed and emerging e-commerce markets. Nevertheless, all studies indicate the potential relevance of these constructs for small e-retailers in cross-border e-commerces. The remainder of this section elaborates upon the relationship between the three identified strategic orientations<sup>1</sup> and digital marketing tactics used by small e-retailers engaging in cross-border e-commerce.

<< Insert Table 1 >>

#### *Growth orientation and digital marketing tactics*

Growth orientation refers to a firm's motivation to grow, and has been shown to lead to earlier internationalisation, higher levels of international business performance, and an increased commitment to foreign markets (Baum et al., 2011; Moen et al., 2016). Firms that have opted for growth through international expansion appear to adopt distinctively proactive orientations, allowing them to identify opportunities outside their domestic markets. As a result, growth orientation is reflected in a subsequent rise in export sales.

Given that growth orientation has been observed in both exporting SMEs and in multinationals expanding via the Internet (Baum et al., 2011; Colton et al., 2010; Moen et al., 2016), it is conceivable that small firms in cross-border e-commerce also rely on this strategic orientation to identify and seize opportunities in foreign markets. In order

to create and exploit growth opportunities in e-commerce, it is important that e-retailers use digital marketing tactics (Chaffey and Ellis-Chadwick, 2019). Hence, it is likely that small e-retailers may depend on growth orientation as part of their firm's strategy for the deployment of digital marketing in foreign markets. Therefore, we hypothesise the following:

*H1. The higher the level of growth orientation, the more that small e-retailers will make use of digital marketing tactics in cross-border e-commerce.*

#### *Customer orientation and digital marketing tactics*

Customer orientation relates to the firm's focus on processes for creating customer value and prioritising the customer's interest (Narver and Slater, 1990). Although the debate continues over the precise definition of customer orientation, descriptions usually include references to: (1) the acquisition of information about the customer in the target market; (2) the dispersing of customer information throughout the organisation; and (3) the development of a strategy to meet current and future customer needs and preferences, whilst ensuring long-term profitability (Frambach et al., 2016; Narver and Slater, 1990). Given that the effect of customer orientation on business performance has been observed for both exporting SMEs (Brockman et al., 2012; Lengler et al., 2016) and for multinationals expanding via the Internet (Colton et al., 2010), it follows that customer orientation may also play a role in the international performance of small firms conducting cross-border e-commerce.

E-commerce firms have many opportunities to obtain customer information via the Internet. By tracking the purchasing habits of potential customers and the purchase histories of existing customers, e-retailers gain insight into customer behaviour (Chaffey and Ellis-Chadwick, 2019; Leeflang et al., 2014). Knowledge about customers' needs, profile, preferences, and digital experiences can be used to inform marketing tactics directed at groups of customers with shared characteristics (Chaffey and Ellis-Chadwick, 2019). Customer insights thus aid in the deployment of digital marketing tactics that attract new customers who are not yet familiar with the e-retailer and returning customers to its e-store. It is reasonable to assume that, due to a stronger customer orientation, an e-retailer engaging in cross-border e-commerce is more aware of the need to use digital

marketing tactics in foreign markets to encourage foreign customers to visit its e-store. Therefore, we hypothesise:

*H2. The higher the level of customer orientation, the more that small e-retailers will make use of digital marketing tactics in cross-border e-commerce.*

#### *Foreign market orientation and digital marketing tactics*

Foreign market orientation refers to the processes needed to acquire knowledge about and effectively serve foreign markets (Lord and Ranft, 2000). It comprises of knowledge related to foreign cultures, other customer needs, unique competitive conditions, and a novel institutional environment. Previous studies indicate that foreign market orientations as part of the firm's strategy are positively associated with the international expansion of small firms (Knight and Liesch, 2016; Musteen et al., 2014) as well as with large e-retailers across borders via the Internet (Colton et al., 2010).

Given the global nature and reach of e-commerce, consumers can easily access e-stores from other countries. This means that cross-border e-retailers need to interact with consumers from different cultures whose preferences are known to vary (Bartikowski and Singh, 2014; Cyr, 2008). A higher awareness of the differences between the domestic and foreign markets relates to knowledge about, for example, differences in customer behaviour across consumers from different markets and the importance of language adaptation in communicating with these foreign customers (Usunier et al., 2017). E-retailers with a higher foreign market orientation may be more conscious of the importance of knowing the foreign markets and its customers, and as such may recognize the need to make greater use of digital marketing tactics to better reach foreign customers. Given this premise, it makes sense to expect that e-retailers who include foreign market orientations in their marketing strategy will make greater use of digital marketing tactics than e-retailers that pay less attention to the foreign market orientation in their marketing strategy. Accordingly, we hypothesise the following:

*H3. The higher the level of foreign market orientation, the more that small e-retailers will make use of digital marketing tactics in cross-border e-commerce.*

### *Digital marketing tactics and international business performance*

Literature shows that for both large firms and SMEs, the use of digital marketing tactics is positively related to the firms' growth, performance, and competitiveness (Chaffey and Ellis-Chadwick, 2019; Taiminen and Karjaluo, 2015). Digital marketing tactics, such as social media marketing and banner advertising, provide opportunities for e-retailers to attract new customers to their e-store as well as reach existing customers. As such, the deployment of digital marketing tactics leads to enhanced business performance by, for example, the improvement of the e-stores' conversion rate (i.e., the percentage of site visitors that convert into buying customers), average basket value (i.e., the average value spent per customer per transaction in the e-store), and online turnover, which ultimately leads to profitability.

