

SCUOLA DI INGEGNERIA INDUSTRIALE E DELL'INFORMAZIONE

## Strategy formulation for the international expansion: an empirical analysis in Spain and Latam

TESI DI LAUREA MAGISTRALE IN MANAGEMENT ENGINEERING-INGEGNERIAGESTIONALE

Author: Roger Armengou I Bendala

Student ID:963745Advisor:Andrea RangoneCo-advisor:Silvia SanasiAcademic Year:2021-22



## Abstract

Digital innovation is a stimulus for sustainable and inclusive growth for both firms and public administrations. In recent years, Digital 360 has successfully been a driver of digital innovation in the Italian market, ultimately leading the company to reach the point of saturation in the market. This thesis aims to identify the market opportunities for the internationalization process of the company *Digital 360* in the regions of Spain and Latin America, currently unsaturated markets. The thesis proposes different strategic alternatives through a strategic formulation process, in which the company could replicate its current business model to act as a consolidator for these two fragmented markets. It is first analyzed the internal core competencies and resources of *Digital 360* to identify the strengths and weaknesses of the firm within the competitive landscape and external context of each region. The strategic alternatives derived from the strategy formulation process and the insights gathered from the strategic analysis are presented to the top management of Digital 360 to support the decision-making process.

**Keywords:** strategy, internationalization, Digital 360, digital innovation, marketing agency, Spain and Latin America, ICT.

## Abstract in lingua Italiana

L'innovazione digitale è uno stimolo per una crescita sostenibile e inclusiva sia per le aziende che per le pubbliche amministrazioni. Negli ultimi anni, Digital 360 è stata un driver di innovazione digitale nel mercato italiano con successo, portando infine l'azienda a raggiungere il punto di saturazione del mercato. Questa tesi si propone di identificare le opportunità di mercato per il processo di internazionalizzazione dell'azienda *Digital 360* nelle regioni di Spagna e America Latina, mercati attualmente insaturi. La tesi propone diverse alternative strategiche attraverso un processo di formulazione strategica, che l'azienda potrebbe replicare il suo attuale modello di business per agire come consolidatore per questi due mercati frammentati. Si analizzano prima le competenze e le risorse interne di *Digital 360* per identificare i punti di forza e di debolezza dell'azienda nel panorama competitivo e nel contesto esterno di ogni regione. Le alternative strategiche darivate dal processo di formulazione della strategia insieme alle intuizioni raccolte dall'analisi strategica, sono presentate al top management di *Digital 360* per servire come un forte supporto nel processo decisionale.

**Parole chiave:** strategia, internazionalizzazione, Digital 360, innovazione digitale, agenzia di marketing, Spagna e America Latina, ICT.



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## Introduction

The main objective of the research work presented below is to analyze the internationalization process of the company Digital 360, generating strategic alternatives for expansion in the regions of Spain and Latin America.

In the research for the purposes of this thesis, it has been conducted a strategy formulation, consisting of the process of leveraging available knowledge to formulate Digital 360's envisioned direction and actions to achieve its objectives, in this case, the expansion to new markets. DIGITAL360 S.p.A. is an innovative SME and Benefit company, listed on the AIM Market of Borsa Italiana since June 2017. It was born from university research, specifically from a group of Politecnico di Milano professors passionate about technology and innovation, integrating into its growth path some of the most prominent figures in the world of digital innovation in Italy (entrepreneurs, managers, industry experts). The mission of the firm is to support companies a public administration in developing and implementing digital innovation, serving as a matching agent with the leading tech vendors. Both their digital assets and know-how let the company achieve the level of saturation in the Italian market.

Digital 360 empowers innovation by covering two main business areas. First, it deals with Martech comprising the digital innovation of sales and marketing. Technology is currently taking an ever-increasing lead in marketing, mostly assisting with efforts like attribution and allocation of marketing expenditures. Indeed, in 2012, Gartner predicted that CMOs would have reportedly spent more on technology than CIOs in 2017. Moreover, Martech covers all the digital tools and software that allow the automatization of marketing processes that companies leverage on, to analyze data and engage with the target audience more effectively. Consultech, on the other hand, accounts for the technology innovation applied in consulting services.

The goal of the company is to expand its operations and bring these services to new markets. The management of *Digital 360* has set as a priority to study the strategic alternatives in the regions of Spain and Latin America. Thus, this research aims to assess which are the most attractive regions in which the company can successfully expand, how it can enter foreign markets and what are the possible implications of

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those sets of actions or strategies. To formulate the appropriate set of strategies, first, it has been analyzed the internal resources and competencies of the firm to identify its sources of competitive advantage. Afterward, it has been performed an external analysis of the different potential countries and the relevant competitors inside each one. Merging both analyses has allowed providing a set of strategies that aim to overcome the threats of the external environment by leveraging on the strengths of *Digital 360*. The main goal of this research is to narrow the gap of information about the context of the two regions and thus, provide a set of market opportunities provided by updated and filtered data to serve as an insight for the strategic decisions of the managerial grid of Digital 360.

First of all, it has been reviewed the relevant literature related to the definition of the key factors for defining an internationalization strategy and some methodologies used in assessing the steps of the strategy formulation process. Then it has been supported the reason of being Digital 360 the subject of the analysis, set all the empirical context, explained all the data sources, and finally, the whole analysis has been exposed with the data previously obtained. After that, it has been presented Digital 360 as a group underlying its business model and the main services it provides. Once set all the previous chapters, have been explained the results of the analysis containing the formulation of the strategic alternatives as the principal output. To conclude, a further discussion of the results has been provided in line with some notes about the future development of the analysis presented.

# 1. Literature review

## 1.1 International business strategies

#### **Determinants of international expansion**

The word corporate strategy refers to a level of strategy, also supporting the question of how I make money, or in other terms, how can I gain a rate of return above the cost of capital. Unlike the other level known as business strategy where it is assessed, how do firms compete to achieve a competitive advantage, the scope of defining an appropriate corporate strategy deals with assessing the industry attractiveness. Indeed, it deals with the subsequent decisions: in what stages of the industry value chain to participate (which leads to determining the level of the firm's vertical integration), the firm's level of diversification considering the portfolio of products and services, and finally, the firm's geographical scope.

Right after the Cold War in the early 1990s, the term globalization gained popularity in parallel with the building of economic partnerships and cooperation enhancing the interdependence of the world's economies, cultures, and populations. Globalization as a whole, has been one of the most changing forces which have affected internationally the business environment and the competition, triggering growth in world trade and foreign investments by extensive companies.

In brief, International Business is a strategy that allows firms to increase their profit growth and profitability the two levers to maximize the value of the firm for its owners/shareholders (Johnson, Whittington, Scholes, Angwin, Regnér, 2017). Since purely domestic markets on some occasions cannot allow this, there are several mechanisms that explain the need for an international expansion:

#### Expansion of the market

Through the expansion of the available market since the current market has achieved saturation or is too small, the mechanism to increase its profit growth rate or profitability is to take goods or services developed at home and sell them internationally. The main triggers of the market expansion are the homogeneity and globalization of customers' preferences, the global presence of customers and distribution channels and the transferability of marketing campaigns. Besides, the success of multinational companies is based not only on the goods or services they sell abroad; but also on the exploitation and adaptation of the core competencies that underlie the business model and thus the company's competitive advantage.

To do so, companies can follow a framework of decision-making to identify the most suitable market for the expansion: first, analyzing the core competencies of the company and its business model and selecting the market success criteria. Then select the target market for the business expansion by ranking all the candidates through a scorecard based on relevant indicators. Finally, analyzing the target market and recognizing how the company should adapt its business model to be successful in that specific new market.

#### • Location economies

Location economies arise from performing a value creation activity in the optimal location for that activity. This means finding the location that enables such efficient and resource seeking companies to reduce the costs of value creation and achieve a low-cost position or differentiating the product offer from those of competitors.

The location decision should be made for individual value chain activities, not for the value chain as a whole. The result is the creation of a global value chain, with different stages being dispersed to those locations around the globe where the perceived value is maximized or where the costs of value creation are minimized.

