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

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## Abstract

In this article, 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) is analysed. Furthermore, these relationships are compared between e-retailers originating in both developed and 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 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.

## Keywords

cross-border electronic commerce, developed vs emerging markets, digital marketing tactics, strategic orientations

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## Introduction

By 2022, business-to-consumer (B2C) cross-border online sales are expected to account for 22% of the total electronic commerce (e-commerce) worldwide (Forrester Research, 2019). Accordingly, the number of e-retailers crossing national borders continues to grow. In 2018, more than 13% of European Union retailers, originating in both developed and emerging e-commerce markets, were selling their products in multiple countries using the Internet (European Commission, 2020). However, recent studies indicate that small firms are not yet benefitting from the digital transition in the European market and are lagging behind larger firms in their digital competences (European Commission, 2020). These findings are in line with studies among small firms and their use of digital marketing activities (Eggers et al., 2017; Taiminen and Karjaluoto, 2015). However, digital competencies are needed to foster cross-border e-commerce. To succeed, e-retailers need to effectively translate their business strategy using digital marketing tactics to raise awareness of their electronic business and entice customers to make purchases in their electronic stores (e-stores). We define digital marketing tactics not only as the use of online marketing communications, such as search engine marketing and social media marketing, but also as campaign-based e-marketing communications, such as advertising and the use of banners (Chaffey and Ellis-Chadwick, 2019; Kannan and Li, 2017; Mazzarol, 2015). Our definition follows the American Marketing Association's firm centric definition (<https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>). Digital marketing tactics encourage short-term purchasing and are measurable in enhanced profit. Digital marketing tactics are driven by a firm's strategy and together represent the online value proposition of the e-retailer in creating, communicating and delivering value to customers and other stakeholders (Kannan and Li, 2017). In foreign markets, however, this relationship is more complex, as e-retailers face language barriers, cultural disparities and differences in consumer behaviour (Bartikowski and Singh, 2014; Cyr, 2008; Usunier et al., 2017).

Thus far, research and knowledge on small e-retailer strategies and the use of digital marketing tactics in foreign markets have tended to be based on insights from larger e-retailers (Colton et al., 2010). However, it is recognised 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 fewer 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 lacking specialist marketing and IT competence (Jones and Rowley, 2011; Taiminen and Karjaluoto, 2015). Concurrently, technology is becoming less resource-intensive due to the availability of open-source solutions, bringing 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 similar to their larger counterparts. Even though the implementation of multiple digital marketing tactics is of great importance for small e-retailers and cross-border e-commerce, 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-retailer's strategy and choice of marketing tactics. Previous research has indicated that firms from developed and emerging markets have differing 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 had the opportunity to gain digital marketing 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 small and medium-sized enterprise (SME) literature are limited, there are some indicating that the relationship between strategic orientations and digital marketing tactics influences business performance and may be moderated by the economic market context of the home country (Korsakiene and Tvaronavičiene, 2012; Laukkanen et al., 2013). This context may cause variations in the performance effects of different strategic orientations across various countries. It is therefore necessary to understand the extent to which small e-retailers, from both developed and emerging e-commerce markets, translate strategy into digital marketing tactics and how this determines performance in international markets.

Finally, although there is a considerable body of work on the internationalisation of small firms showing strategic orientations as part of the firm strategy to steer international performance (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 (Chaffey and Ellis-Chadwick, 2019; Colton et al., 2010). However, there are few 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 article contributes to the literature on international small firms in three ways. First, we assess the relationship between the firm's strategy and digital marketing tactics, which is of great importance for small firms (Eggers et al., 2017; Mazarrol, 2015), but remains relatively under researched (Bocconcelli et al., 2018). In our study, we include multiple strategic orientations (growth orientation, customer orientation and foreign market orientation) that may positively impact upon the use of digital marketing tactics in foreign markets by small e-retailers in B2C cross-border e-commerce (Bamiatzi and Kirchmaier, 2014; Jones and Rowley, 2011; Laukkanen et al., 2013).

Second, we examine how these digital marketing tactics subsequently improve 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 (Bartkowski and Singh, 2014; Cyr, 2008; Usunier et al., 2017). Digital marketing tactics provide opportunities for small e-retailers to attract new, and reach existing customers. With the mediating structure in our study, we show how the small e-retailer's strategic orientations and use of digital marketing tactics in foreign markets enhance the international business performance of the e-store.