In cross-border e-commerce, the challenge for the small e-retailer is not only to reach new customers who are not yet familiar with the e-store, but also to take into account the differences in languages and consumer behaviour (Bartikowski and Singh, 2014; Cyr, 2008). If small e-retailers are able to make more use of digital marketing tactics in foreign markets, it is likely for them to improve their e-stores' international business performance. We therefore hypothesise the following:

*H4. The more digital marketing tactics are used in foreign markets, the larger the effect is on the business performance of small e-retailers in cross-border e-commerce.*

### *Developed vs emerging e-commerce markets*

Earlier research has shown that developed markets are more competitive than emerging markets (Banerjee et al., 2015; Peng et al., 2008). In competitive markets, firms have the opportunity to gain strategic and operational experience, enabling the firm to transform this knowledge into value creation (Argote and Miron-Spektor, 2011; Banerjee et al., 2015). This phenomenon is called the 'learning curve of an organisation' or 'organizational learning' and is based on 'learning by doing' (Arrow, 1971). While firms originating in developed markets are accustomed to open and competitive markets, those from emerging markets are disadvantaged by having developed within more closed economies that are often shielded from global competition (Banerjee et al., 2015). This could be the reason why SMEs from developed markets are at a more advanced stage of

internationalisation, making greater use of advanced opportunities than their counterparts from emerging markets (Korsakiene and Tvaronavičiene, 2012).

When e-retailers expand across national borders, they are likely to apply what they have learned about translating their firms' strategy into the use of digital marketing tactics in their domestic market to foreign markets. Due to the higher degree of competitiveness in the domestic market, e-retailers originating from developed e-commerce markets may have gained a higher awareness of the role and value of digital marketing tactics in the execution of their strategic orientations than their counterparts from emerging e-commerce markets. For example, an e-retailer from a developed e-commerce market may already have experienced that for a successful implementation of a strategic orientation (such as growth orientation, customer orientation, and foreign market orientation), the use of a single digital marketing tactic alone is not enough to stay ahead of the competition. Moreover, previous literature indicates that e-retailers need to be well aware of the nature and importance of using digital marketing tactics in order to be willing to employ them (Mazzarol, 2015; Taiminen and Karjaluoto, 2015). Due to a higher awareness of the role and importance these tactics in cross-border e-commerce, small e-retailers from developed e-commerce markets are expected to more effectively translate the respective strategic orientations into the use of digital marketing tactics than their counterparts from emerging e-commerce markets. Therefore, we hypothesise:

*H5a. The impact of growth orientation on the use of digital marketing tactics in cross-border e-commerce is more effective for small e-retailers from developed e-commerce markets than from emerging e-commerce markets.*

*H5b. The impact of customer orientation on the use of digital marketing tactics in cross-border e-commerce is more effective for small e-retailers from developed e-commerce markets than from emerging e-commerce markets.*

*H5c. The impact of foreign market orientation on the use of digital marketing tactics in cross-border e-commerce is more effective for small e-retailers from developed e-commerce markets than from emerging e-commerce markets.*

Subsequently, small e-retailers from developed e-commerce markets may have gained a higher proficiency in the use of digital marketing tactics than their counterparts from emerging e-commerce markets. In their more competitive domestic markets, they may have learned better how to use the different types of digital marketing tactics in order to persuade customers to visit their e-store than their counterparts did in their domestic emerging e-commerce markets. Hence, it seems likely to expect that what e-retailers learned in their domestic markets will be applied in foreign markets. The use of digital marketing tactics in foreign markets by small e-retailers from developed e-commerce markets may therefore lead to a higher international business performance than for small e-retailers from emerging e-commerce markets. Accordingly, we hypothesize the following:

*H5d. The impact of the use of digital marketing tactics on international business performance in cross-border e-commerce is more effective for small e-retailers from developed e-commerce markets than from emerging e-commerce markets.*

Figure 1 summarises and integrates the postulated hypotheses into a conceptual model.

<< Insert Figure 1 >>

## **Data and Methodology**

To test our hypotheses, we conducted a quantitative questionnaire-based study. The sample frame for the study consisted of online business-to-consumer retail firms from 20 European countries. Since an extensive list was not available, we compiled a list on the basis of publicly available URLs of e-stores. We used the WebExtractorSystem (2015) software to extract URLs of e-stores from well-known, trusted, and reliable national e-commerce associations, trust-mark websites, and price comparison websites. We then used the contact information available on the websites of the e-stores to send our structured questionnaire and a cover letter explaining the purpose of the study in two waves to 7,865 e-retailers. The first wave was in November 2016 and the second

wave was in April 2017.<sup>2</sup> Specifically, the online survey was addressed to business owners and e-commerce managers of e-stores in 20 European countries.

We received positive responses from 948 e-retailers, a response rate of 12%, which is common for a cross-national survey aiming at a business population (Harzing, 2000). A total of 735 e-retailers completed the online survey. After eliminating responses that indicated that the e-retailer did not sell products or services in foreign markets ( $n = 266$ ), or that the e-retailer did not fit the standard European definition of an SME (number of employees  $< 250$ ) (Bocconcelli et al., 2018) ( $n = 3$ ), a final sample of 446 observations remained. All e-retailers in our sample have their domestic base in one of the 20 European markets and participate actively in B2C cross-border e-commerce.

To assess for non-response bias, we followed the recommendations of Hulland et al. (2018) by making use of more than one assessment technique. First, we assessed whether the e-retailers completing the survey systematically differed from those that did not. Second, we assessed whether the e-retailers that received our survey in the first wave systematically differed from those who received the survey in the second wave. No significant differences were found from the t-tests conducted. Together, these results indicate that non-response bias within our dataset is negligible.

