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Ph.D in Economics

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DIGITAL MARKETING CHANGES DURING THE RUSSIAN WAR IN UKRAINE 2022

The war became the biggest tragedy for Ukraine. This research will be one of the first marketing scientific articles from the first row of war theatre. The usual logic of entrepreneur is to close the store in case of war because of risks and damage. This research shows that it is possible to grow business even during the war using digital marketing tools. The author tells how to turn risks into possibilities and that there still is a chance to receive clients when competitors are closing. Real numbers of marketing efficiency are provided in this article. Unique factor of war changes management and marketing into fully new concept. New segment of customers appears from the number of soldiers. Ukrainian people start ordering from abroad changing the clients service principles.

Keywords: war, marketing, digital marketing, crisis marketing, SEO.

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Statement of the problem in general form and it's connection with important scientific or practical tasks. New reality for the economy during the Russian aggression against Ukraine has changed the usual dynamics of marketing metrics and the tools everybody used to use. The main stereotype is that all sales will fall during the war. Middle- and upper-class people will prefer to save money or to leave the country. War's influence on marketing and customer experience will be discussed in this article.

Analysis of the latest research and publications, which initiated the solution of this problem and on which the author relies. It is hard to analyze the previous researches because the level of the development of digital marketing and information technologies as a whole wasn't so high during the first occupation of Crimea, Luhansk and Donetsk. Also, the grade of physical damage was lower. The last really significant war in the Eurasia region was in Syria in 2011. Following the outbreak of nationwide conflict in 2011, the Syrian economy has declined in four stages. The first stage, which followed the immediate outbreak of the uprising, saw the rapid flight of tourists and a broad loss of domestic confidence, which led to an immediate fall in both consumption and investment. In May, only two months after the first protests, the country's nationwide average hotel occupancy rate fell and the number of investments licensed by the Syrian Investment Agency in the first half of 2011 dropped 43 percent compared to the same period in 2010. In response, the government quickly introduced public sector pay rises and reduced the price of subsidised heating oil. In September 2011, it banned all imports carrying a custom duty of more than five percent in a bid to make foreign currency savings of \$6 billion, but reversed the decision 12 days later following a general outcry from the business community.

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A second stage began in the autumn of 2011 with the imposition of Western, and most importantly European, sanctions on Syrian crude oil exports, signalling the economy's growing international isolation.

The EU had been the biggest market for Syria's heavy type of crude oil – in 2010 it had bought around 90 percent of all Syrian oil exports, which represented 90 percent of the state's total foreign currency income. Thus the sanctions led to a dramatic fall in fiscal revenues. Other sanctions have complicated international transactions: state entities including the Central Bank, the Commercial Bank of Syria, and the Syrian Petroleum Company were blacklisted and the US Treasury banned the supply of any type of services to the Syrian banking sector, forcing Syrian banks to turn to non-dollar transactions. The EU and US also sanctioned a large number of Syrian individuals, including many of the country's most prominent businessmen. By the end of 2011, the Central Bank had already used more than a third of its foreign currency reserves, which fell to \$14 billion by December 2011. The bank has not made public its balance sheet for the period since 2011 but foreign reserves are estimated to now stand at between \$2 and \$5 billion. However, at the beginning of 2013, the Assad government was able to get help from Iran to finance imports, including those of oil products. Thus the proclaimed objective of Western sanctions – to force the regime into accepting substantial political reform – has not been achieved. Very few, if any, of the blacklisted investors have switched to the opposition. In fact, many of the blacklisted investors are so closely tied to the regime, either out of business necessity or personal ties, that they have little interest in parting with it. A third phase in the decline of the Syrian economy began in the summer of 2012 with the expansion of the conflict into Syria's two economic powerhouses, Damascus and Aleppo, which together had made up more than 50 percent of the country's manufacturing sector. The industrial base of these two cities, especially in Aleppo, was significantly affected by violence, stopping almost all manufacturing exports. This expansion of violence was part of a broader breakdown in law and order and growing reports of kidnappings and lootings, in particular in the Aleppo region. It led to an even greater largescale emigration of the business community and middle class, much of which is now committing itself to extended periods in Turkey and other countries in the region [10].

Let's also consider the researches in the field of crisis marketing and crisis tendencies to find common tips. Of course, the biggest crisis was coronavirus crisis that has reached our economy recently.