Third, following calls from Laukkanen et al. (2013) and Sheth (2011), among others, 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 orientation on the use of digital marketing tactics varies among small e-retailers originating from developed and emerging e-commerce markets.

This article is organised as follows. First, we consider the theory of firm strategy and the digital marketing tactics, which are relevant to small e-retailers that internationalise via the Internet, and present the hypotheses. Subsequently, we outline the methodology and then present the results. To conclude, we present some implications for business decision makers and suggest 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 noted by Armstrong et al. (2012) and Rust et al. (2004), provide

insights into how marketing strategies determine the marketing tactics employed, which in turn, influence performance. 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; Kannan and Li, 2017). Fundamentally, the marketing strategy of small e-retailers should provide consistent direction to their digital marketing tactics to ultimately support the e-store's overall business objectives. As such, the aim of current digital marketing strategies is similar to that of traditional marketing strategies, that is, to grow a business through customer acquisition and retention.

The firm's strategic marketing orientations form a major part of the marketing strategy (Bocconcelli et al., 2018; Frambach and Nijssen, 2017). Small firms tend to adopt generic marketing concepts such as customer orientation, as part of their strategy, and undertake marketing activities related to these orientations (Lam and Harker, 2015). As such, small firm strategic orientation drives 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 influences the performance and competitiveness of an SME (Mazzarol, 2015).

Existing research on the impact of strategic orientations on marketing activities and international business performance centres either on the cross-border e-commerce activities of large firms (such as Colton et al., 2010) or focuses on small firms operating internationally through 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 to 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 (growth orientation); (2) serve customers, since the main objective is to induce new foreign customers to visit the website (customer orientation); and (3) acquire knowledge about foreign markets, since local insight is necessary for the implementation of marketing tactics in new markets (foreign market orientation).

In Table 1, 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 enhance business performance, are summarised. 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-commerce. In the remainder of this section, we elaborate upon the relationship between the three identified strategic orientations<sup>1</sup> and the digital marketing tactics used by small e-retailers engaged in cross-border e-commerce.

### *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 domestic markets. As a result, growth orientation is reflected by a 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 engaging in cross-border e-commerce also rely on this strategic orientation to identify and seize opportunities in foreign markets. To create and exploit growth opportunities in

**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 <sup>a</sup>	-	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 internationalisation	-	-	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 e-commerce	X	X	X	X	X	X	

SME: small and medium-sized enterprise.

<sup>a</sup>Although the sample contains developed and emerging countries, no distinction or comparison is made.

e-commerce, it is important that e-retailers use digital marketing tactics (Alford and Jones, 2020; McKinsey and Company, 2013). 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 will small e-retailers 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 to create customer value and prioritise customer interests (Narver and Slater, 1990). Although the debate continues over the precise definition of customer orientation, descriptions usually include (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, while 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 engaging in 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; this allows e-retailers to gain insights into customer behaviour (Alford and Jones, 2020; Leeftang et al., 2014; Lemon and Verhoef, 2016). Knowledge about customer needs, profile, preferences and digital experiences can be used to formulate marketing tactics directed at groups of customers with shared characteristics (Leeftang et al., 2014; Lemon and Verhoef, 2016). Customer insights, therefore, aid in the deployment of digital marketing tactics to attract new customers, as well as returning customers, to the 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 the following:

*H2.* The higher the level of customer orientation, the more will small e-retailers 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 includes knowledge related to foreign cultures, other customer needs, competitive conditions and a novel institutional environment. Previous studies indicated 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 varying cultures whose preferences are known to differ (Bartikowski and Singh, 2014; Cyr, 2008). An increased awareness of the differences between the domestic and foreign markets relates to knowledge about 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 their customers, and as such may recognise 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 who pay less attention to foreign market orientation. Accordingly, we hypothesise the following:

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

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

The literature shows that for both large firms and SMEs, the use of digital marketing tactics is positively related to growth, performance and competitiveness (Chaffey and Ellis-Chadwick, 2019; Taiminen and Karjaluoto, 2015). Digital marketing tactics, such as social media marketing and the use of banners, provide e-retailers with opportunities to attract potentially interested customers to their e-store, as well as reach existing customers. As such, the deployment of digital marketing tactics enhances business performance by improving the e-store conversion rate; that is, the percentage of site visitors that convert to buying customers, average basket value; that is, the average value spent per customer per transaction in the e-store and online turnover, which ultimately enhances profitability (Ecommerce Foundation, 2016; Saura et al., 2017).