Additionally, this location is often chosen based on the comparative advantage between countries. A country has a comparative advantage in producing a good if the opportunity cost of producing a good is lower in the country than it is in the other countries. Consequently, a country with a comparative advantage in producing a good uses its resources more efficiently when it produces that good compared to producing other goods.

One interesting real case of location economies as the determinant of international expansion is the *iPhone* value chain, an *Apple* product. If we disaggregate the value chain stages and graph it with the Value-Added variable, we will get into a U-shaped figure. Regarding the upstream phases of the value chain, those regarding more R&D knowledge such as Product Design, Basic and applied R&D or Commercialization, it can be found that are located in more advanced countries (US, United Kingdom, Germany, etc.). On the contrary, those stages in the middle of the chain like Manufacturing, Assembly, or other Standardized services, are located in emerging market economies. Ultimately, the downstream stages of the *iPhone* value chain that include Advertisement, Marketing, Brand management, Specialized logistics, or After-sales services with a higher Marketing knowledge, are located again in more

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advanced countries. It should be noted that this theory has undergone major changes and the graphical representation of the curve is becoming increasingly flattened. This is because manufacturing activities are increasingly knowledge-intensive and quality-intensive and are perceived to be high value-added. Also, emerging economies offer high value-added activities, and we can find cross-value chain interdependencies.

#### • Experience economies

Experience curve refers to the systematic reduction in production costs that occurs over the life of a product. In the quest seeking efficiency, we can spot two sources: the Economies of scope and the Economies of scale.

By expanding its market beyond national boundaries, a firm is capable to increase the production scale (producing a large volume of a product) and reduce the average unit cost of production. This can be achieved as fixed costs are spread over a large volume. Additionally, in some industries, an efficient scale of production can only be reached by serving global markets and increasing the bargaining power of the firm.

Economies of scale refer to the efficiency gains arising from the sharing of some resources in several markets (typically transportation and distribution networks). The reduction in costs by the positive learning effects of the "learning by doing" can be caused by the rose in labor productivity over time as work individuals learn the most efficient ways to perform certain tasks. Also owing to the fact that managers learn how to manage the new operations more efficiently over time. However, learning effects typically disappear after a while, they are more important in the start-up phase than after two or three years.

At this point, even more advantages will appear when combining experience-based economies and location economies, if the location chosen to serve the global demand is the optimal one for performing the particular value creation activity. If the firm is competing pursuing a cost advantage strategy, the synergies derived from both types of economies can allow the firm to choose to keep prices low both to raise barriers and to promote a strategy of gaining market shares and, hence, pursuing profit growth. Alternatively, if the firm is competing through differentiation, it can exploit both location and experience economies to keep the price high and decrease costs to gain high margins.

#### • Knowledge, competence and skills sourcing

Access to critical technological skills for innovating and sustaining the competitive advantage of a firm. In mature multinationals, knowledge, competence and skills helping to lower costs or increase perceived value can be created anywhere within its global network of subsidiaries

#### • Business portfolio balancing

Create medium long-term stability and growth, given that the same product can be at different stages of its lifecycle in different countries. Also balance risks related to economic, technological or socio-political cycles in different countries.

#### • Benefits of positioning

The presence in certain countries is relevant to the company's reputation. Therefore, the expansion in these countries can be done in absence of profitability perspectives.

#### Selection of the geographical location and the value chain

Selecting the most appropriate location for international expansion is one of the key variables for the success of the firm's strategy. This decision should be based mainly considering three main factors:

#### • Influence of national resources

When the availability of a particular type of resource dominates a company's competitive advantage, it should be located where conditions are most favorable.

#### • Specificity of the competitive advantage

The optimal location depends on the nature of the competitive advantage. Since the competitive advantages are based on internal resources, skills and capabilities, location decisions rely on where those resources and capacities can be leveraged and exploited.

#### • Assets transferability

Firms should take into account the easiness of transferring assets and the possibility to localize manufacturing activities away from the current market. It can occur that customers in the target market can nudge towards local production increasing domestic preferences, or the existence of high transportation costs between the two markets. Indeed, local authorities can also force global companies to establish on-site in the target country by imposing barriers on imports such as import tariffs among other measures.

Additionally, the firm can rely on the CAGE framework for market selection. Assessing the CAGE distance considering the cultural, geographical, economic and administrative and political distance.

#### Entry mode to the foreign markets

The second key factor that concerns the internationalization strategy is the mode of the expansion, or in other words, which entry strategic alternative is going to choose the company into the foreign market. The different alternatives can be split up into two main groups regarding their nature: transactions and direct investments.

The first group covers export (spot contracts, long-term contracts, use of agents and foreign distributors, etc.) and licensing (franchising, licensing patents and other intellectual property rights, etc.). By contrast, direct investments can be divided between external (holding of shares, joint ventures, M&A, etc.) and internal growth (owned subsidiaries with only sales and marketing functions or fully integrated).

Each alternative should be analyzed by key variables in order to find the most suitable for one specific context. For example, if the company needs a quick entry into the market for strategic positioning reasons the export strategy is the one that offers a higher entry speed. On the other hand, for instance, if the firm required strong control over technology and quality, and managed external risk, a wholly-owned subsidiary could be a winning choice (Akram J, Shadid MK, 2017).

#### Strategic-organizational model selection

The ability of firms to leverage the mechanisms explained depends on two types of competitive pressures they face in the global market: pressure for cost reduction and local responsiveness. On one hand exist forces pushing for cost reduction through the adoption of a global standardization strategy, determinants of integration. These forces can be really intense in industries trading standard goods (such as commodities) where there is no place for differentiation, thus, making the competition tough in costs and margins. Another example is the industries where competitors are based in low-cost locations, where there is a lingering surplus capacity or when the bargaining power of consumers is high due to low switching costs.

On the other hand, the pressure for local responsiveness stems from strong divergences in customers' tastes and preferences, which force companies to adapt their products and services portfolio to fit local customers and host country's requirements. Several factors drive differences in tastes between regions, like history and culture, differences in the distribution grid or political and economic practices. In

fact, these two pressures are mutually affected, for example, if one company only focuses on being locally responsive and adapting to domestic needs it may not be possible to leverage on the full benefits from economies of scale, learning effects and location economies. Thus, is the trade-off between both pressures that determine the firm's choice of the strategic-organizational model that operates on a global scale.

Bartlett and Ghoshal's model examines the different approaches to managing global businesses highlighting the two key factors (or pressures) previously discussed.

#### • International strategy

Firms pursuing this strategy are not much under cost or local responsiveness pressures, it occurs normally when there are similarities between markets and firms serve universal needs without facing significant competitors. The development of the products or processes is centralized, as well as the strategic resources, and then are exploited globally with the support of formal planning and control systems providing a closer link between headquarters and subsidiaries. The head office and main decisions will be typically made in the domestic market, decisions but it may be decentralized, in this case, strongly controlled by the headquarters.

One of the main advantages of this model is the quick and reduced cost of deployment (also often related to an exporting or licensing strategy), together with being able to leverage on the wealth of knowledge, expertise and reputation of the parent company on a global scale. As regards the disadvantages, flexibility and efficiency are reduced in comparison with multinational and global models and there are some limitations when adapting to local needs. Moreover, there is the risk of expropriation of the firms' intellectual property.

Some examples could be digital printing manufacturers, wine producers, Harley Davidson or Starbucks.

#### • Multidomestic strategy

This strategy is compelling when there are considerable variations between market demands and few benefits from globally integrating. The firm tries to take advantage of the differences between markets by differentiating its products and processes under local customers' needs and with economic and institutional factors. Thus, a unique marketing and sales approach to every single market allows the company to increase profit growth and profitability. The result is a dispersed portfolio of relatively independent companies with individual resources managed locally that develop innovations and perform activities (from production to sales) with autonomy.