The use of marketing during (and after) the COVID-19 crisis shows (and will continue to show) similarities with the way that marketing is carried out during economic downturns. Dekimpe and Deleersnyder (2018) have summarized the most relevant studies on the effectiveness of marketing efforts during downturns and upturns. However, this specific crisis, which will be followed by a recession (contraction), displays characteristics that differ from those associated with a recession. For example, as well as a fall in consumption due to lower consumer confidence, lower incomes, consumer defaults on loans and reduced financial means as a result of falling share prices, shifts in consumption are also occurring between product categories. In parallel to these economic developments, the imposition of social distancing is also affecting the drivers of consumer behaviour.

Consumers are being challenged to re-evaluate their life priorities, which may give rise to new values and spending criteria. In this respect, Euromonitor International (2020a, b) has observed a focus on family/community/self, health and digital solutions, and expects this to last into the long term. More specifically, Euromonitor has identified various megatrends, including:

1. Connected Consumers: both consumers and businesses are showing stronger emotional connections with reliable suppliers in their search for stability and value. In this

respect, digitalization is more important than ever and shows how consumers, employers and employees may be able to keep operating in the future. Services such as Zoom and Google Meet are proving to be indispensable in many more situations than we were previously aware of.

Moral and ethical values (referred to as ethical living) are also receiving greater attention. In relation to this, Euromonitor has mentioned the tendency of consumers to become more engaged with products and services, and to attach greater value to connections with reliable, often important and well-known brands such as IKEA, Knorr, Maggi and Disney. We also observe that consumers are looking for reliable information about COVID-19 and its consequences. This is, for example, reflected in greater attention being paid to non-commercial websites and TV broadcasting.

2. Middle Class and Lower Class Retreat: as a result of COVID-19 and its economic consequences, we observe that the middle and lower economic classes are struggling to maintain their economic position and lifestyles. We observe that unemployment in the USA is increasing dramatically, and is affecting about 25% of all US citizens. In Africa, the situation is even worse. Middle class retreat can be observed in Europe in particular. This is leading to behaviours such as sharing products (Eckhardt et al. 2019), renting and borrowing.

3. Shopping Reinvented: social distancing is leading to a shift to online shopping among many consumers. This includes both groceries and durables. As a result, online stores are experiencing enormous increases in turnover. We also observe that consumers who were not previously familiar with online shopping are now becoming ambassadors for this way of shopping. The expectation is that at least a part of the shift to online shopping will be permanent. The COVID-19 crisis has also led to a move towards buying more locally produced food. For example, the Streetify e-commerce platform brings together buyers and local stores.

4. Shifting Market Frontiers: we observe that large cities reach saturation when social distance has to be maintained. The space offered by free zones (parks, avenues, shopping streets) and nature (such as woods and beaches) is insufficient. As a result, a shift to living in mid-size cities is expected. It is also believed that certain markets have reached their limits, both directly as a result of COVID-19-related measures (including the travel industry, particularly aviation and cruises, and the restaurant industry), and indirectly, as a result of the developments mentioned above (such as farming (both intensive livestock breeding and intensive agriculture), mining and fast food) [6].

Social media is a salient source for influencing consumers' shopping and buying behaviors as they share product reviews, service experiences, and/or product usage tips. The findings highlight the growing importance of social media as a marketing tool that has occurred since the declaration of the COVID-19 pandemic. As such, the findings illustrate the impact that social media can have on consumer decisionmaking processes. Therefore, effective application of social media should be a part of any business' marketing strategy. For example, social media visuals, content, promotional activities, and use of opinion leader influence should be deployed to positively influence the buying behaviors of consumers. As previously mentioned, social media platforms are an important marketing tool for building brands, especially with regards to building brand awareness and excitement. The current study focused on the U.S. because of the diversity and considerable influence of the American economy and culture on the world. That is, many cultures are included and addressed in American social media platforms. Given that COVID-19 appears to be pushing consumers towards more online consumer behavior activity, the influence of social media will likely increase throughout the world. However, cultural differences should be considered when developing social media strategies in other countries because social media platform preferences may differ from one country to another [7].

Highlighting the previously unresolved parts of the general problem to which the article is devoted. The past researches can't give the answer to the question: "What are the real mechanics of Google index and prioritization in the ranking of websites?" There are a lot of researches *saying that the main factors are:*

1.1. *User experience.* Google points the search user's behavior as a crucial ranking determinant factor [4].

1.2. *Click-through rate (CTR).* A search engine results page CTR is known as the proportion of the number of times a search listing was clicked over the number of times it was presented to the user. Google's former Search Quality Chief, Udi Manber, testified the following: "The ranking itself is affected by the click data. If we discover that, for a particular query, hypothetically, 80 percent of people click on Result No. 2 and only 10 percent click on Result No. 1, after a while we figure probably Result 2 is the one people want. So, we'll switch it." [9].