In cross-border e-commerce, the challenge for the small e-retailer is not only to reach 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 increase the use of digital marketing tactics in foreign markets, the international business performance of their e-store is likely to improve. We therefore hypothesise the following:

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

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

It has been 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 with digital marketing, enabling the firm to transform this knowledge into value creation (Argote and Miron-Spektor, 2011; Banerjee et al., 2015). This phenomenon is described as the 'learning curve of an organisation' or 'organisational learning' and is based on 'learning by doing' (Arrow, 1971). While firms originating in developed markets are accustomed to open and competitive markets, those originating in emerging markets are disadvantaged as they have developed within more closed economies that are often shielded from global competition (Banerjee et al., 2015). This could be why SMEs from developed markets are at a more advanced stage of internationalisation, making greater use of advanced digital opportunities than their counterparts from emerging markets (Korsakiene and Tvaronavičiene, 2012).

When e-retailers expand across national borders, they are likely to apply learning about translating the firm's strategy into the use of digital marketing tactics in their domestic market to foreign markets. Due to the high degree of competitiveness in the domestic market, e-retailers originating from developed e-commerce markets may have gained a greater 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. As such, e-retailers in developed markets may have had greater access to learning, knowledge and networks related to digital marketing. In contrast, e-retailers from emerging e-commerce markets may have had less access to digital marketing knowledge and experience and, therefore, have less knowledge to implement a more sophisticated integrated digital strategy. Moreover, it has been noted that e-retailers need to be aware of the nature and importance of using digital marketing tactics and be willing to employ them (Mazzarol, 2015; Taiminen and Karjaluoto, 2015). Due to a greater awareness of the role and importance of these tactics in cross-border e-commerce, small e-retailers from developed e-commerce markets are expected to translate the respective strategic orientations more effectively than their counterparts from emerging e-commerce markets. Therefore, we hypothesise the following:

*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.

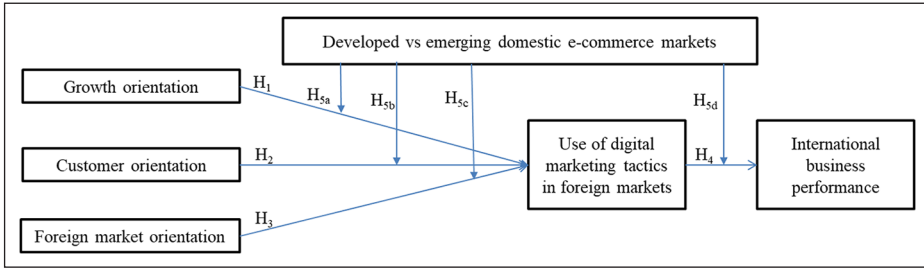
Since small e-retailers from developed e-commerce markets may have gained higher proficiency in using digital marketing tactics in their more competitive domestic markets than their counterparts from emerging e-commerce markets, they may have learned how to use the different types of digital marketing tactics to persuade customers to visit their e-store than their counterparts. Hence, it seems likely to expect that what e-retailers learn 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 hypothesise 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.

In Figure 1, the postulated hypotheses are summarised and integrated into a conceptual model.

## Data and methodology

To test our hypotheses, we conducted a quantitative, questionnaire-based study. The sample frame consisted of online B2C retail firms from 20 European countries. We compiled a list based on publicly available uniform resource locators (URLs) of e-stores since an extensive list was not readily available. We used the WebExtractor System (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 for the business owners and e-commerce managers available on the websites, to send our structured questionnaire and a cover letter explaining the purpose of the study, in two waves, to 7865 e-retailers. The first wave was sent in November 2016 and the second in April 2017.<sup>2</sup>



**Figure 1.** Conceptual model of hypotheses.

We received positive responses from 948 e-retailers, a response rate of 12% which is common for a cross-national survey aimed 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 are based 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 were short and clear 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. 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 it has been found that the measurement equivalence and construct validity of a scale are challenged in cross-national research when mixed-worded Likert-type 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 5-point Likert-type 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 to be used by small e-retailers in cross-border e-commerce: affiliate marketing such as, search engine optimisation (SEO), tactics which increase a site's visibility through organic search engine results; SEA, tactics which increase a site's visibility

**Table 2.** List of measures.

Measures
Growth orientation
Please indicate to what extent these statements apply to your company
We have to grow 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)?
Search Engine Advertising (SEA)
Search Engine Optimisation (SEO)
Affiliate Marketing
Social Media
Bannering
Advertising on international online marketplaces like eBay 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
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?

