



The Effect of Digital Marketing Capabilities on Local Government Performance in Tourism Industry

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Abstract

Digital marketing has become a top choice in the current marketing situation where the market is migrating to the electronic market space. For local governments, the implementation of digital marketing and the use of social media are not only beneficial in improving their efficiency, accountability effectiveness, democracy and performance, but can also facilitate promotional activities of tourism destinations and tourism products located in their regions. The aim of this literature review is to investigate the effect of digital marketing capabilities on efficiency, effectiveness on the performance of local governments in the tourism industry, especially in the promotion of tourism destinations and regional tourism products. This study uses a literature review to understand the influence of digital marketing capabilities on efficiency, effectiveness on the performance of local governments in the tourism industry. The study protocol was formulated as a guide for literature search, using 'digital marketing, and 'marketing mix' as search terms. The terms "local tourism" and "local government" are also used in searches, ranging from titles, abstracts, keywords or in texts, to present discussions related to digital marketing that still exist in tourism. The results show a positive relationship, where digital marketing capabilities affect the efficiency, effectiveness, and performance of local governments in the tourism industry, the promotion of tourism destinations and regional tourism products.

2412

IndexTermsdigital marketing, marketing mix, local tourism, local government

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Introduction

The development of digital technology is reshaping the world of marketing and sales. The potential for real-time connectivity with customers, especially through social networks, results in unlimited opportunities for personalized products, services, and communications (Galante, N., Moret, C., & Said, R., 2013). Mobile devices, E-

Commerce, Internet of Things (IoT), and Artificial Intelligence (AI), are part of the concept of digital marketing on a broader scale, covering all activities, all industries, as well as all processes supported by digital technology to create, as well as to communicate, as well as provide value to customers (Herhausen, D., Miočević, D., Morgan, R. E., & Kleijnen, M. H., 2020).



Long before, businesses and large organizations used traditional marketing such as television, radio, or direct mail advertising (Kannan, P. K., 2017). Marketing in the traditional way began to be abandoned because of its dominant suppressor on the homogeneity of customer segments, as well as the increase in diversity, dynamics of customer needs and behavior (Suh, T., & Chow, T. E, 2021). In addition, digital technologies, and devices such as smartphones, smart products, the Internet of Things (IoT), Artificial intelligence (AI), and deep learning all promise a significant transformation of consumers' lives in the future.

All provinces in Indonesia have tourism potential even with different levels of international and domestic tourist visits. Each local government also uses different strategies to promote tourism and its regional tourism products. Local governments assume an important responsibility for the effective implementation of tourism development (UU 23 of 2014 Local Government). Especially for district/city local governments, the law gives districts/cities the responsibility to carry out district/city-scale tourism marketing. Previously, Law Number 10 of 2009 concerning Tourism gave authority to local governments to facilitate and promote tourism destinations and tourism products in their area. This is also emphasized through the Government Regulation of the Republic of Indonesia Number 38 of 2017 concerning Regional Innovation, which instructs local governments to innovate in order to accelerate the realization of community welfare, both in the form of innovations in regional governance, public service innovations, and/or other regional innovations in accordance with government affairs that are regional authorities.

Based on the above authority, local governments need to make efforts to

continue to improve competitiveness such as, among others, such as enabling environment, Travel and Tourism Policy, Enabling Conditions, Infrastructure, Natural and Cult in various tourist destinations, and must be supported by the integrated tourism master plan ITMP), in addition to increasing the competitiveness of the 3A ecosystem (accessibility, attractions, amenities), destination governance, improving the quality of tourism human resources, especially in the regions, as well as strengthening the image and diversification of marketing, namely through digital marketing. Marketing efforts themselves include activities, institutions, and processes intended to identify, anticipate, create, communicate, deliver, and exchange valuable offers that satisfy clients, audiences, partners, and the wider community (de Matos et al., 2020; Pasquier & Villeneuve, 2018; Serrat, 2017). Digital marketing includes digital marketing tools such as Websites, emails, online videos, blogs, social media, advertising and mobile applications, and other digital platforms to directly engage consumers anywhere, anytime through computers, smartphones, tablets, Internet-ready TVs, and other digital devices (Kotler, P., 2017).