1.3. *Time Spent on the Site (User Dwell Time and Bounce Rate)* The content of the page is the top internal website rank factor. It is consistent with recent field study initiatives that focus on understanding which factors contribute to "keep a user on the site". From this perspective the web page content is considered for many authors as the protagonist of user engagement over a website. It means that providing right content within a right time is the key role and it is gaining so much importance nowadays.

1.4. *Social Media.* Although MOZ Survey respondents have not highlighted social media as a key factor on SE ranking algorithm, it is possible to find several authors who defend its importance.

1.5. *Voice Search.* Human behavior is important, some industries point to the voice search as a new variable to be considered in this scenario.

1.6. *Technical Factors Still in the Game: The Mobile Paradigm.* It is imperative to note that the website design features were still classified by the survey respondents as a high-influence factor on page ranking algorithms together with website page content. Since April 2015 Google had publicly declared it would give preference in its result pages that were adapted to the mobile environment. Google's intention is to promote the sites that provide the best user experience in the top places. Search engines, and most particularly Google, have made their position quite clear: responsive design represents the optimal solution [4].

The war in Ukraine shows absolutely different customer behaviour than a war in Syria. And customer behaviour during Coronavirus was quite different. Current research will not help to spread 100% of its results on other types of crises, but it will help in better understanding of the mechanisms and logics of independent marketing tools.

Formulation of the purpose of the article (statement of the problem). The purpose of the study is to show the main tools for business survival during crisis situations on the market. And to research the real mechanisms of independent digital marketing tools (Google Ads, Facebook Ads and Google organic search).

Statement of the main material of the research with full justification of the scientific results obtained. Let's consider several case studies in the different fields of economy for better understanding the core of the problem. The objects of this study are:

1. Chudo Ostriv - the Ukrainian chain of kids stores (since 2011). There were 48 offline kids stores across the whole Ukraine and e-commerce website for sales <https://chudo-ostriv.com.ua>, own stocks and close business connections with the wholesale distributors of toys.

2. Budusushi – the Ukrainian franchising chain of sushi shops, presented in 6 cities of Ukraine (since 2018) with strong digital presence (mobile app and website (<https://budusushi.ua>)). Most of the shops were owned by the franchisor and 5 shops were owned

by the franchise. Franchising is defined as a business strategy, a way of doing business and a method of distribution of goods and services designed to satisfy customer needs [1].

The last shop by franchise was opened 2 months before the war.

Let's consider the types of problems, which the business faced:

1. Physical damage.
2. Psychological damage.
3. Management damage.
4. Logistics damage.
5. Population damage.
6. Labour damage.
7. Analytics damage.
8. Partners damage.

Physical damage. 2 weeks before the war started some entrepreneurs received information about the ways of defence of their assets during the war. But this information was not taken seriously. Everybody believed that the beginning of real war in the XXI century was impossible. In spite of this fact, several days before the war started the management of the Chudo Ostriv discussed the possibility of relocating the kids shop from Mariupol to decrease risks. Unfortunately, they did not do it in time. Some of the shops and stocks located at the temporary occupied territories and the warfare territories were physically destroyed: bombed, burned or stolen (Table 1).

Table 1 – Chudo Ostriv's assets damage

Chudo Ostriv property	The value of goods and equipment destroyed	Damage
Kids store in Mariupol	\$226 800	The location of the store - the whole mall - was bombed
Kids store in Kherson	about \$200 000	The mall burned. The items were stolen by marauders and war criminals, shop equipment was partly damaged
Kids store in Irpin	\$162 000	The location of the store - the whole mall - was bombed
Kids store in Kharkiv	about \$400 000	Partly bombed and stolen by marauders

Source: generated by the author

As for BUDUSUSHi new franchising store had to open in Gostomel in March. It was destroyed by the enemy together with \$25 000 equipment and it would not be opened at all. Also, one of franchising stores in Kyiv was closed by the owners because of their immigration. So, as we see, it was a huge loss of assets.

Psychological damage. First of all, businesses faced the problem of negative perception of customers and contact audiences because of its working in the beginning of the war.

Workers' relatives and usual Internet users condemned companies for work. In the first stage of war working and risk in people's minds was precepted too emotional. But, the economic laws say that business must working. The full stop of business process can destroy any possibility of its coming back to work in future. Customer aggression was also connected

with the low volume of business helping the army. It was a kind of dilemma, because profit was low and it was impossible to donate. Small donations were sent (about 300 000 UAH), but the grade of customers aggression still was high.