### *Measures*

The measures used in this study are listed in table 2. To measure the strategic orientations, we included commonly used, validated scales from comparable literature. Following recommendations on limiting the number of items in multi-item scale surveys in a cross-national context (Steenkamp and Baumgartner, 1998; Usunier et al., 2017), we used three items per construct. The items used are short and clear so as to ensure valid translations (de Vijver and Hambleton, 1996). We adopted the three-item scale used by Baum et al. (2011) to measure growth orientation, and adopted the three shortest items from Brockman et al. (2012) to measure customer orientation. In order to measure foreign market orientation, we adopted the four-item scale from Colton et al. (2010), of which we removed a reverse coded item because research found that the measurement equivalence and construct validity of a scale are challenged in cross-national research when mixed-worded Likert items are used (Wong et al., 2003). The three constructs were measured by asking respondents to indicate their level of

agreement with the items on a five-point Likert scale varying from (1) strongly disagree to (5) strongly agree.

We measured digital marketing tactics as a formative construct, following the structure developed by Rossiter (2002). Therefore, our study measured digital marketing tactics by asking what type of activity the e-retailer conducts in foreign countries to attract customers to their e-store. We offered respondents a list of eight marketing tactics that are common within e-commerce (Chaffey and Ellis-Chadwick, 2019) and are likely used by small e-retailers in cross-border e-commerce: affiliate marketing, search engine optimisation (SEO, i.e. tactics which increase a site's visibility through organic search engines results), search engine advertising (SEA, i.e. tactics which increase a site's visibility through advertising), bannering, social media, advertising on (inter)national price comparison websites, advertising in foreign press and broadcasting media, and advertising on international online marketplaces (for example, eBay and Amazon.com). We also offered respondents the option of: 'We do not conduct specific marketing tactics to attract foreign customers', which would then be coded as 0. To produce the final scale for measuring digital marketing tactics, we summed the tactics reported by the respondents (resulting in a scale ranging from 0 to 8).

We measured international business performance by asking respondents to rate the performance of their e-store in foreign markets compared to their performance in their domestic market using three commonly used key performance indicators in e-commerce: conversion ratio, online turnover, and the number of returning customers (Chaffey and Ellis-Chadwick, 2019). The conversion ratio refers to the percentage of website visitors who actually make a purchase; the online turnover refers to the total sales by the e-store in a specified period; and the number of returning customers indicates how many customers have previously bought items from the e-store. The three indicators were measured by asking respondents to indicate their firms' cross-border performance in the past 12 months, using a 7-point Likert scale ranging from (1) much lower to (7) much higher.

<< Insert Table 2 >>

We developed the source questionnaire in English and conducted a pre-test to assess its logical formatting. Four academics and one e-commerce manager participated in the pre-test, before approving the questionnaire. By following the approach of Hulland et al. (2018), we minimised the potential for common method bias in self-reported data. We spread the questions in the questionnaire so that respondents were not aware of the conceptual framework. The order of the research items was randomised for each question included in the survey. Finally, a text was added specifying that the anonymity of the respondents was assured. Since translation into native languages is essential for conducting research across multiple countries and cultures (Usunier et al., 2017), we translated the English-language questionnaire into the 19 other languages following the committee approach (Harkness et al., 2004).

#### *Classification developed and emerging e-commerce markets*

We used a two-step process to classify the countries analysed in our study as having either a developed or emerging e-commerce market. First, we obtained e-commerce revenues per inhabitant for each country using data from Statista (2019) and The World Bank (2019). We classified countries as possessing a developed e-commerce market when e-commerce revenues were above \$250 per capita, and as having an emerging e-commerce market when e-commerce revenues were lower than \$250 per capita. This classification broadly reflects that employed by the Global Investable Market Index (IMI) (MSCI, 2019). Denmark, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom were classified as developed e-commerce markets; and Bulgaria, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia were classified as emerging e-commerce markets.

We then described and assessed firm-level characteristics of developed and emerging e-commerce markets using *R* (R Core Team, 2017) (see Table 3 for a more detailed overview of firm sample characteristics for each e-commerce market). We did not find significant differences in firm size ( $t = 0.82$ ,  $df = 405.07$ ,  $p = 0.41$ ) or in the size of the management team ( $t = 1.19$ ,  $df = 422.29$ ,  $p = 0.24$ ). We found a significant difference in firm age ( $t = 2.40$ ,  $df = 431.75$ ,  $p < 0.05$ ) and in the number of years conducting cross-border e-commerce ( $t = 4.30$ ,  $df = 441.46$ ,  $p < 0.01$ ). We therefore

decided to control the results of our hypothesis, testing for both firm age and the number of years conducting cross-border e-commerce.

<< Insert Table 3 >>

## **Results**

The data was analysed using *lavaan* (version 0.5-23.1097) in *R* (Rosseel, 2012). The analysis was divided into five parts. First, we assessed the convergent and discriminant validity of the measures. Second, we established the measurement invariance between the two groups. Third we use a multi-group structural equation model (SEM) to test our hypothesis. Finally, we compare our model with an alternative structure and conduct an additional post-hoc analysis on the specific digital marketing tactics that the e-retailers in our sample are using in foreign markets.

### *Convergent and discriminant validity*

Convergent and discriminant validity were tested using Cronbach's alpha, composite reliability, and the assessment of the heterotrait-monotrait (HTMT) ratio of correlations (Henseler et al., 2015). Based on low factor loadings (of -0.25) and a lack of convergent validity, a reverse-coded item from the growth orientation scale was removed. As can be seen in Table 3, Cronbach's alpha for growth orientation, customer orientation, and international business performance exceeded Nunnally and Bernstein's (1994) recommendation of 0.70. Foreign market orientation produced a Cronbach's alpha value of 0.63, which is still above the lowest acceptable value of 0.60 (Nunnally, 1978). In addition, the acceptable convergent validity was supported by the factor loadings, which ranged from 0.67 to 0.92. Following Henseler's et al. (2015) approach, to evaluating the discriminant validity, we studied the HTMT ratio of correlations to evaluate the discriminant validity. Since the HTMT estimates the correlation between two constructs, discriminant validity can be established when the two constructs produce a HTMT criterion value lower than 0.85. In our data, the HTMT ratio of correlations ranged from 0.05 to 0.41 (see Table 4), providing clear evidence of discriminant validity.