SEA: search engine advertising; SEO: search engine optimisation.

through advertising; the use of banners; 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 with 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 (Ecommerce Foundation, 2016; Saura et al., 2017). The conversion ratio refers to the percentage of website visitors who 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 firm's cross-border performance in the past 12 months, using a 7-point Likert-type scale ranging from (1) much lower to (7) much higher.

We developed the source questionnaire in English and conducted a pre-test to assess its logical formatting. Four academics, two of whom have hands-on experience in e-commerce, one is part of a national cross-border expert group, and an e-commerce manager, took part 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, 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 19 other languages following the committee approach (Harkness et al., 2004).

### *Classification of 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, 2018). 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 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.

## **Results**

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

**Table 3.** Overview of sample characteristics.

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

<sup>a</sup>Average number of employees.

<sup>b</sup>Average number of members within the management team.

### 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. Table 3 shows that 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 et al.'s (2015) approach, in 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.

### Measurement invariance

Given that our conceptual model was going to be tested across two groups (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 had a good fit (chi-square/ $df = 1.50$ , comparative fit index (CFI) = 0.96, non-normed fit index (NNFI) = 0.95, standardised root mean square residual (SRMR) = 0.06 and root mean square error of approximation (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.

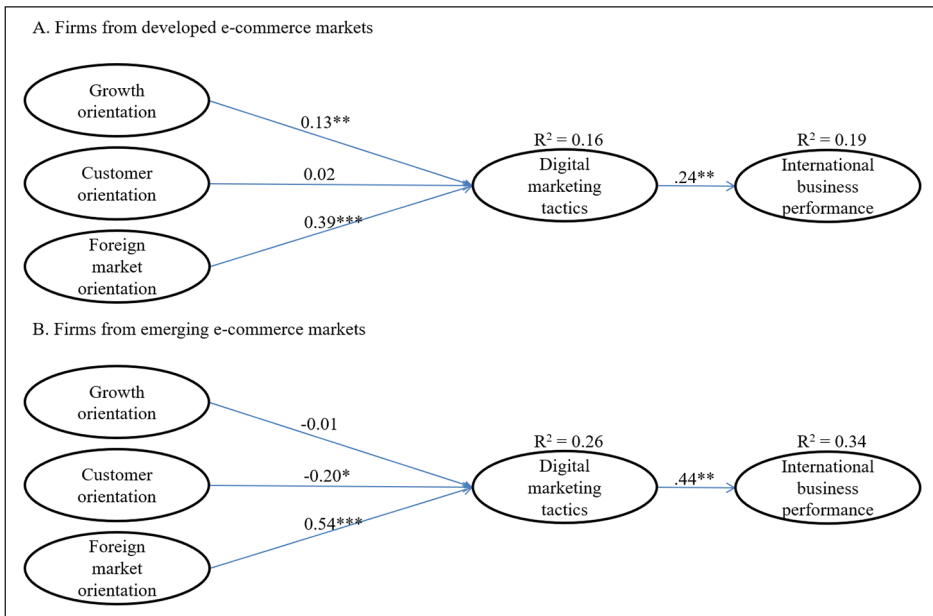
### Structural equation model

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 (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 and RMSEA = 0.06 (Iacobucci, 2010).

**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.



**Figure 2.** Structural model (standardised parameters estimates are shown with reference to  $p$  value). \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ .

As illustrated in Figure 2, we find a positive and significant effect for growth orientation on digital marketing tactics within developed e-commerce market e-retailers ( $\beta = 0.13, p < 0.01$ ), while 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 significant 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 Hypotheses 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 analysis of variance (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 5b. 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 5c is not supported. Finally, when testing Hypothesis 5d, we find a significant difference between the two markets ( $\Delta$  chi-square/ $df=4.37$ ,  $p < 0.05$ ). 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 but not for e-retailers from developed e-commerce markets.

In line with previous studies on the international performance of small firms (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 (see Table 5) show 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

**Table 5.** Results alternative model.

Effects	Developed e-commerce markets	Emerging 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%

ns: non-significant.

\* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ .

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.