Management damage. Nobody knew how to build the working process in the conditions of everyday air-raid warnings. The staff closed the shop and ran to a safe place several times a day.

Logistics damage. The import of salmon (BUDUSUSHI) and toys (Chudo Ostriv) was stopped. Also, Ukrainian suppliers' stocks were burned near Kyiv. BUDUSUSHi faced a challenge of working without fresh ingredients and necessary volumes of fish.

Population damage. A lot of citizens left big cities, left their regions or the country at all. All shops lost a lot of clients. For example, we can see it in statistics of Instagram subscribers. Before the war almost 100% subscribers were from Ukraine (Fig. 1).

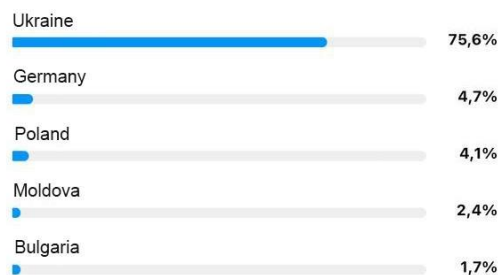


Figure 1 – Changes in geolocation of subscribers BUDUSUSHi in Instagram

Labour damage. Top managers of the companies left Ukraine and working remotely is impossible.

Analytics damage. The war ruined the ordinary flow of sales. Statistics has changed (Table 2).

Table 2 – Turnover and profit dynamics of Chudo Ostriv shops by regions 24.02.2022-31.05.2022 in comparison with 24.02.2021-31.05.2021

Region	Turnover dynamics, %	Profit dynamics, %
Chernivetska	120,7%	150,6%
Zakarpatska	50,3%	75,1%
Ivano-Frankivska	34,3%	59,4%
Khmelnyska	6,7%	26,3%
Lvivska	-8,3%	6,8%
Poltavska	-18,0%	-3,4%
Ternopilska	-28,0%	-17,2%
Volynska	-31,1%	-17,8%
Vinnyska	-35,2%	-24,3%
Kirovogradska	-33,4%	-24,5%
Cherkaska	-35,9%	-25,6%
Jytomyrska	-32,0%	-26,9%
Sumska	-36,6%	-28,6%
Dnipropetrovska	-54,0%	-46,0%

Table continued 2

Odeska	-74,7%	-71,4%
Chernigivska	-78,9%	-75,8%
Kyivska	-88,2%	-85,9%
Rivnenska	-98,4%	-98,4%

Source: generated by the author

Partners damage. Such food delivery company as Rocket closed in the first day of war without paying for the previous working periods. That’s why BUDUSUSHi lost not only the channel of sales but also the money for delivered orders.

We can see that Western regions of Ukraine had received growth of financial results due to relocated customers from South, Central and Eastern regions.

Marketing findings during the war.

1. *SEO.* The decrease of the amount of website sessions in the first month of the war reached about 64,1% (Fig. 2).

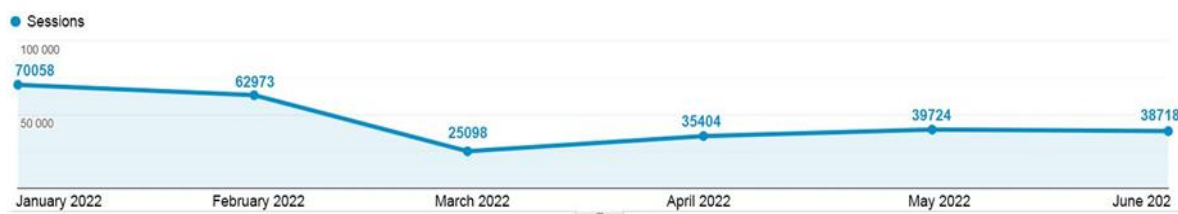


Figure 2 – Website №1 sessions in one of the cities of BUDUSUSHi’s presence

Source: built by the author using Google Analytics data of one of the BUDUSUSHi’s websites

Of course, the total decrease of all traffic sources also touched the organic search channel. But thanks to the early renew of working process (on the 10th day after the war began) we noticed the improvement. And in a month, we noticed the growth of organic traffic. This growth was provided by the increasing positions by some keywords in the Google search results (Fig. 3).