Moreover, one potential benefit is the perception of the firm as a set of local companies. Again, as seen in the multidomestic strategy, there is the risk of

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expropriation of intellectual property. This decentralized operating structure makes the relationships between the subsidiaries and the headquarters straightforward and mainly related to financial aspects, causing the risk of duplicating resources and activities. Additionally, the efficiency is low and affected by the low exploitation of global scale know-how since the business units are independent.

Examples of the use of this strategy are: Nestle, Unilever or fast-food chains such as McDonald's or Subway.

#### • Global strategy

This strategy is followed when there are significant economies of scale and where there are similarities in terms of market demand disregarding the differences between the various countries where the company operates. There is a global mindset that implies a significant resources and activities concentration in a single country, considering the distributed activities as a channel to deliver the products or services. The firm can increase profitability and profit growth by exploiting location experience and standardization economies. As there is low differentiation in products, there are certain risks associated with the protectionist policies by the countries that import the firm's products and risks related to the fluctuations in the exchange rates.

Examples: Lenovo, Siemens Energy, Apple, Pfizer or Boeing

#### • Transnational strategy

It can be thought of as a mix of both the transnational and multidimensional strategies, when there is pressure for both being locally responsive and for high integration. The result is an integrated network of resources and widespread but interdependent competencies. This is particularly challenging since differentiation always comes hand in hand with an increase in costs, so this model requires an accurate and sophisticated configuration of assets and capabilities. Hence, the organization needs to create a shared platform and pool various components to be manufactured in a limited number of large facilities placed in convenient locations to achieve economies of scale.

The transnational model is a course of development more than a specific organizational form. It embodies a synthetic form of different multinational strategic configurations. Enterprises that embraced conventional configurations have progressively shifted to a transnational model, following different patterns. They frequently started from development programs related to a global product.

Examples: Netflix, MTV, Ford (Mondeo) or IBM (ThinkPad Notebook).

## 1.2 The CAGE framework

When analyzing the best strategy for the market expansion of a firm, in the phase of market selection, the final decision is normally made by comparing the different regions with some indicators. This decision, assessed after having chosen an international strategy based on significant sources of competitive advantage and backed by strong internationalization drivers, is based on the substantial difference between countries that determine the level of attractiveness. These differences can be regarding customer needs and preferences, economic, legal–administrative, political and cultural institutions. One of the most common models is the PESTEL framework, which uses standard environmental analysis techniques. After assessing the analysis of the diverse variables of the model, the managers of the firm can then give an adhoc score to each country and rank each candidate using these criteria. Nevertheless, there are other intrinsic characteristics of the country and market that need to be considered in the internationalization strategy.

However, Tarun Khanna and Krishna Palepu from Harvard Business School have demonstrated that this might not be enough, particularly when analyzing emerging markets. When comparing, some countries might seem equally attractive following the main variables but in fact, they may differ in their institutional structure. Institutional differences include differences in political systems and financial markets. The wider the distance, the more difficult it will be to engage in business in that country. The role of institutional investors in financing infrastructure in emerging markets and developing economies can be of minor importance. Indeed, some regions can suffer a lack of regulatory systems, contract and law enforcement mechanisms and 'soft' infrastructure like the availability of market research and employee search firms. Weak infrastructure can slow a country's growth and competitiveness; it can also cause loss of lives, disease, and diminish the overall quality of life. A recent study (Delmon and Delmon, 2011) on public-private partnerships (PPPs)<sup>1</sup> argues that it "raises infrastructure services from a good investment to a moral and economic imperative." It makes sense that much development literature is devoted to understanding what prevents capital investments that can increase access to good-quality, affordable infrastructure<sup>2</sup>. As a

<sup>&</sup>lt;sup>1</sup> PPPs are a form of project finance that involves a contract between a public-sector authority and a private party to provide a public project or service.

<sup>&</sup>lt;sup>2</sup> Institutional Investment in Infrastructure in Emerging Markets and Developing Economies 2014 Public-Private Infrastructure Advisory Facility (PPIAF), The World Bank Group

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whole, emerging markets, in particular, can present greater differences because these countries lack many of the specialized intermediaries that make institutions such as financial markets work.

In brief, this author states that apart from using conventional models this type of institutional void must be taken into account in the process of internationalization. Ghemawat, highlights specifically the importance of the match between the country and the company. From companies sourced in a given country, some regions are more "distant" or mismatched than others. For instance, a Spanish company may be "in a closer" position to a South American market than an East Asian market, and therefore might prefer that market, even if it is ranked lower on typical attractiveness criteria. Therefore, in addition to a relative ranking of the countries, each firm has to add its assessment of the countries following their proximity.

Ghemawat's '*CAGE framework*' measures the correspondence between countries and companies along four dimensions, symbolized by the letters of this acronym. Hence, this framework underlines the importance of cultural distance, administrative distance, geographic distance and economic distance, as follows:

- *Cultural distance:* this refers to the differences in cultures between the two countries, assessing issues such as language, religion, ethnicity and social norms. The similarity or difference of cultures between countries can be explained by sourcing their historical relationships. For example, colonialism affected several countries and played an important role in many of the effects that can be spotted in the contemporary culture and influencing national relationships. However, history does not provide a complete insight into the cultural gap since there are other variables to be treated. To exemplify this case, Western European countries have a substantial cultural distance from many Asian countries although they have colonized many of the same territories. Even though the social habits and values of the society play a crucial role in the cultural distance, this is not just a matter of similitude in consumer preferences but extends also to significant compatibilities in terms of managerial behaviors.
- Administrative and political distance: the political, legal and administrative systems determine the *administrative distance* between the two countries. Regarding the difference between political systems, for instance, there is a wider distance and more uncertainty between a democratic and a communist country. Institutional weaknesses or voids, for example slow or corrupt administration, can further open up the distance between countries. Moreover, this and other factors can end up also in discrepancies among the laws of each nation that can hinder regulatory compliance and business activity. Labor legislation can be remarkably diverse from country to country.

Some regions protect the civil rights of people who identify within the protected categories (e.g., age, race, sex, class, gender, sexual orientation, etc.), but other nations may not.

- *Geographical distance:* when assessing this distance, one of the key considerations is the physical distance between the two countries of study. Logically, the farther apart the two regions are, the more difficult and costly it is the international trade. The milage is not the only relevant factor for evaluating this dimension, indeed, sea access and the quality of communications infrastructures like advances in telephone and internet are key important factors. Transport infrastructure can shorten or overstretch physical distance. For example, Haiti is physically nearby the United States, but its inadequate port facilities make it a sub-optimal target for manufacturing outsourcing.
- *Economic distance:* The final element of the CAGE framework refers particularly to wealth distances. The greater the differences in the economic factors, the harder is to be successful in international business. One of the relevant variables to take into consideration is the GDP per capita related to the purchasing power and disposable income of the target country. There are huge inequalities in wealth at the international level. If multinational companies from established and wealthy markets can build new capabilities to serve the aggregated "poor markets", they can overcome the economic gap and thereby significantly expand their presence in emerging economies such as China and India and bring to this low-income regions, the benefits sought for Western products.

# 1.3 The Resource-Based Theory of Competitive Advantage

Strategy has been defined as "the match an organization makes between its internal resources and skills ... and the opportunities and risks created by its external environment". Michael Porter's models (Porter, 1991) and analysis are an example of how a special focus has been placed on the link between strategy and the external environment and not to the same extent on the link between strategy and the firm's resources and skills. However, there has recently been a resurgence of interest in the role of corporate resources as the basis of firm strategy. Basically, this interest puts in contradiction the contemporary business strategy, specifically the equilibrium framework of industrial operation economics that categorizes it as static. Focusing on

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the corporate strategy level, the attention has been put on the function of corporate resources in dictating the industrial and geographical boundaries of the firm's activities. At the level of business strategy, further explorations of the linkages between resources, competition and returns have been conducted. C.K. Prahalad and Gary Hamel describe companies as a unique portfolio of core competencies (Hamel-Prahalad, 1990). They mention that the companies should be imagined like a tree, with the major limbs as the core products, the branches representing the different business units and the leaves as the end's products. The authors state that once identified and clarified the core competencies of the firm, the management of the company will know how to support competitive advantage (Hamel-Prahalad, 1990).