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

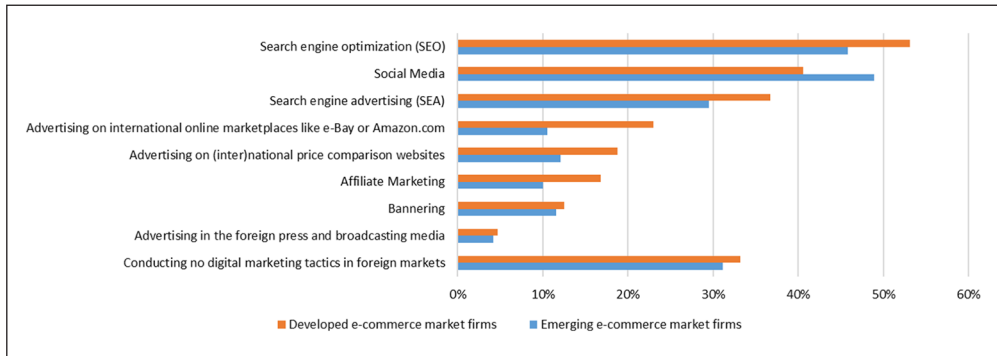
A post hoc analysis was used to gain further insights into the use of specific digital marketing tactics by small e-retailers in foreign markets. In our sample, 32% of the e-retailers indicated that they do not use any digital marketing tactics in foreign markets (33% from developed e-commerce markets and 31% from emerging e-commerce markets). The number of digital marketing tactics used in cross-border settings differs between e-retailers from developed and emerging e-commerce markets: in developed markets it is 3.1 on average, while e-retailers from emerging e-commerce markets use 2.5 different marketing tactics ( $t = 3.25$ ,  $p < 0.05$ ).

Also, some interesting differences regarding the type of digital marketing tactics used per e-commerce market (see Figure 3) were observed. 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, SEA is used more by e-retailers from developed e-commerce markets (37%) than by e-retailers from emerging markets (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 by e-retailers from the developed e-commerce markets.

## **Discussion and conclusion**

In this article, we identified the strategic orientations used by small e-retailers engaging in cross-border e-commerce and the impact on the use of digital marketing tactics in foreign markets, a key driver of 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 in foreign markets. This effect of foreign market orientation becomes even





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

Note: Please refer to the online version of the article to view the figure in colour.

more important when we find a direct effect on international business performance. Our analysis 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.

Our results on growth and customer orientation contrast with the findings in earlier studies (Colton et al., 2010; Lengler et al., 2016; Moen et al., 2016). Furthermore, we find that the effect of growth and customer orientation differs across firms originating from developed and emerging e-commerce markets. Growth orientation has a positive influence on the use of digital marketing tactics only for small e-retailers from developed e-commerce markets. This may be because e-retailers have gained experience through their domestic market that growth can be achieved by using more digital marketing tactics. Previous studies suggest that e-retailers from emerging markets can only gain such experience after expanding into developed, competitive markets (Banerjee et al., 2015; Yamakawa et al., 2008). We also find that customer orientation significantly affects the use of digital marketing tactics only for e-retailers from emerging e-commerce markets. Moreover, contrary to our hypothesised relationship, this effect is found to be negative. The inability of e-retailers from emerging e-commerce markets to leverage web analytics data may be the cause of this negative effect (Leeflang et al., 2014).

Finally, our results indicate, as expected, that the use of digital marketing tactics in foreign markets improves the international business performance of small e-retailers. Interestingly, we find that, on average, e-retailers from emerging e-commerce markets use fewer digital marketing tactics, whereas the effect on international business performance is significantly stronger than for e-retailers from developed e-commerce markets. It may be that when more digital marketing tactics are being employed, the effect of adding additional tactics decreases. Another possible explanation is that people from emerging e-commerce markets have a higher skill in using foreign languages than people from developed e-commerce markets. Language is an important skill to be successful in internationalisation (Usunier et al., 2017). Adapting digital marketing tactics to foreign markets can be the key to success. In emerging markets and smaller developed markets, knowledge of second and third languages is greater than in large developed markets such as the United Kingdom, France, Italy and Spain (Eurobarometer, 2006).