Figure 3 – The growth of positions in the Google search results from the first week of the war

Source: built by the author using Google search console data of budusushi.ua website

Thanks to lower competition (not all of competitors started working) Organic growth of positions caused the Organic traffic's reduction of the BUDUSUSHi's website №1 was not such massive as for other traffic sources. The website lost only 5,1% of its organic sessions, mostly because of brand searches decrease (Fig. 4).

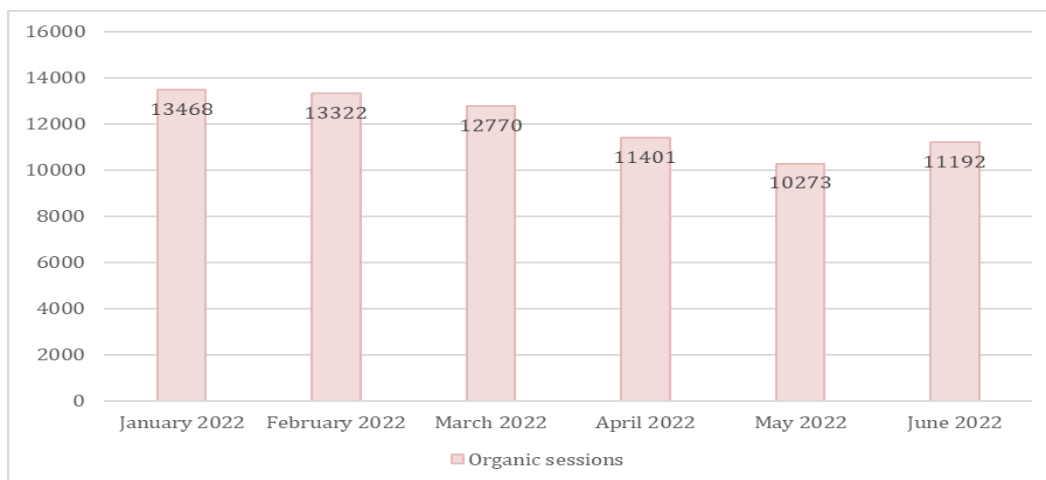


Figure 4 – Organic traffic of BUDUSUSHi's website by months

Source: built by the author using Google Analytics data of one of the BUDUSUSHi's websites

2. *Social media targeting ads (Facebook Ads)*. The business models of many digital platforms including Google, Instagram and Facebook rely on connecting firms and consumers with targeted advertising. Average daily estimated CPM (in euros) is about 2,5-3,8 EUR in Facebook Ads Manager [5]. CPM (Cost per Mille) - the cost per 1000 impressions, a definition for those advertisers who need to deliver an advertising message to the end user, without being guided by clicks on the ad [3].

Distribution of ad objectives is an indicator of how the industries are using Facebook's Ads Manager features to reach their audiences and what their marketing priorities are. The differences between the industries are significant. While majority of the industries do focus heavily on Link Click ads, hinting at the need for marketers to maximize their web traffic, many overlook ad objectives that maintain users inside the platform or are optimized to generate Conversions [8].

On Facebook, a “campaign” can be any number of ads delivered to any number of target audiences with a specifically defined goal. Facebook then targets the distribution of your ads in a manner intended to maximize the value of your campaign. For example, if your campaign goal is “conversions,” Facebook will deliver your ads to users it believes are likely to “convert” - in this case, click through the ad and submit a survey response. A “reach” goal, on the other hand, is optimized to display the ad to as many people as possible within your target audience.

Since Facebook's ads algorithm targets conversion ads to people, it believes are likely to convert (in our case clicking through and completing a survey), we were concerned that the audience sample would not be representative of the broader population. For this reason, we chose to test both “conversions” and “reach” in each state, for a total of four ad campaigns [2].

Facebook Ads became more efficient during the war. The stereotype of saving money made the competition and bids lower. BUDUSUSHi reached good results of \$0,35 per conversion in this traffic source. For example, this metric before the war was about \$2,16-5 per

conversion. So, the company has received a lot of cheap conversions. Even after the course corrections we receive about \$0,45 per conversion.

As a result, in May BUDUSUSHi came to growth in comparison with the 2021th year (Figure 5).