All these contributions can be classified under the name "*the resource-based view of the firm.*" However, it does not exist yet a single framework to integrate all the contributions to the theory and its practical implications. Robert M. Grant proposes a practical framework consisting of a five-stage strategic formulation (Grant, 1991).

Moreover, other authors, propose a more detailed analysis of how to support strategy in small-medium-sized enterprises (SMEs) (Rangone, 1999). Rangone proposes an approach to strategy analysis by presenting a resource-based view of SME's sustainable competitive advantage. Among all the classifications of resources such as tangible and intangible (e.g., Hall, 1992; Zahara and Das, 1993; Collis and Montgomery, 1995), or competencies and capabilities (Prahalad and Hamel, 1989, 1994; Stalk et al., 1992; Meyer and Utterback, 1993; Azzone and Rangone, 1996; Amit and Shoemaker, 1993; Grant, 1991; Sanchez et al., 1995; Verdin and Williamson, 1994), the final point is to focus, once classified, into the ones considered critical or strategic. This can be made using tests such as the VRIO test or other variables.

Rangone formulates a model based on the case study of 14 companies and first divides it between 3 basic capabilities: innovation capability, production capability and market management capability. The first exercise is to identify the strategic intent of the company under analysis and the key performances related to each of the 3 main capabilities (the firm can focus on 1, 2 or the 3 capabilities). Then, the firm should identify which are the resources that influence those performances. After that, the resources are tested based on their ability to create and sustain competitive advantage with a final qualitative analysis of the consistency of the strategic ones. Finally, once assessed the value and consistency the company can generate different strategic options.

## 1.4 SWOT analysis

The SWOT analysis is an acronym for strength, weakness, opportunities and threats, it is, indeed, is a tool sued in the strategy formulation process that helps to identify

internal and external factors (Oreski, 2012). The first two factors (strengths and weaknesses) are associated with factors internal to the organization, while opportunities and threats encompass the broader context or environment in which the organization is operating (Oreski, 2012). It can be considered one of the most popular tools used to improve corporate strategy definition.

Terry Hill and Roy Westbrook presented the key findings when they used empirically the SWOT analysis on 20 manufacturers from the United Kingdom from 1993 to 1994. It was thanks to a government initiative (MPI) that they could undertake that research (Hill-and-Westbrook, 1997). The study consisted in analyzing the methods used by consultants working with client companies to meet the aims of the scheme. By identifying the number of factors used in each SWOT the authors identify important gaps in the use of the tool in the strategy formulation process. The main problems were the length of the lists, that some of them were unclear or non-specific or that once performed the analysis it did not have any relationship or use in the implementation phase. Thus, the authors questioned the use of the SWOT and the use of its outputs within the next steps of the process.

Robert G. Dyson, from another perspective, performed a "Strategic development and SWOT analysis at the University of Warick" (Dyson, 2004). The author also applied the SWOT framework in the strategy formulation process by incorporating it at the University of Warwick. Since the Steering Committee of the university decided to update its corporate plan and agreed in performing a SWOT analysis as the core tool. SWOT analysis has its origins in the 1960s (Learned et al., 1965). In more recent years SWOT analysis has been seen as somewhat outdated and superseded by resourcebased planning (Wenerfelt, 1984; Grant, 1991) and competency-based planning (Ulrich and Lake, 1990). In the application of the SWOT, the author states that a full set of factors were generated with potential activities for each one. It were adopted the agreed strategies and further implemented. The author highlights that apart from using the SWOT to generate strategic alternatives, there is the need to analyze and test some initiatives before their adoption. Some consideration from the author includes prioritizing the factors generated and adding feedback in the process of strategy definition to ensure that the factors with a higher score are being analyzed by the strategic alternatives. The author states that this is crucial to ensure that the internal factors of the company are assessed in detail and that the firm can leverage on its full potential.

## 1.5 Strategy formulation process

Mintzberg believes that strategy is less certain and employs the word "pattern" to allow for the fact that strategies do not always follow a purposefully chosen and

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logical plan, in fact, states that can come up in a more specific way. After some time, the incremental decisions lead by strategies only cohere into a pattern that can be recognized. Moreover, Mintzberg talks about the pitfalls and fallacies on strategic planning. He states that a planner is someone who bypasses the many obstacles on his or her way to the big failure. In planning, pitfalls are like impediments to be set apart. First of all, the author elaborates on the first pitfall in strategy planning, the commitment. On behalf of this, the main problem is not the fact that management can be not committed to the planning, it can also be in a reverse way, that the planning is not committed to the management of the firm. Also, the issue can be whether the commitment to planning generates commitment to strategies and the strategy development process or whether the very essence of planning fosters managers' commitment to themselves. The change pitfall includes some considerations about the premise that a favorable and stable planning climate within an organization can affect positively meaningful changes within the firm. In other words, the planning activity can more than encourage the grand change, put obstacles and destroy the climate it requires. The main goal of planning is to set the direction of the firm and draw the course of actions necessary and make things "inflexible." The fallacy of predetermination explains that to plan, an organization must be able to control its context and environment, forecast the course or assume stability. The is no point, on the contrary, to establish the inflexible course of action that builds a plan.

Berry relates also to this topic by presenting the results of research with small hightech firms as a subject of the analysis (Berry, 1998). To develop and plan their processes, successful firms use strategic planning to set the direction of their longterm growth. On the contrary, companies that are not using strategic planning are holding back in competition and putting at risk their existence and profitability. Apart from this, in the initial stages of the life of a company the planning should be less formalized and maintain flexibility to quickly respond to the market reactions. Moreover, whether this is formal or informal, managers should always emphasize in the analytical process carried out in the strategic planning. Another key success factor is for managers to recognize the cycles of the firm since the business and core technologies keep evolving. The leadership from the managerial grid is also particularly important as it can drive success in the planning activity, leveraging on the expertise and experience of managers to face all types of situations.

Michel Porter (Porter, 1991) envisions strategy as the fact of searching being different in the market and this can be accomplished by selecting the set of activities that allows the company to deliver a unique mix of value. Alfred D. Chandler (D. Chadler 1969) recognized strategy as the sum of a good determination of the long-term goals and objectives of the company, the adoption of a course of action in that direction and finally the allocation of the company's resources to achieving these goals. The course of action can be, however, turbulent in a lot of scenarios (Grant, 2003). The high volatility of the business context can make complex strategic planning for firms, for this reason strategies need to be flexible and creative. Strategic planning has changed over time, and nowadays is used more as a mechanism for coordination and managing performances within a firm (Grant, 2003).

The publication of Exploring strategy (Johnson, Whittington, Scholes, Angwin, Regnér, 2017), describes strategy as "the long-term direction of an organization". First of all, when talking about the long-term direction it is referred to the deliberate, logical and incremental strategy patterns. In the second place, the same concept of long-term direction can encompass two different sets of strategies, on one side strategies focusing on and stressing difference and competition, and on the other side, strategies that include cooperation and in some cases imitation. The three elements as conceived in the process of strategy definition, which include the long term, the direction and the organization, can be examined in more depth. In the definition of the long-term concept in strategy, it is emphasized the importance of not only focusing on the short-run actions, but conceiving "three different horizons." The first one represents the current core activities of the company, which are the ones making profits at the moment that need to be defended from competitors and further extended. However, the actual businesses in these horizons may suffer from a decline or stagnation of profits in the future. The second horizon includes the businesses and the associated set of activities that are a potential source of profit in the future. Finally, the third classification of horizon refers to uncertain possibilities for the future that are not yet confirmed or estimated. On this horizon is where such activities as research and development put emphasis, startups ventures are built, or MVPs are put in the market to test. This last horizon can be estimated at ten years or even more. The strategy consists in extending as much as possible the first and current horizon but analyzing the two other horizons in parallel time. The strategic direction is understood as a pattern that the company wants to extend overtime that is coherent and based, normally, on long-term objectives. Finally, the organization, which are conceived as a relationship between internal and external stakeholders rather than a unified and isolated organization. These stakeholders normally suffer from a mutually depending on link one each other. It is important to analyze the internal context of the company (interest of the employees, management, etc.) and also the external context regarding relationships with suppliers, shareholders or institutions.