<< Insert Table 4 >>

### *Measurement invariance*

Given that our conceptual model was going to be tested across two groups (i.e., e-retailers from developed versus emerging e-commerce markets) it was necessary to first test the invariance of the measures (Steenkamp and Baumgartner, 1998). The results provide support for full metric invariance; the difference in chi-square was not significant ( $\Delta$  Chi-Square/ $df$  = 1.26,  $p$  = 0.26), and the fit indices of the model with loadings constrained has a good fit (Chi-Square/ $df$  = 1.50, CFI = 0.96, NNFI = 0.95, SRMR = 0.06, RMSEA = 0.05). Thus, both configural and metric invariance of the constructs could be established (Steenkamp and Baumgartner, 1998), enabling us to test our model.

### *Structural equation model*

We chose to perform our analysis with SEM, since with SEM it is possible to include multiple constructs at the same time when assessing various relationships comprehensively (Kline, 2016). We conducted a multi-group analysis to compare the model for e-retailers from developed e-commerce markets ( $n$  = 256) against e-retailers from emerging e-commerce markets ( $n$  = 190). The fit indexes obtained for the multi-group analysis indicate that the model has a good fit for both markets: Chi-square/ $df$  = 1.78, CFI = 0.94, NNFI = 0.92, SRMR = 0.07, RMSEA = 0.06 (Iacobucci, 2010).

<< Insert Figure 2 >>

As illustrated by Figure 2, we find a positive and significant effect for growth orientation on digital marketing tactics within developed e-commerce market e-retailers ( $\beta$  = 0.13,  $p$  < 0.01), whereas this effect is non-significant (ns) for emerging e-commerce market e-retailers ( $\beta$  = -0.01,  $p$  = ns). This result partially supports Hypothesis 1. Contrary to the expectations, the results reveal a significantly negative effect for customer orientation on digital marketing tactics within emerging e-commerce market e-retailers ( $\beta$  = -0.20,  $p$  < 0.05) and no significant effect for developed e-commerce market e-retailers ( $\beta$  = 0.02,  $p$  = ns). Thus, Hypothesis 2 is not supported. Furthermore, the results show a positive and significant effect for foreign marketing orientation on digital marketing tactics in both markets ( $\beta$  = 0.39 ( $p$  < 0.001) for e-retailers from developed e-commerce markets and  $\beta$  = 0.54 ( $p$  < 0.001) for e-retailers

from emerging e-commerce markets), supporting the validity of Hypothesis 3. These results indicate clear differences between e-retailers from developed and emerging e-commerce markets. When testing hypothesis 4, we find a significant effect for the relationship between the use of digital marketing tactics on international performance in both markets ( $\beta = 0.24$  ( $p < 0.01$ ) for e-retailers from developed e-commerce markets and  $\beta = 0.44$  ( $p < 0.01$ ) for e-retailers from emerging e-commerce markets), supporting the validity of Hypothesis 4.

To test hypothesis 5a, 5b, and 5c, we assessed if the path coefficients between the strategic orientations and the use of digital marketing tactics significantly differ between e-retailers from developed and emerging e-commerce markets. We constrain the path coefficients per relationship in the model and use ANOVA to compare the models with constrained and unconstrained loadings. First, we find no significance for the relationship between growth orientations and the use of digital marketing tactics between the two markets ( $\Delta$  Chi-Square/ $df = 2.86$ ,  $p > 0.05$ ). However, it should be noted that the standardised beta coefficient of this relationship is significant for e-retailers from developed e-commerce markets and non-significant for e-retailers from emerging e-commerce markets. Furthermore, the p-value of the ANOVA is only marginally above the threshold ( $p = 0.07$ ). Therefore, this result indicates that growth orientation only affects the digital marketing tactics of e-retailers from developed e-commerce markets. Second, we find a significant difference in the relationship between customer orientation and digital marketing tactics between the two markets ( $\Delta$  Chi-Square/ $df = 4.20$ ,  $p < 0.05$ ), which supports Hypothesis 4b. Third, we find a non-significant difference for the relationship between foreign market orientation and digital marketing tactics between the two markets ( $\Delta$  Chi-Square/ $df = 3.29$ ,  $p = ns$ ), indicating that Hypothesis 4c is not supported. Finally, when testing hypothesis 5d, we find a significant difference between the two markets ( $\Delta$  Chi-Square/ $df = 4.37$ ,  $p < 0.05$ ). Contrasting to what we expected, our results show that the relationship between the use of digital marketing tactics and international business performance is significantly stronger for e-retailers from emerging e-commerce markets, not for e-retailers from developed e-commerce markets. We will come back to the latter effect in the discussion.

In line with previous studies of small firms' international performance (Autio et al., 2013; Musteen et al., 2014), we control our model for firm age, the number of years active in cross-border e-commerce, firm size, and the size of the management team by testing the effect on the two dependent variables in our model: digital marketing tactics and international business performance. Only firm size has a positive effect on digital marketing tactics in both developed ( $\beta = 0.30$ ,  $p < 0.01$ ) and emerging e-commerce markets ( $\beta = 0.16$ ,  $p < 0.01$ ). The estimated effects in the main model are unchanged after including control variables.