Local governments, at various levels must adopt data-driven solutions, social media platforms, and digital marketing strategies to reach the public and provide cost-effective and results-oriented solutions. This can be done due to the support of the current electronic marketing situation in which the market migrates to the electronic market space (Chaffey and Smith, 2013). Referring to Statista, Diamond (2019) stated that in 2018, around 4.2 billion people were active internet users and 3.4 billion were social media users. That means that no matter what the business is, it's more likely that the government can reach its constituents through digital marketing. There is already a lot of evidence, that the



public sector benefits from digital marketing (de Matos et al., 2020; Larsson & Teigland 2020; Zaheer & Rashid, 2016). However, the empirical literature has not accurately identified the industry clusters in the public sector that benefit from digital marketing. The results of the study by de Matos et al. (2020) only identified four industrial clusters that benefited from public sector marketing during the period 1990-2020, namely education, public health, socioeconomics, and urban politics. Other clusters, including tourism, have not been identified. In fact, digital marketing has become one of the focus areas for tourism businesses and destinations around the world (Chamboko-Mpotaringa & Tichaawa, 2021).

Based on the background of the research mentioned above, as well as the existing novelty opportunities, the purpose of this study is also expected to provide an overview and answer the questions: 1) Do digital marketing capabilities affect the efficiency, effectiveness of local government performance in the tourism industry? 2) Does efficiency, effectiveness affect organizational performance? 3) Do digital marketing capabilities affect the promotion of tourism destinations and regional tourism products? 4) Do digital marketing capabilities affect organizational performance?

Literature Review

Digital marketing is an activity using *mobile technology (smartphones)* with the aim of promoting destinations in the travel and tourism industry, by changing conventional methods of searching for information, selecting and exploring destinations and post-tour management to change the travel experience (Srinivaasan, G., & Kabia, S. K. , 2020). Digital marketing is the use of digital or social channels to promote a brand or reach consumers. Digital marketing is an integrated process where companies send

marketing messages to target segments using the Internet and other digital-based marketing tools." Labanauskaitė, D., Fiore, M., & Stašys, R. (2020), by embedding technology into marketing activities (Cranmer, tom Dieck, & Fountoulaki, 2020). This kind of marketing can be done on the internet, social media, search engines, mobile devices, and other channels, this requires a new way of marketing to consumers and understanding the impact of their behavior (American Marketing Association, 2022). Digital marketing includes efforts to use the internet (websites, social media, and electronics) in providing various types of marketing tools and channels to facilitate communication and engagement with and potential travelers and their information needs. The Internet is used for the purpose of marketing tourism destinations and tourism products or services (Kotoua, S., & Ilkan, M., (2017) owned by Indonesia.

According to Kane et al., 2015, digital marketing capabilities (DMC) are a representation of a company's ability to adapt the formation of its resources to build new skills. Digital marketing capabilities (DMC) are also the company's efforts to handle company stakeholders in real-time. Companies or public sector organizations such as local governments, tend to improve the efficiency of social networks and market analysis, in this case regarding stakeholders. By Wang, 2020, digital marketing capabilities (DMC) are also often related to relational skills required by companies or public sector organizations such as local governments to utilize digitalizes. Local government must intrinsically be adaptive, so that decision-making can be done flexibly and versatilely. Furthermore, by Teece (2012) recognizes the difference between routine ability and dynamic ability, where this can facilitate companies or local governments to adapt to a rapidly developing environment, while general



skills useful for ensuring that existing business procedures have run smoothly.

However, digital marketing capabilities (DMC) are dynamic capabilities, which can cause changes in the runtime of resource combinations (Eisenhardt and Martin, 2000). Digital marketing capabilities (DMC) are also considered useful when there is a need to deal with issues related to business companies and their stakeholders. Similarly, digital marketing capabilities (DMC) can help companies to digitally coordinate, manage relationships with suppliers, and link customers and channel members. With digital marketing capabilities (DMC), the company's performance will improve (Rai et al., 2006), and in addition, it can be observed that DMC increases consumer-brand engagement through changes in positive customer behavior to shop digitally or online (Scheinbaum, 2016). In this scenario, the role of DMC can influence consumer-brand engagement (Farook and Abeysekara, 2016).

According to Gandhi et al., 2017; Khalil et al., 2021, general performance shows how well an organization achieves the goals, mission, and values within the company or organization. The performance of an enterprise or organization in this case local government, on the other hand, refers to efficiency, as well as the efficacy of certain operations or actions (Neely et al., 1995). According to Ambler, T., & Clark (1991), measure of marketing performance is the assessment of "the relationship between marketing activities and business performance".