# 2. Methodology

### 2.1 Case Selection

The main goal of this analysis is to study the internationalization process of an Italian small and medium-sized enterprise (SME). Specifically, the subject of analysis is *Digital 360* because it mirrors the target size of the company and it aims to engage in a process of expanding its business abroad, after having reached saturation in most of its country of provenance. Following the Lijphart classification<sup>3</sup> of theory-building research objectives, the analysis is a heuristic hypothesis-generating case study type, inductively identifying new variables, hypotheses, causal mechanisms, and causal paths.

*Digital 360* was established in 2012 and listed on the AIM Market of the Italian Stock Exchange since June 2017. Since its foundation, the group has grown significantly in recent years with a turnover CAGR<sub>11-20</sub> of about 39%<sup>4</sup>. Moreover, the firm generates outstanding preliminary results for FY21, marked by double-digit organic growth and a more than proportional progression in terms of EBITDA. Cash flow generation was substantially higher than expected. The newly acquired companies (amounting to 9 between 2012 and 2019) and the recent organic growth significantly increase the group's size and reinforce its competitive positioning. Furthermore, this strong and prompt growth in the Italian market has brought the company to a point of saturation in this market. This is the main reason the managing board of *Digital 360* initiated a process of international expansion from the end of 2020. The mere fact that Digital360 is an Italian small-medium firm that wants to broaden its business operations abroad, makes it the perfect object of analysis to determine which are the possible strategies and models that the company can leverage on. Indeed, until January 2022 the firm had only 100% business generated in Italy. The consolidation

<sup>3</sup> Arend Lijphart, "Comparative Politics and the Comparative Method," American Political Science Review, Vol. 65, No.3 (September 1971), pp. 682-693. <sup>4</sup> https://www.digital360.it/investor-relations/analyst-coverage/ of *XONA*, a marketing agency based in Buenos Aires acquired in January 2022 that operates in the tech industry has been the trigger for the ongoing M&A campaign in the LATAM digital market. The grand strategic driver is to reproduce in Spanishspeaking countries the business model developed and successfully implemented by the group in Italy. This strategy illustrates how Digital360 is both open and oriented towards expansion, moving from focusing on the Italian market to globalizing its business operations. This proclivity for international expansion makes Digital360 a good subject of study to see if the expansion strategy used at the local level can be replicated at the global level or if further changes are needed to couple all the business units.

Digital 360 is a leading B2B digital innovation player in Italy, offering support to companies and public administration to understand and implement digital innovation-related processes. Born from university research, from a group of Politecnico di Milano professors with a passion for technology and innovation, integrating into its growth path some of the most prominent figures in the world of digital innovation in Italy (entrepreneurs, managers, industry experts). The company manages an intermediation platform for the demand and supply of digital innovation. The company operates two business units: the first one, under the name Demand Generation, helps digital service and solution providers (tech companies) to communicate more effectively and engage with new customers, through a unique model, based on a Digital Marketing & Sales Engine approach; and the second Advisory&Coaching, that works alongside companies named and public administrations to support them in their digital transformation process via a unique business model based on engineered methodologies, data, assets and know-how.

*Digital 360* unfolds its strategy and implements its vision by relying on a unique business model based on a B2B match-making platform that connects over 90.000 tech companies (acting as digital innovation suppliers) with over four million tech buyers (acting as digital innovation demanders). This is accomplished by the implementation of an innovative Digital Marketing and Sales Services, such as Content Marketing, Storytelling, Marketing Automation, Lead Generation and Events.

## 2.2 Empirical Setting

Digitalization is a key engine of productivity growth in contemporary economies. However, its unequal spread among corporations has increased the dispersion of productivity, increased wage disparity and wage inequality and reduced social inclusion. During the recent COVID-19 crisis, economies have become more rapidly digitized, but there is growing evidence that the digital gap between the technology leaders and the rest of the firms has widened.

The relationships between Spain and Italy have proven to be resilient over the years. Spain, indeed, like the rest of the Western economies, is immersed in a profound transformation process that has been drastically accelerated during 2020 by the effects of the COVID-19 pandemic. In this digital transformation, the Information and Communication Technologies and Media and Services sectors and Audiovisual Services sector plays a key role as an enabler of products and services as a facilitator of products and services products and services that enable the digitalization of the Spanish economy and society. Furthermore, as Spain has relevant partnership initiatives with both Italy and Latin America, the strategic move of market entry in Spain opens an opportunity path to later enter in a successful manner in Latam.

Thanks to the commitment of the central government and the local initiatives in the different autonomous communities, Spain occupies a remarkable position in the European Union context due to its elevated level of connectivity, digital technologies integration and the digitalization of public services. Moreover, the number of companies in the ICT and media and audiovisual services sector has continued to grow in 2019 (2.2%), but it slowed down in 2019 compared to recent years. In total, the sector is made up of 35,884 companies with the last available data of 2019. Specifically, the number of companies in the ICT sector grew by 3.4%, while those in the media and audiovisual services sector decreased by 0.6%. Similarly, to the number of companies, the turnover of the ICT and media and audiovisual services sector maintained the growth trend in 2019, with an increase of 4.7% to 120,566 million euros, representing a share of the country's GDP of 3.41%. Turnover in the media and audiovisual services sector grew by 7.9%, doubling the increase in the ICT sector (+3.9%). In parallel to the continuing positive trend of growth in the number of people employed in the ICT sector, bringing the value to 557,504 people, another relevant indicator is the investment in the TIC sector which accounts for 18,429 million, with a growth of 7,2% in 2019. The geographical distribution of companies in the Spanish ICT sector places the Community of Madrid and Catalonia as the leading regions, with 32% and 23%, respectively.

Following the geographic distribution of IT sector turnover in the world, Western Europe is in second place, with second position after the US, with a turnover that represents 21.6%. From a general perspective and to have the big picture, the CAGR of the TIC sector between 2019 and 2024 is expected to be 3,2% in the Western Europe region, showing a growth prospect for the sector. When addressing the digitization process in the European Union it is required an analysis of the degree of progress achieved about both the most advanced economies and the most advanced economies at the Community level and among the Member States. Since 2013, the European Commission publishes the International Digital Economy and Society Index (I-DESI) providing a state of the art of digitization in the European Union and the different Member States coping with the absence of aggregated international

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references. The latest available report, from 2020 (with data up to 2018), showed that the European Union as a whole is in a comparable situation to the 18 non-EU countries covered, especially in the EU countries covered, especially in the dimensions of connectivity and digital skills, being further behind in the connectivity and digital skills, while being further behind in the use of Internet services and digital public services. Internet services and digital public services. The value of 47,6<sup>5</sup> for the average in the EU is lower in comparison with the US and United Kingdom with I-DESI values of 61,8 and 57,8 respectively.

In addition, the generally used indicators to assess the current situation of the Spanish economy -mainly the European DESI Index- would suggest that Spain presents a fairly acceptable average performance in the digital area compared to its EU neighbors. However, in reality, the use of digital technologies in Spain is low relative to its potential and falls far short of that of the world powers leading the digital transformation. world powers that are leading the digital transformation. Moreover, it has a clear disadvantage in the integration of digital technologies in productive activity and the endowment of human capital with digital skills. Indeed, although in comparative terms Spain seems to stand out in the digitization of its public administration, this is due to the superior performance of agencies or services, like the ones of "*Agencia Tributaria*" for instance. In fact, the Spanish public administration has still work to do to bring the benefits of its digitalization strategies to the population and firms. These include overcoming geographic barriers to the provision of certain public services, improving their cost efficiency and preventing fraud. and the prevention of fraud.