#### *Alternative model*

Since our structural model uses a mediated structure, we compare our model to an alternative model, in which we include the direct effects of strategic orientations on international business performance. Recent research indicates that such effects could be present (Brockman et al., 2012; Eggers et al., 2017). The results of the alternative model, as displayed in Table 5, indicate that the structure of the model remains largely unchanged. After adding three direct relationships between the strategic orientations and international business performance, the fit indices improve slightly (Chi-square/ $df = 1.60$ , CFI = 0.96, NNFI = 0.94, SRMR = 0.05, RMSEA = 0.05). The standardised beta coefficients of the relations between the strategic orientations and digital marketing tactics remain similar across both models. The standardised beta coefficients of the relation between digital marketing tactics and international business performance remain significant and the explained variance of digital marketing tactics remains similar. This test therefore reinforces our confidence in our chosen model, since the structure remains intact.

Interestingly, the results of the alternative model provide additional insight. Of the three strategic orientations, only the direct relationship between foreign market orientation and international business performance is significant for e-retailers from developed e-commerce markets ( $\beta = 0.28$ ,  $p < 0.01$ ) and emerging e-commerce markets ( $\beta = 0.44$ ,  $p < 0.01$ ). This additional effect accounts for the increase in the explained variance of international business performance in the alternative model, from 6% to 16% for e-retailers from developed e-commerce markets, and from 19% to 34% for e-retailers from emerging e-commerce markets.

<< Insert Table 5 >>

*Additional post-hoc analysis of specific digital marketing tactics*

To gain further insights into the use of specific digital marketing tactics by small e-retailers in foreign markets, we carry out a post-hoc analysis. In our sample, 32% of the e-retailers indicated that they do not use any digital marketing tactics in foreign markets (33% from developed e-commerce markets and 31% from emerging e-commerce markets). The number of digital marketing tactics used in a cross-border setting differs between e-retailers from developed and emerging e-commerce markets: in developed markets it is on average 3.1, while e-retailers from emerging e-commerce markets use 2.5 different marketing tactics ( $t = 3.25, p < ,05$ ).

Also, some interesting differences appear regarding the type of digital marketing tactics used per e-commerce market (see Figure 3). Search engine optimisation (SEO) is the most used digital marketing tactic by e-retailers from developed e-commerce markets (53%) but is used less by e-retailers from emerging e-commerce markets (30%). Also search engine advertising (SEA) is used more in developed e-commerce markets (37%), while in emerging markets that is only 30%. In contrast, social media is used more by e-retailers from emerging e-commerce markets (50%) than by e-retailers from developed e-commerce markets (41%). Overall, except for social media, each digital marketing tactic is used more in the developed e-commerce markets.

<< Insert Figure 3 >>

## **Discussion and Conclusion**

This article identifies the strategic orientations used by small e-retailers engaging in cross-border e-commerce and how these impact their implementation of digital marketing tactics in foreign markets, which is a key driver of their international business performance. Of the three strategic marketing orientations examined, our results suggest that foreign market orientation has the strongest impact on the use of digital marketing tactics by small e-retailers in foreign markets. This effect of foreign market orientation becomes even more important when we find a direct effect of the

orientation on international business performance. Our study adds to earlier findings on foreign market orientation and performance (Musteen et al., 2014; Stoian et al., 2017), showing that foreign orientation is the most important strategic orientation for small e-retailers in cross-border e-commerce to enhance their international business performance.

The results of our study on growth and customer orientation contrast results from findings in earlier studies (Colton et al., 2010; Lengler et al., 2016; Moen et al., 2016). We find that the effect of growth and customer orientation differs across firms originating from developed versus emerging e-commerce markets. Growth orientation only has a positive influence on the use of digital marketing tactics for small e-retailers from developed e-commerce markets. This may be because e-retailers have learned from experience in their competitive domestic market that growth can be achieved by using more digital marketing tactics, which they apply to foreign markets for international growth. This study suggests that e-retailers from emerging markets can only gain such experience after expanding into developed, more competitive markets (Banerjee et al., 2015; Yamakawa et al., 2008). We also find that customer orientation only significantly affects the use of digital marketing tactics for e-retailers from emerging e-commerce markets. Moreover, contrary to our hypothesised relationship, this effect is found to be negative. This negative effect may indicate that devoting too much attention to the needs of existing customers of small firms draws scarce resources away from awareness creation and directing internet traffic to the e-store. The results in our study regarding customer orientation contrast previous findings among large firms in cross-border e-commerce (Colton et al., 2010).

Finally, our results do indicate, as expected, that the use of more digital marketing tactics in foreign markets enhances the international business performance of the small e-retailers. Interestingly, we find this effect to be significantly stronger for e-retailers from emerging e-commerce markets. This may be due to the difference in the average use of digital marketing tactics, which is lower for e-retailers from emerging e-commerce markets vs. developed e-commerce markets. When using a second digital marketing tactic in foreign markets, this effect on international business performance may be stronger than when using a fourth compared to three. Another possible explanation could be that e-retailers from emerging e-commerce markets have a higher

proficiency in the use of foreign languages than e-retailers from developed e-commerce markets. Language is an important skill to be successful in internationalization (Usunier et al., 2017) and the adaptation of digital marketing tactics to foreign markets may be the key to success.

### *Contributions*

This study contributes to the literature on small firms that rely on digital marketing tactics in their internationalisation and highlights the differences between e-retailers originating from developed and emerging e-commerce markets. First, we use a combination of three strategic orientations instead of one or two. Although, due to the smallness of the firm and the strong influence of the owner, the development of a marketing strategy and the use of digital marketing tactics might be due to what others do (Lam and Harker, 2015) or is based on a simple and tacit approach (Bocconcelli et al., 2018; Jones and Rowley, 2011). The results of our study show that market orientations as part of the firms' strategy do support small e-retailers in their pursuit of enhanced international business performance. Building upon the literature showing that the performance and competitiveness of small e-retailers are driven by the firms' strategy and their adoption of marketing technologies (Mazzarol, 2015; Taiminen and Karjaluoto, 2015), we use an intermediating model to illustrate how strategic orientations and digital marketing tactics of small e-retailers do indeed improve the international performance of their e-stores.