Research methodology

This research adopts a literature review method that uses a systematic and transparent method to identify, select and evaluate relevant literature. The selected literature is literature published in a certain period, with a specific topic. A study

protocol was formulated as a guide for literature search, using 'digital marketing, and 'marketing mix' as search terms. The terms "local tourism" and "local government" are also used in searches, ranging from titles, abstracts, keywords or in texts, to present discussions related to digital marketing that still exist in tourism. Based on these search terms, a literature search was then conducted from seven databases of the most visited tourism-related scientific paper journals. The databases are Science Direct (Elsevier), Emerald Insight, Scopus publications, Web of Science, ProQuest, and Sage.

All databases are used to ensure completeness and to avoid omission of research articles. Only peer-reviewed articles published in English containing original research are considered to allow effective synthesis and to maintain quality. To identify trend research, the review covers the period from 2000 to 2022. Searches in Science Direct, Scopus and Sage Publications are limited to social science-disciplines. From the database, only journals related to tourism are selected. There are a total of 1,553 documents from the 2000-2022 timeframe. The documents were then selected, thus setting aside 1,320 documents and selecting 233 eligible documents, converting literary titles, authors, abstracts, keywords and references into a recognizable format and uploading them into Mendeley.

Results and Discussions

Digital Marketing Capabilities

Research on digital capability barriers refers to Wiesböck & Hess (2018). Literature empirical digital marketing public sector has not provided knowledge of research trends and maps of research themes/topics in the field. A meta-analysis of the existing systematic literature review and research conducted by Dwivedi et al. (2021) using the Scopus database, for example, found



four main themes of research in the field of digital marketing, namely the environment, companies, strategies, and their effects on companies. However, the synthesis refers to digital marketing in the private sector, which according to Kotler & Lee (2007) has a different marketing mantra from the public sector. An important topic that has received less attention from researchers is marketing performance. In fact, measuring marketing performance allows a company to align marketing strategies, increase its competitive advantage and grow its revenue while achieving its goals (Kalei, 2020).

Destination Branding and Tourism Promotion

Tourism promotion and marketing strategies by utilizing, as well as prioritizing the use of the internet and technology as part of efforts to develop digital-based tourism promotion and marketing strategies or what is known as the mix digital marketing (*digital marketing mix*). Long before, marketers were accustomed to the marketing arrangements proposed by Jerome McCarthy (1960) and were widely known as the 4P (*Product, Price, Place and Promosion*) marketing mix. 4P was initially still used as an important part of the formulation and implementation of marketing strategies by many practitioners. The popularity of the mix as a guide to the application of marketing techniques is driven by the apparent simplicity of the framework. However, in the 1980s 4P was challenged because it did not refer to the importance of customer service. The result is a mix extended to 7P, which includes three further elements (service mix) that better reflect service delivery: *People, Process, and physical evidence* (Booms and Bitner, 1981).

Organisation Performance

Previous studies have claimed that a company's performance is represented by several measures, such as general financial and non-financial measures. Gandhi et al., 2017; Sarfraz et al., 2021, categorize financial rates including net profit, asset returns, inventory turns, net profit before tax, inventory management performance, productivity ratios, financial liquidity, market share, quality performance, and before gross tax margin. In contrast, non-financial measures include market share, competitive position, performance, quality improvement, and innovation performance. In these cases, the company's performance is a key factor in maintaining the efficiency and effectiveness of its management or operations (Demirbag et al., 2006). Performance will be difficult to achieve without an evaluation of current performance. Therefore, Sharma and Gadenne, 2010; Syah et al., 2021) consider that measuring how the use of organizational resources in terms of different offline and online channels will affect business efficiency is very important for improving organizational performance. The modern public sector is a marketer. de Matos et al. (2020) call 1980 a period of marketing growth in public sector philosophy. Marketing in the public sector is called public marketing, the application of marketing concepts and tools to the public sector. Madill (1998) identified four types of marketing that occur in government organizations, namely product and service marketing, social marketing, policy marketing and *demarketing*. Currently, according to Kaplan & Haenlein (2009), marketing has become a daily practice at various levels of government. Kotler & Lee (2007) says that in the public sector marketing has become a roadmap for performance improvement.