From another perspective, there are numerous opportunities for the country within the framework of digitization, helped in part by the Recovery and Resilience Plan approved by the European Union. Specifically, the *Spain Digital 2025* strategy involves the mobilization of a significant volume of public and private investment over the next five years (140.000 million euros). Mainly this budget comes from the Recovery and Resilience from the European Union's *Next Generation*, which identifies digital transition as a priority to guide the investment effort in the recovery. recovery. According to the figures available, the digital transformation of the business network could boost Spanish GDP (gross domestic product) by between 1.5 and 2.5 percentage index points per year up to 2025 and raise SME productivity by between 15% and 25%. Specifically, based on data provided by Telefónica<sup>6</sup>, companies that are already digitized have increased their productivity or sales by more than 10%.

<sup>&</sup>lt;sup>5</sup> European Commission, International Digital Economy and Society Index 2020, Smart 2019/0087.

<sup>&</sup>lt;sup>6</sup> https://www.telefonica.com/en/communication-room/blog/the-digitisation-of-companies-impacts-productivity-by-as-much-as-25/

On the other hand, focusing on the Latam region, the analysis builds on discussions from the meeting "Leveraging the impact of new technologies in Latin America", illustrated in the same report, organized by the OECD Development Centre's Emerging Markets Network (EMnet). Latin America and the Caribbean (LAC) regional GDP was initially forecasted to have a growth rate of 2.6% in 2020, but with the crisis onset, forecasts now foresee a recession with a growth rate of -4.6% (AUC/OECD, 2019; World Bank, 2020). Part of the cause of the decline in its investment momentum may be in part for the high dependency on commodity prices (that have struggled down), the remarkable uncertainty and the toucher financing conditions. The deceleration suffered in 2019 can expose the Latin American economy to external impacts, in addition to the existing social discontent, raise in poverty indexes and the existing risk of a recession. Although these figures, it can be concluded from the OECD report that Latin America is experimenting a fast-paced growth within its digital economy, and the private sector is a key driver of innovation. The use of new digital technologies can create new business opportunities and address long-term challenges while coping with the low productivity, inequalities and access to the digital ecosystem. Nevertheless, in order to exploit the full potential of technological advances, it is necessary to address the main challenges related to skills development, regulatory frameworks, adequate infrastructure, and data privacy and security.

It is expected that by 2021, at least 40% of Latin America's GDP will be generated by the digital economy (ECLAC, 2018). Disruptive technologies are going to bring digital transformation to Latin American companies. By 2020, it is expected that 40% of large companies in the region will have fully internalized a digital transformation strategy across the organization. Digital technologies are getting increasingly applied across different sectors in LAC, with 25% of major global transaction banks, almost 30% of manufacturers and retailers, and 20% of healthcare organizations expected to use blockchain networks in production by 2021 (ECLAC, 2018). Moreover, cities like São Paulo, Buenos Aires and Mexico City are emerging regional hubs valued at USD 37 billion in 2018 (IDB, 2017a). Some of the industries with more funding include ecommerce, digital financial services, health care, mobility and insurance (Bloomberg, 2019). Another relevant trend in the Latin American region is the rising demand for e-commerce, generating a valuable opportunity for companies, specifically those offering Software-as-a-Service to grow exponentially. This is due to the power of the Latam market size in Mobile internet subscribers thanks to the declining smartphone prices, increasing availability of subsidies and finance by mobile operators, and the spread of 4G networks across the area.

Governments also play a crucial role to solve some of the challenges in digital inclusivity by adopting new technologies and digitalizing their network of services. The recent COVID-19 pandemic has accelerated this process and several incentives have been given for this cause. Institutionally, the region average ratio of tax-to-GDP shows, in comparison with the OECD average, a low tax morale and tax evasion that

jointly with corruption continues to obstruct social and economic progress that the OECD is working to address through its OECD/G20 Inclusive Framework on BEPS. As a whole, the foreign direct investment of companies is essential to mitigate these issues that do not allow the full potential of economic acceleration to be exploited.

A large proportion of Latin American adults have extremely limited or no computer experience, ranging from 43.6% in Peru to 25.2% in Chile. The share of adults without basic ICT skills or computer experience reflects the countries' level of economic development and ICT penetration (OECD, 2019c).



Figure 1: ICT use at work by activity in selected Latin American countries. (Source: Latin American Economic Outlook 2020, OECD)

In Figure 1, from the results of a survey held by OECD covering Chile, Mexico, Peru, and Ecuador it can be inferred the great number of workers who have never used a computer or who do not use ICT in their occupations (the orange label "Never"). This value accounts for more than 50% all the activities under study, showing that the development of ICT skills in Latin America is still very weak as there is a large variation in the use of computers, Internet, email, and software. More than 25% of LAC workers used ICT regularly for simple tasks, such as email or job-related information searches. Less than 10% used ICT for more advanced tasks, such as programming and real-time communications.

Another interesting variable to look at is the Digital Ecosystem Development Index and its growth rate in selected regions to assess the development of their digital ecosystem. This index is based on eight multi-component pillars: infrastructure, connectivity, household digitalization, digitalization of production, competitive intensity, digital industries, factors of production, and regulatory frameworks (CAF, 2017; CAF et al., 2020). Although the advances in the digital filed in the recent years, the Latin American and Caribbean (LAC) region is still in intermediate values in comparison with the others. Specifically, the index for LAC reaches a value of 48.7 on a scale of 0 to 100 in 2020.



Figure 2: Digital Ecosystem Development Index and its growth rate in selected regions, OECD, 2020.

If compared the results of LAC with Africa (34.2) and Asia-Pacific (42.1) it can be stated that the progress is higher. On the other hand, when compared with the regions of the OECD area (66.8), Western Europe (67.6) and North America (75.4) it can be seen that those are much developed from a digital perspective. If contrasted with the Middle East and North Africa (55.4), it can be observed that the gap is shorter (Figure 2).

The trade relationships between EU and Latam have been important in the recent years. For example, in June 2019, Mercosur (Argentina, Brazil, Paraguay and Uruguay) and the EU achieved an in-depth partnership in principle on a commercial agreement (European Commission, 2019a) that will enter fully into effect when fully ratified by all EU Member States and Mercosur countries. EU playing the role as the top foreign investor for the country, with a total trade of eighty-eight billion euros between the two regions, provides the support with the goal to increase export standards and reduce barriers to trade and foreign investment. Along similar lines, the Mesoamerican Digital Agenda coordinates the digital strategies of the member countries of the Mesoamerica Project. One of its objectives is to build telecommunications infrastructure and develop the digital economy in the subregion. The deployment of this Mesoamerican digital program could potentially generate an additional value of US\$3,305 million in 5 years (ECLAC, 2021). In CARICOM, the strategy for a single market includes a section on the establishment of a single digital space. The aim is to create a borderless ICT space that fosters economic, social, and cultural inclusion. The strategy includes ICT policies,

legislation, regulations, technical standards, best practices, networks, and services to be harmonized regionally (OECD et al., 2020).

## 2.3 Data Collection

Both qualitative and quantitative data has been used to support the analysis of the internationalization process of *Digital 360*. The data collection outlines the different methods used to gather data during the systematic investigation. Thus, in this section it will be explained and classified which sources of data have been used to conduct the analysis.

It has been used a mixed research method as the research has relied on both quantitative and qualitative methods for the data collection and analysis. The research includes data, figures, and statistics, but also knowledge developed with the direct interactions with the company subject to the strategic analysis, *Digital 360*. Indeed, to better classify the data sources as a whole the research is divided between primary and secondary sources. The first group includes: webinars, calls, videoconferences, e-mails, and trainings. Secondary sources include websites, reports, databases, financial statements, articles, documents, and digital tools/software.

Analyzing the total effort between October 2021 and April 2022 (6 months) it can be said that a total of 2 webinars were attended, 72 video-calls have been done, written 450 emails. Participated in 15 hours of different trainings and exchanged of about 1.000 direct messages. Moreover it have been analyzed 191 websites and relied on the data from 17 databases. The research has also consisted in analyzing 21 documents and reports, 5 articles and using 3 tools or softwares.