Second, our study highlights the importance of foreign market orientation to overcome cross-border challenges and to be able to be successful in international e-commerce. E-retailers depend for their business performance on the use digital marketing tactics (Chaffey and Ellis-Chadwick, 2019) but are challenged in cross-border e-commerce by language barriers, cultural disparities, and differences in consumer behaviour (Usunier et al., 2017). In cross-border e-commerce, an emphasis on foreign market orientation provides opportunities for small e-retailers to gain a higher performance both directly and indirectly through the employment of digital marketing tactics.

Third, following calls from, among others, Laukkanen et al. (2013) and Sinha and Sheth (2018) we assessed the boundary conditions of the aforementioned

relationships. We find that the effects of the three strategic orientations differ for small e-retailers originating from developed and emerging e-commerce markets. The differences identified with regard to the impact of growth and customer orientation on the use of digital marketing tactics in foreign markets between small e-retailers originating from two different e-commerce markets are prominent and show that e-commerce markets should not be considered as either uniform or generalisable. The notable difference in the variance explained by the model tested between firms from developed and emerging e-commerce markets highlights even more the necessity to distinguish between distinct domestic market conditions when addressing marketing problems of small firms, as one size does not fit all.

#### *Managerial implications*

Our study offers several implications and suggestions for small e-retailers and policy makers in cross-border e-commerce. The implications for e-retailers pertain to strategic orientations and marketing tactics. First, regarding strategic orientations for firms, our results suggest that small e-retailers from both developed e-commerce markets and emerging e-commerce markets should prioritise and enhance their foreign market orientation within their firm's strategy. The e-retailer can acquire knowledge of foreign markets by hiring employees with experience in working in international markets to help them overcome the challenges of foreign markets. E-retailers could further encourage employees to undertake international cultural training in order to develop intercultural competences (Bücker and Korzilius, 2015). Second, small e-retailers from developed e-commerce markets but not from emerging e-commerce markets, may consider emphasising a growth orientation within their firm's strategy. This may help these e-retailers pay more attention to the use of digital marketing tactics in foreign markets. Third, small e-retailers from emerging e-commerce markets, but not from developed e-commerce markets, should avoid being overly customer-oriented, as this orientation is found to reduce the use of digital marketing tactics in foreign markets. For small e-retailers from emerging e-commerce markets it would be better to focus on collecting information about foreign markets rather than striving for (too) high a level of customer satisfaction among foreign customers.

Second, regarding digital marketing tactics, the results of our study indicate that the more tactics are used in foreign markets, the better the international business performance of the e-retailer is. Surprisingly, 30% of the e-retailers in our sample do not conduct any digital marketing tactics in foreign markets. For small e-retailers it is worthwhile to invest in skills and technical knowledge to learn how to use digital marketing tactics effectively (Lam and Harker, 2015; Taiminen and Karjaluoto, 2015), which will help them set up processes and routines that can support them to overcome the burden of limited resources (Kraus et al., 2019). Furthermore, when digital marketing tactics are used, it is important for small e-retailers to employ a combination of multiple digital marketing tactics in foreign markets. Commonly used tactics such as search engine marketing (i.e., SEO and SEA) and social media marketing could be expanded upon by digital marketing campaigns like online advertising and affiliate marketing (Chaffey and Ellis-Chadwick, 2019). Subsequently, the measurement of efforts will support the e-retailer with the assessment of the effectiveness of the use of the digital marketing tactics (Eggers et al., 2017; Leeflang et al., 2014).

Finally, as this research includes businesses from 20 countries in Europe, the results should specifically be of interest to European policy makers. Europe is one of the largest B2C e-commerce markets in the world, but it is also a complex market, due to the presence of many different languages, cultures and regulations. Small e-retailers from this continent are heavily dependent on SME support programmes to enhance, for example, their digital proficiency (European Commission, 2020). Such support programmes should consider the extent to which the e-commerce market from which the e-retailer originates has developed, when supporting these smaller e-retailers in their activities across national borders.

#### *Limitations and future research*

This study has limitations that lead to interesting avenues for future research. First, the data-gathering mechanism could have resulted in bias being introduced into the sample, as measures of international business performance used are perceptual in nature. Future research using independently gathered data on firms' turnover, conversion rate, and the numbers of recurring visitors to e-stores offers opportunities to test our model with different measures. Second, in addition to the focus of our study on the extent to which

digital marketing tactics are used, researchers may include the manner in which (combinations of) paid, owned, and earned digital marketing tactics in cross-border e-commerce are used in future research. Furthermore, in assessing the effectiveness of digital marketing tactics, it may be worth examining in future research whether small e-retailers can benefit from collecting market information through the use of digital marketing tactics in foreign markets, and if this foreign market information in turn reinforces the small e-retailers' strategic orientations (Leeflang et al., 2014). Finally, we included several countries from one continent in our research to incorporate e-retailers from both developed and emerging e-commerce markets. In future research, it might be of interest to include firms from several continents, such as Asia and South America, to be able to address the challenges of small e-retailers in these emerging e-commerce markets.

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## **Note**

1. In this paper, we conceptualise strategic orientations at the firm-level, in line with Grimmer et al. (2017) and Nejati et al. (2017), among others. In our data, we focus on small e-retailers (14.79 employees, on average). We asked the position the respondent had in the firm, and found that there were no differences in the answers given on the orientations of the firm between the owner and another employee (for example e-commerce manager); for all orientations  $p > 0.17$ , indicating no statistically significant difference between people's answers within the firm, regardless of position. The owner and firm employees may be almost indistinguishable in such firms. Therefore, we consider all respondents as begin at firm-level.