### Contributions

This article contributes to the literature on small firms in multiple ways. We use a mediated model to illustrate how specific strategic orientations lead to the use of more digital marketing tactics, and

in turn to improve the international performance of e-stores of small e-retailers. Although previous research has indicated that small firms may copy what others do (Lam and Harker, 2015), or base their strategy and tactics on a simple and tacit approach (Bocconcelli et al., 2018; Jones and Rowley, 2011), the results of our research emphasise that small e-retailers benefit from adopting an explicit market orientation. More specifically, our analysis highlights the importance of foreign market orientation to overcome cross-border challenges and succeed in international e-commerce. E-retailers are challenged in cross-border e-commerce by language barriers, cultural disparities and differences in consumer behaviour (Usunier et al., 2017). An emphasis on foreign market orientation provides opportunities for small e-retailers to improve their international business performance, both directly and indirectly, through the employment of digital marketing tactics. Furthermore, following calls from Laukkanen et al. (2013) and Sinha and Sheth (2018), among others, we assessed the boundary conditions of our postulated relationships. We found that the effects of the strategic orientations differ for small e-retailers originating from developed and emerging e-commerce markets. The impact of growth and customer orientation on the use of digital marketing tactics is prominent and shows 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 markets highlights that there may be even more drivers for differences in use of marketing tactics, or performance, between e-retailers from the two distinctly different e-commerce markets. These may, for instance, be the size, level of education, or training of the firm's marketing team.

### *Managerial implications*

Our analysis offers several implications and suggestions for small e-retailers and policy makers in cross-border e-commerce. The 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. E-retailers can acquire knowledge of foreign markets and how to employ marketing tactics in these markets via numerous online resources, or make use of specialised agencies to overcome the challenges of foreign markets. E-retailers could further encourage employees to undertake international cultural training to develop intercultural competences (Bücker and Korzilius, 2015). Small e-retailers from developed e-commerce markets may even consider emphasising 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. Finally, small e-retailers from emerging 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 on foreign markets rather than striving for (too) high levels of customer satisfaction among foreign customers.

The empirical analysis also indicates that the greater the use of digital marketing tactics in foreign markets, the better the performance of the e-retailer in international markets. Surprisingly, 30% of the e-retailers in our sample do not conduct any digital marketing tactics in foreign markets. For small e-retailers, it would be worthwhile to invest in skills and technical knowledge in using digital marketing tactics effectively (Lam and Harker, 2015; Taiminen and Karjaluoto, 2015), which will help establish processes and routines that can support the burden of limited resources (Kraus et al., 2019). 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 (SEO and SEA) and social media marketing, could be expanded upon using digital marketing campaigns such as online advertising and affiliate

marketing. In addition, routine monitoring of the effective use of various combination(s) of digital marketing tactics will further enable the e-retailer in determining which tactics may result in a high performance (Eggers et al., 2017; Leeftang et al., 2014).

This study includes businesses from 20 countries in Europe and the results should be of particular 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 various languages, cultures and regulations. Small e-retailers from this continent are heavily dependent on SME support programmes to enhance their digital proficiency (European Commission, 2020). Such support programmes should consider the type of e-commerce market from which the e-retailer originates when supporting smaller e-retailers in their activities across national borders.

### *Limitations and future research*

This study has limitations that provide possible interesting avenues for future research. First, the data-gathering mechanism could have resulted in bias being introduced into the sample, as the measures of international business performance used are perceptual in nature. Future research using independently gathered data on turnover, conversion rate and the numbers of recurring visitors to e-stores offers opportunities to test our model with different measures. Second, we do not explicitly measure which combinations of marketing tactics are most effective, nor do we measure the effectiveness of using digital marketing tactics for web analytics. In addition to the focus of our study, 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 how small e-retailers can benefit from collecting market information using digital marketing tactics in foreign markets. It may then also be possible to investigate whether deployment of digital tactics may in turn strengthen strategic orientations on foreign markets (Alford and Jones, 2020; Leeftang et al., 2014). Finally, there may be other factors that have an impact on the deployment of digital marketing tactics at a more advanced level. For instance, future research may include e-retailers that have outsourced their digital marketing tactics which can be undertaken by e-retailers from developed e-commerce markets to providers in emerging e-commerce markets.

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### **Notes**

1. In this article, we conceptualise strategic orientations at the firm-level, in line with the studies conducted by 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 noted the position held by the respondent in the firm and

found that there were no differences in the answers between the owner and other employees; for example e-commerce managers, for all orientations ( $p > 0.10$ ). The owner and employees may be almost indistinguishable in such firms. Therefore, we consider all respondents as being at firm-level.

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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