Primary Sources					
Туре	Unit quantification	Time quantification			
Webinars	2 webinars	2 hours			
Calls / Videoconferences	72 video-calls	52 hours			
E-mails	450 emails	-			
Trainings	18 video-calls	15 hours			
Direct messaging (Teams)	1.000 messages	-			

Table 1: List of primary data sources used in the analysis

Secondary Sources					
Туре	Unit quantification	Time quantification			
Websites	191 websites	-			
Databases	17 databases	_			
Reports / Documents	21 reports/documents	-			
Articles	5 articles	_			
Digital tools / Software	3 tools/software	-			

#### Table 2: List of secondary data sources used in the analysis

#### 2.3.1 Internal analysis of Digital 360

To better understand which are the core competences and competitive advantage of *Digital 360* in the current market the first step was to analyze data from the company using both primary and secondary sources. The insights of this analysis will be contrasted with the external context of each country to then formulate the different set of strategies for the internationalization. First, the most important part was to understand the business model that has bring success in the Italian market, to then replicate it in the suitable foreign regions and expand the mission, vision and purpose of Digital 360.

First of all, the study was initiated by searching information about the company to have the big picture of what was the service portfolio and the main activity of the firm. To do so it was used LinkedIn and the websites of Digital 360. Later the company organized some online meeting where it was discussed in more detail the business model of the company, its mission and vision. It was a good opportunity to ask some clarifying points about the first research on the internet. Also, it served as the first direct interaction and to get to know the direct-point-of-contact workers inside *Digital 360*, since it was also shown the role and function of some of the company personnel. Moreover, it was presented the main goals and purposes of the internationalization strategy and the current status of the process.

To go further in the internal analysis of the company, it was analyzed the different websites more in depth, including the network, the hub and the different categories of publishers. After that, to complete the analysis it has been reviewed the financial statements of the company among years to better understand the evolution of *Digital 360* from a corporate and financial perspective.

Finally, during the calls and videoconferences with the company staff it has been also clarified some doubts on the analysis. The company has also provided some trainings in the digital field.

Primary Sources						
<b>Calls / Videoconferences</b> (72 video-calls, 52 hours)						
Person and role	Topic assessed	Unit quantification	Time quantification			
Andrea Rangone (Chairm <i>a</i> n of <i>Digital 360</i> )	Introduction to Digital 360, guidelines regarding the direction of the research and evaluation of the results	3 video-calls	4 hours			
Francesco Catullo (Head of Global Business Development of Digital360)	Guide in the structure and methodology for the data collection of marketing agencies and the analysis of the companies in the different countries	22 video-calls	20 hours			
Angela Fresneda (Digital Account Project Manager of Digital360	Guide in the structure and methodology for the data collection of marketing agencies and the analysis of the companies in the different countries	47 video-calls	52 hours			
Webinars (2 webinars, 2 hours)						
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Person and role	Topic assessed	Date				
PKOM LATAM SAP event Xona	It has been presented the group and talk about the Digital 360 services and business model. SAP event.		09/02/2022 (1 h)			
Digital 360 presentation balance 2021	Financial evaluation and review of 2021 and next steps		nd review of 2021 and 31/03/2022 (1 h)			
	<b>Emails</b> (450 e	rmails)				
Person and role	Topic assessed	Unit quantification	Time quantification			
<i>Digital 360's</i> team	Work organization and task assignment	450 emails	-			
I	Direct messaging (Team	<b>s)</b> (1.000 messages)				
Person and role	Topic assessed	Unit quantification	Time quantification			
Digital 360's team	Work organization and task assignment	1.000 messages	-			
<b>Training</b> (5 hours)						
Person and role	Topic assessed	Unit quantification	Time quantification			
Digital 360 Skill ( <u>www.360digitalskill.it/login</u> )	Videos and courses related to digital technologies (big data, IoT, AI,)	-	5 hours			

 $Table \, 3: List of \, primary \, sources \, used in \, the \, internal \, analysis \, of \, Digital \, 360$ 

Secondary Sources			
Websites (3 websites)			
Name and link	Purpose	Time quantification	
Digital 360	Analysis of the activity of the company and	2 hours of an alusis	
https://www.digital360.it/	it services	5 110015 01 analysis	
Network Digital 360	Analysis of the different content portals		
<u>https://www.networkdigital360.</u> <u>it/</u>	and industries. Gather information about the scope of each one	5 hours of analysis	
Digital 360 Hub	Analysis of the different services provided		
https://www.digital360hub.it	as well as the marketing & sales engine	6 hours of analysis	

<b>Reports / Documents</b> (6 docs)			
Name and author	Purpose	Time quantification	
Digital360 Hub - Demand Generation, services overview presentation, 2021	Gather information about the group, how the network works, and the services offered	5 hours of analysis	
Digital360 Hub – Demand generation lab, 2021	Analysis of the reasons for internationalization, the value preposition and the specific case	5 hours of analysis	
Digital 360 - consolidated half- yearly report, 30 June 2021	Gather financial data to assess the financial position of the company and the business model	2 hours of analysis	
KT&Partners – Digital360FY21 preliminary results	Gather financial data to assess the financial position of the company and the business model	2 hours of analysis	
SIM - Digital 360 FY21 preliminary results	Gather financial data to assess the financial position of the company and the business model	2 hours of analysis	
SIM - Digital 360 Xona acquisition	Analysis of the strategic and financial impact of the Xona acquisition	2 hours of analysis	
	<b>Articles</b> (5 articles)		
Name and author	Purpose	Time quantification	
A Resource-Based Approach to Strategy Analysis in Small-Medium Sized Enterprises, Andrea Rangone, 1999	Used in the literature review to support strategic analysis and management in small-medium sized enterprises	5 hours of analysis	
The Core Competence of the Corporation, Prahalad and Hamel, 1990	Used in the literature review to understand how firms use core competences to create and sustain competitive advantage	5 hours of analysis	
Firm resources and sustained competitive advantage, Jay Barney, 1991	Used in the literature review to understand how firms use core competences to create and sustain competitive advantage	6 hours of analysis	
The Five Competitive Forces That Shape Strategy, Porter, 2008	Used in the literature review to understand how firms use core competences to create and sustain competitive advantage	2 hours of analysis	
The Resource-Based Theory	Used in the literature review to understand how firms use core competences to create	2 hours of analysis	

of Competitive Advantage: Implications for Strategy Formulation, Grant, 1991	and sustain competitive advantage	

Table 4: List of secondary sources used in the internal analysis of Digital 360

### 2.3.2 PEST analysis data collection

It has been used the PEST framework to analyze the external environment in each country and assess the factors affecting the internationalization strategy. PESTEL acronym stands for political, economic, social and technological factors impacting companies.

To collect the data for this analysis it has only been considered secondary data sources, specifically databases and reports/documents. In particular, the databases can be classified between local (specific for each country) and from organizations encompassing a group of countries or regions (such as Eurostat covering the European Union or World Bank covering all the globe). Moreover, as shown in Table 5, some specific reports and documents have been analyzed to have a more in-depth understanding of particular issues, such as the development of the ICTs sector in Latam or how is Spain performing in terms of the public digital ecosystem.