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2. The second wave was addressed to e-stores which were not included in the first wave. The only difference between the two waves is that in the first wave e-mail addresses were collected manually from the website of the e-store, while in the second wave the e-mail addresses were collected via web scraping.

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## Tables

Table 1. Exemplary papers on strategic orientations and digital marketing tactics

Authors	Focal interest in relation to this study	Determinants of (international) business performance				Geographical scope	
		Growth orientation	Customer orientation	Foreign market orientation	Digital marketing tactics	Developed countries	Emerging countries
Baum et al. (2011)	Typology of small international new ventures	X				X	
Colton et al. (2010)	Relationships among firm orientations, strategic resources, and the international e-tail performance of large firms*		X	X		X	X
Eggers et al. (2017)	Technologies that support marketing and market development in small and medium sized enterprises (SMEs)		X		X	X	
Lengler et al. (2016)	Determinants of Brazilian SMEs' export performance		X				X
Moen et al. (2016)	Motivation for growth, international orientation and the performance of SMEs	X				X	
Musteen et al. (2014)	The role of international networks and foreign market knowledge in SME internationalization			X			X
Stoian et al. (2017)	SME networks and international performance			X		X	
This study	Strategic orientations, digital marketing activities and business performance in cross-border electronic commerce	X	X	X	X	X	X

\* Although the sample contains developed and emerging countries, no distinction or comparison is made

Table 2 List of measures

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Measures

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Growth orientation

Please indicate to what extent these statements apply to your company

We have to grow in order to succeed in the future

Our company's aims can be achieved mainly through further growth

The markets in which we are currently serving still offer sufficient growth potential

Customer orientation

Please indicate to what extent these statements apply to your company

My company's objectives are driven by customer satisfaction

My company's strategy for competitive advantage is based on understanding customer needs

Providing value for our customers is the most important thing my company does

Foreign market orientation

Please indicate to what extent these statements apply to your company

Before we started selling products via our website(s), some people in my company had experience in international markets

My company knows how to market products in foreign countries

Our online sales strategy considers differences between our home market and foreign market

Digital marketing tactics

What marketing activities does your company conduct to attract foreign customers to the website(s)? Multiple answers possible

Search Engine Advertising (SEA)

Search Engine Optimization (SEO)

Affiliate Marketing

Social Media

Bannering

Advertising on international online marketplaces like e-Bay or Amazon.com

Advertising on (inter)national price comparison websites

Advertising in the foreign press and broadcasting media

We do not conduct specific marketing activities to attract foreign customers

International business performance

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Was the average conversion ratio of foreign customers higher or lower than the conversion ratio of customers from your home market in the past 12 months?

Was the online turnover of foreign customers higher or lower than the conversion ratio of customers from your home market in the past 12 months?

Was the number of returning customers of foreign countries higher or lower than the conversion ratio of customers from your home market in the past 12 months?

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Table 3. Overview of sample characteristics

	Developed e-commerce market firms (n = 256)	Emerging e-commerce market firms (n = 190)
Firm size*	15.80 ( <i>sd</i> = 30.20)	13.43 ( <i>sd</i> = 30.51)
Size of the management team**	2.10 ( <i>sd</i> = 1.17)	1.97 ( <i>sd</i> = 1.09)
Firm age	8.77 ( <i>sd</i> = 4.53)	7.81 ( <i>sd</i> = 3.97)
Number of years online cross-border	7.05 ( <i>sd</i> = 4.42)	5.43 ( <i>sd</i> = 3.54)

\*Average number of employees

\*\*Average number of members within the management team

Table 4. Means, standard deviations, and convergent and discriminant validities

Construct	Mean	SD	$\alpha$	CR	Factor loadings	01	02	03
01 Growth orientation	4.36	0.77	0.84	0.84	0.91, 0.92			
02 Customer orientation	4.45	0.62	0.72	0.71	0.88, 0.85, 0.75	0.31		
03 Foreign market orientation	3.01	0.99	0.63	0.63	0.78, 0.78, 0.67	0.12	0.22	
04 International business performance	3.09	1.44	0.77	0.78	0.81, 0.80, 0.84	0.08	0.05	0.41
05 Digital marketing tactics	1.92	1.85	-	-	-	-	-	-

SD = standard deviation;  $\alpha$  = Cronbach's alpha; CR = composite reliability

Table 5. Results alternative model

Effects	Developed	Emerging
	e-commerce markets	e-commerce markets
Growth orientation -> Digital marketing tactics	0.13**	-0.01 (ns)
Customer orientation -> Digital marketing tactics	0.02 (ns)	-0.20*
Foreign market orientation -> Digital marketing tactics	0.37***	0.52***
Digital marketing tactics -> International business performance	0.16*	0.23*
Growth orientation -> International business performance	-0.08 (ns)	-0.03 (ns)
Customer orientation -> International business performance	-0.03 (ns)	-0.03 (ns)
Foreign market orientation -> International business performance	0.16*	0.23*
Variance explained of digital marketing tactics	13%	26%
Variance explained of international business performance	16%	34%