Many public organizations use fundamental and proven marketing principles and techniques to increase public trust and



satisfaction. Marketing in most public sector organizations, whether product and service marketing, social marketing, or policy marketing, has widely implemented digital marketing approaches. Government organizations at various levels are adopting data-driven solutions, social media platforms, and digital marketing strategies to reach the public and provide cost-effective and results-oriented solutions. This can be done due to the support of the current electronic marketing situation in which the market migrates to the electronic market space (Chaffey and Smith, 2013). Referring to Statista, Diamond (2019) stated that in 2018, around 4.2 billion people were active internet users and 3.4 billion were social media users. That means that no

matter what the business is, it is more likely that the government can reach its constituents through digital marketing. Based on the previous literature and the gaps identified, the study proposes the following hypothesis:

H1. Digital marketing capabilities (DMCs) have a positive effect on the efficiency, and effectiveness of local governments.

H2. Efficiency and effectiveness have a positive effect on organizational performance.

H3. Digital marketing capabilities (DMC) positively affect destination branding.

H4. Digital marketing capabilities (DMC) positively affect organizational performance.

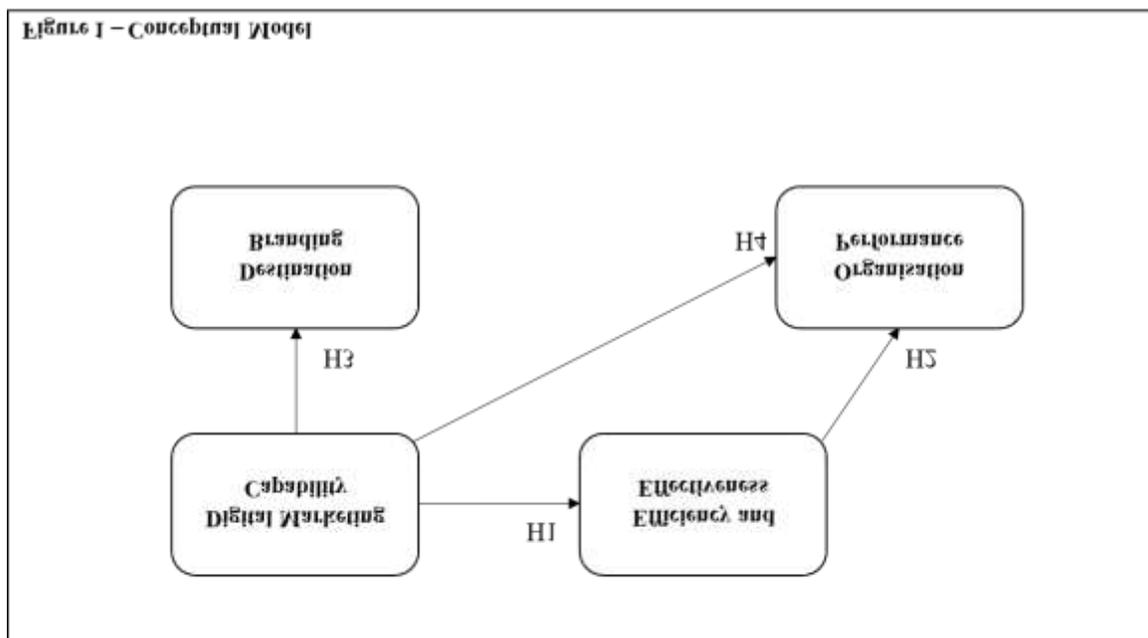


Figure 1 shows the independent, and dependent, variables in the study.

Conclusion

The use of internet and technology is part of efforts to develop tourism promotion and marketing strategies are strategies for tourism promotion and marketing that can be applied by organizations, in this case local governments. Digital marketing includes efforts to use the internet

(websites, social media, and electronics) in providing various types of marketing tools and channels to facilitate communication and engagement with and potential travelers and their information needs. The internet is used for the purpose of marketing tourism destinations and tourism products or services in the regions.



The purpose of this study is to examine whether digital marketing capabilities have an effect on efficiency, effectiveness on the performance of local governments in the tourism industry promoting tourism destinations and regional tourism products, and their effect on government performance area in the tourism industry in his area. This literature review has a contribution to the advancement of science, and a theoretical contribution to the tourism literature, as well as providing practical implications for local governments that promote its area as a tourist destination.

However, this research has limitations where our perspective on digital marketing capabilities is on the 4P (product, price, promotion, and place) marketing mix model because the model is used by local governments in marketing tourism destinations and tourism products or services in its area. The next literature review is expected to not only examine and investigate the digital marketing capabilities of local governments with a more complete marketing mix model such as 7P, but also be able to examine recommend that future tourism studies investigate the influence of population confidence in their support for different types of tourism development and policies (e.g. mass versus alternative tourism) have varying degrees and magnitudes of impact on local communities.

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