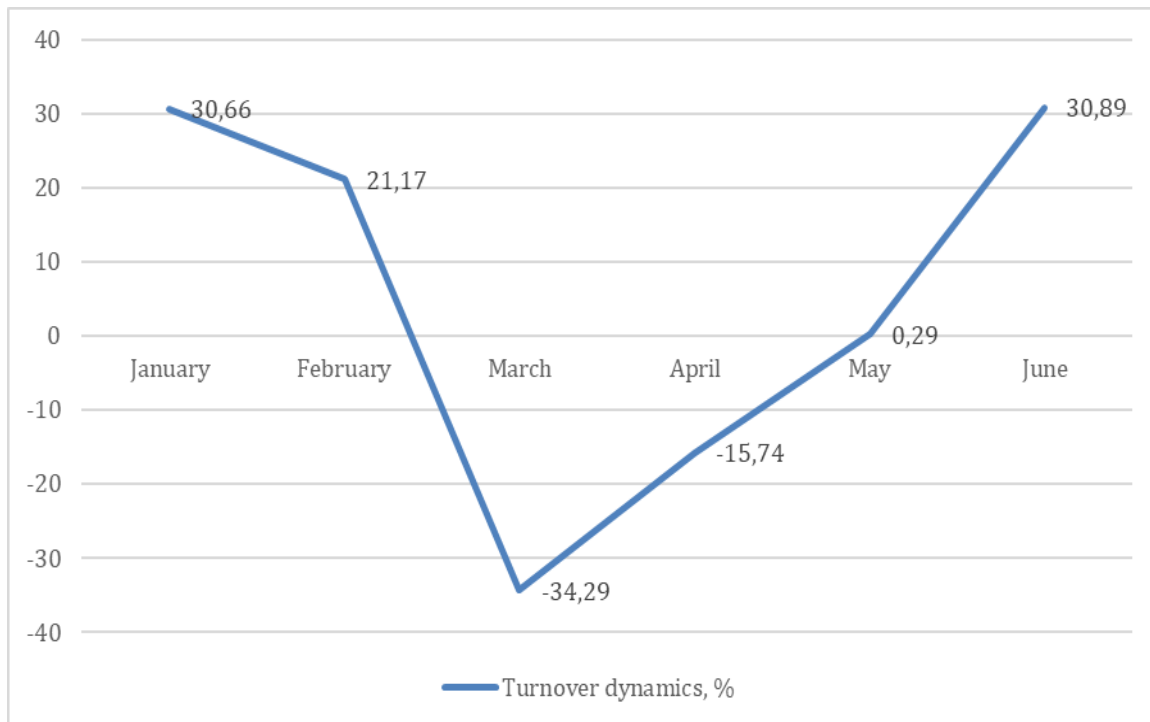


Figure 5 – Turnover dynamics for one of the cities of BUDUSUSHi's presence by months in comparison with 2021, %.

3. *Offline stores.* After the beginning of the war BUDUSUSHi has opened 2 new stores in Odesa and Kyiv. The turnover in the first days of opening raised to usual non-war numbers. It means that the success of marketing campaigns more depends on the tools and brand strength, and less depends on the external environment of the market.

Conclusions from this research and prospects for further developments in this area. In spite of the cruel war, mass emigration of customers to other countries, rising unemployment a business can adopt, survive and grow thanks to digital marketing tools. Next conclusions are received in this research:

1. The efficiency of marketing grows during the crisis because of low competition. Marketing budget needed to reach the same turnover decreased by 30%.

2. Stereotypes are not working. Customer behaviour is unpredictable. People continued spending money in spite of war.

3. Such an unnatural factor as a war shows that Google gives the highest priority to the websites which have longer user sessions and more traffic.

4. All types of products and businesses can grow sales during war. In spite of the fact that a lot of consumers were telling us that sushi is not the essential product in times of war, it is possible to reach needed turnovers.

5. Businesses started considering opening stores abroad. But high taxes made it harder than working in Ukraine.

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Зміни в сфері цифрового маркетингу під час російсько-української війни 2022 р.

Війна стала найбільшою трагедією для України. Це дослідження стане одним з перших маркетингових наукових статей з першого ряду театру воєнних дій. Звичайна логіка підприємця – закрити магазини у разі війни через ризики та збитки. Це дослідження показує, що за допомогою інструментів цифрового маркетингу можна розвивати бізнес навіть під час війни. Автор розповідає, як перетворити ризики на можливості і що завжди є шанси знайти клієнтів, коли конкуренти закриваються. У цій статті наведені реальні показники ефективності маркетингу. Унікальний фактор війни змінив менеджмент і маркетинг на абсолютно нову концепцію. З'являється новий сегмент клієнтів з числа солдатів. Українці починають замовляти з-за кордону, змінюючи принципи обслуговування клієнтів.

Ключові слова: війна, маркетинг, цифровий маркетинг, кризовий маркетинг, SEO.

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