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , ns = non-significant

**Figures**

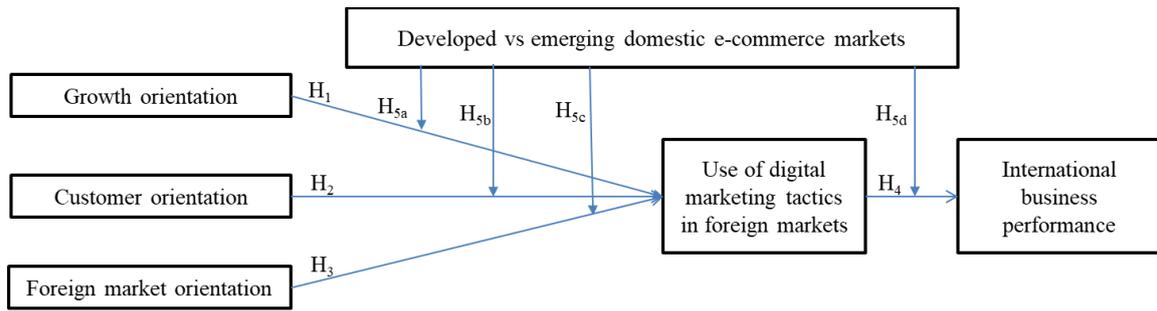


Figure 1. Conceptual model of hypotheses

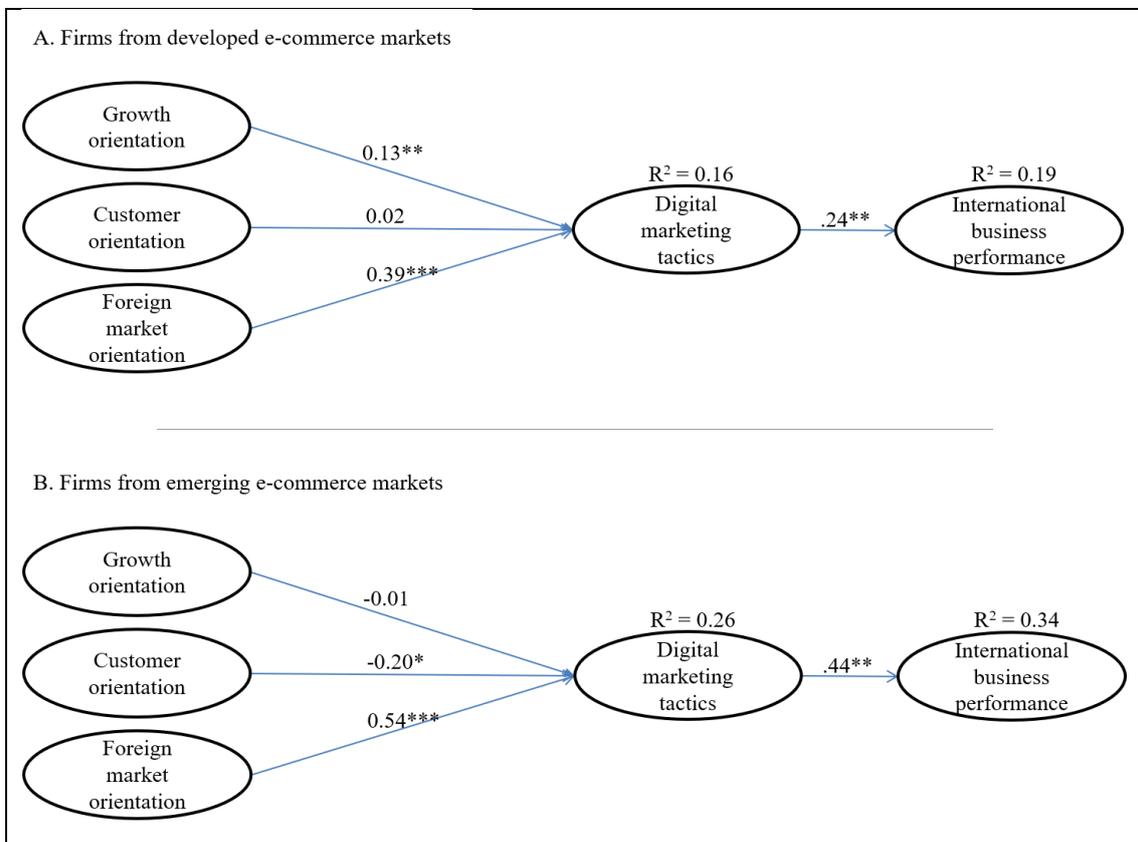


Figure 2. Structural model (standardised parameters estimates are shown with *p* values in parentheses)

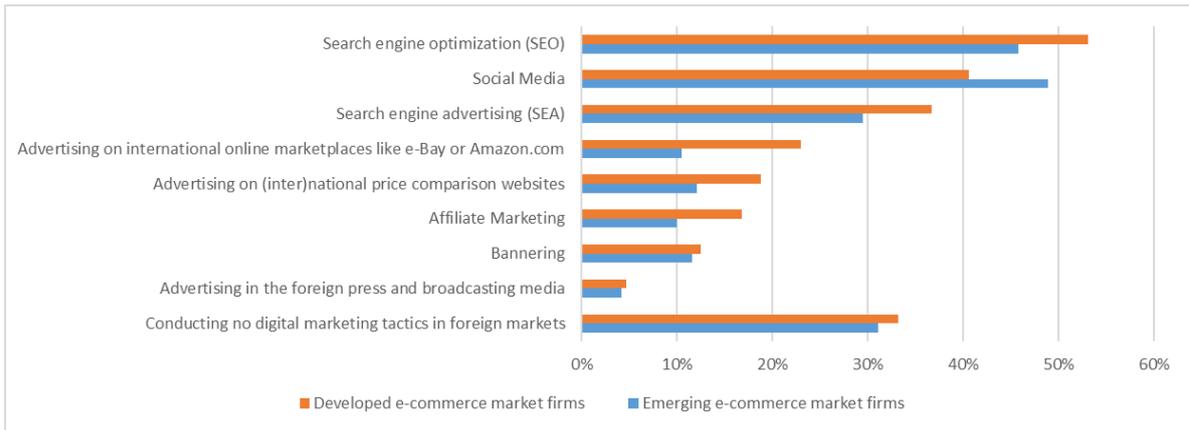


Figure 3. Digital marketing tactics used by small firms in foreign markets