Secondary Sources			
<b>Databases</b> (17 databases)			
Name and link	Purpose		
Statista			
(https://www.statista.com/)	Data collection for the PEST analysis		
OECD Stat	Data collection for the PEST analysis		
(https://stats.oecd.org)			
IMF			
( <u>https://www.imf.org/en/Home</u> )	Data collection for the PEST analysis		
Eurostat			
(https://ec.europa.eu/eurostat)	Data collection for the PEST analysis in Spain		
Knoema	Data collection for the PEST analysis		

( <u>https://knoema.com</u> )		
INE ( <u>https://www.ine.es</u> )	Data collection for the PEST analysis in Spain	
DANE ( <u>https://www.dane.gov.com</u> )	Data collection for the PEST as Colombia	nalysis in
INEGI ( <u>https://www.inegi.org.mx</u> )	Data collection for the PEST analysis in Mexico	
INEI ( <u>https://www.inei.gob.pe</u> )	Data collection for the PEST ana	lysis in Perú
INE ( <u>http://www.ine.d/</u> )	Data collection for the PEST anal	ysis in Chile
ITU ( <u>https://www.itu.int/</u> )	Data collection for the PEST analysis in Latam	
INDEC ( <u>https://www.indec.gob.ar/</u> )	Data collection for the PEST analysis in Argentina	
European commission ( <u>https://ec.europa.eu/info/index_en</u> )	Data collection for the PEST analysis in Spain	
United Nations ( <u>https://www.un.org/en/library/page/databases</u> )	Data collection for the PEST analysis	
Bloomberg ( <u>https://www.bloomberg.com/professional/</u> )	Data collection for the PEST analysis	
World Bank ( <u>https://data.worldbank.org/</u> )	Data collection for the PEST analysis	
WTO ( <u>https://www.wto.org/</u> )	Data collection for the PEST analysis	
Reports / Docu	ments (15 docs.)	
Name	Author	Publication year
"Las oportunidades de la digitalización en américa latina frente al covid-19"	CEPAL	2020
"Datos y hechos sobre la tranformación digital"	CEPAL	2022
"Global innovation index 2021"	WIPO	2021

WIPO

2021

"Informe anual del Sector TIC, los medios y los servicios audiovisuales en España"	"Observatorio Nacional de las Telecomunicaciones y de la Sociedad de la Información"	2020
"Doing business 2020"	World Bank	2020
"Informe annual del sector TIC y de los contenidos en España 2018"	ONTSI	2018
"Business insights on emerging markets 2021"	OECD Development Centre	2021
"IMD World Digital Competitiveness Ranking (WDCR)2019"	IMD	2019
"Digital economy report 2019"	UNCTAD	2019
"Latin American Economic Outlook 2021"	OECD Development Centre	2021
"Insights about Digital Transformation and ICT Opportunities for Brazil"	Deloitte	2019
"2020 policy note on latin america leveraging the impact of new technologies"	OECD Development Centre	2020
"Informe la digitalización de la economía"	Consejo Economico y Social España	2017
"Closing the Italian digital gap"	OECD	2022
"Questions and Answers: Digital Economy and Society Index (DESI) 2021"	European Commission	2021

Table 5: List of secondary sources used in the data collection for the PEST analysis

### 2.3.3 Marketing agencies data collection

The main strategy for internationalization chosen by *Digital 360* consists in a M&A entry mode. More specifically by acquiring companies already on-going in the selected country to replicate its business model and be able to expand their network of IT stakeholders, one of the key resources of the firm.

To be more specific the company plans to expand its operations by acquiring companies in the following 3 categories: digital marketing agencies, online publishers and market automation agencies. Since the scope of this analysis covers only the marketing agencies it will be presented in this section all the data collection methods and sources to find the possible companies that match the requirements.

From a preliminary analysis and some information provided by the team of *Digital 360* it was clear that the companies classified as Marketing Agencies did not have all the same service offering and clients neither. To leverage on the expertise of the firm and to do a first filter to the large amount of data available some considerations were anticipated. Also, another important aspect was that the type of agency and its services was highly influenced by the level of digital development of the country. The Marketing Agencies under scope must have the following characteristics:

### Be focused on the B2B market

B2B and B2C marketing agencies are differentiated principally by their target audiences and the way they are communicated with. While B2C marketing puts the focus on rapid solutions and pleasing content, B2B marketing is more about establishing relationships and demonstrating the ROI of a product to a business customer. *Digital 360* focus only in crating the "match-making" platform to connect tech vendors with the demand from tech buyers. To do so and to expand its network, the company has to focus only in B2B agencies or in agencies where the B2B weight in the distribution of clients is high.

### To have an approximate of 50/60% of client's portfolio operating in the IT/ICT industry

As the main mission of Digital 360 is to encourage companies and public administrations in the comprehension and implementation of Digital Innovation and to facilitate their meeting with the best technology providers, the agencies on scope must have at least half of the clients operating in the tech sector. To do so, when later analyzed all the candidates, it has been performed an assessment to see if the current clients were shared with that companies.

### In the portfolio of services its important a mix of both standard and digital (online and offline services)

Since the pandemic started the trend on the market is to digitalize all the services that, in many cases were performed in a non-digital way. The ideal candidate is an agency that has a mix between the two and allow the networking and marketing throughout different channels.

### Services regarding face-to-face and digital events (strong focus)

From some of the videoconferences and data from the company it has been stated that services such as events, webinars, conferences are really important in the decision-making process for a target agency. Since *Digital 360* relies on its well-stablished network. For example, an ideal company is one that offers digital

webinars, online and in-person events and organizes meetings, summits or conferences where the main goal is the networking between businesses.

To arrive to a first data set of companies which are suitable and match the requirements listed above, it have been used 3 different tools as identified in Table 6.

Secondary Sources			
Digital tools / Software (3 tools/software)			
Name	Link	Purpose	
Google	https://www.google.com/	Find new companies to be analyzed and find company's websites	
LinkedIn	https://www.linkedin.com/	Use it as a benchmarking tool to better understand the services of each company and discover competitors	
Matchplat	https://www.matchplat.com/en/	Filter thorough some variables of interest and deliver an output list of companies to be further analyzed	

Table 6: List of digital tools and software used in the data collection for the competitive analysis of marketing agencies

A first flow of analysis has been done in the Google search engine. To be more specific the preliminary search it has been conducted in the normal search tool with the default preferences. It has been useful to have the big picture quickly and start to discover some companies in each of the regions. On the other hand, this tool has been used to discover in more detail businesses and to do an in-depth search information about the companies already found from the other 2 tools (LinkedIn and Matchplat).

In this second step, the detailed searched, it has been used the *Advanced search* provided by Google (*Google* > *Settings* > *Advanced search*). In this function the user can search for pages with exact words or phrases or narrowing the results by filtering by language, region or file type. Table 7 shows which search parameters were used to narrow down the results. For each country apart from the keywords, it has been selected the appropriate region in the advanced options. The search was conducted until the 5<sup>th</sup> page (when available) since the results were considered relevant.

Google search engine – default and advanced search			
First phase of analysis	<ul><li>Agencia marketing [country analyzed]</li><li>Agencia marketing digital [country analyzed]</li></ul>		
Second phase of analysis (Includes sector)	<ul> <li>Agencia marketing TIC [country analyzed]</li> <li>Agencia marketing digital TIC [country analyzed]</li> <li>Agencia marketing digital sector TIC [country analyzed]</li> <li>Agencia marketing digital empresas TIC [country analyzed]</li> </ul>		
Third phase of analysis (Includes sector and specific services of interest)	<ul> <li>Agencia marketing digital B2B [country analyzed]</li> <li>Agencia eventos B2B [country analyzed]</li> <li>Agencia eventos TIC B2B [country analyzed]</li> <li>Agencia webinars [country analyzed]</li> <li>Agencia eventos digitales [country analyzed]</li> <li>Agencia eventos digitales B2B [country analyzed]</li> </ul>		

Table 7: List of keywords used in the google search. Note: all keywords were searched in Spanish and English to broaden the scope of results

The second tool that has been used is LinkedIn. LinkedIn enables its members (both workers and employers) to create profiles and "connect" with one another in an online social network that can represent professional relationships in the real world. The tool is interesting not only for searching firms, but for once one potential company has been identified, to search it and obtain a list of possible competitors.

Potential competitors can be spotted by using the search bar and clicking on the "other people viewed" bar, or simply searching for industry sector, and criteria such as company size.

The third, and last tool used in the data collection process its Matchplat. This platform supports users in finding the most attractive companies more quickly by applying a qualitative search. The tool has storage a list of company records of a total of 400 million companies covering 196 countries. One of the most interesting functionalities of the tool is that allows users to custom a dataset by filtering by geographical area, industry codes, company size or the presence of keywords in their websites.

The steps for starting a new exploration are:

- 1) Indicate the name of the exploration, the country covered, the NAICS/NACE industry codes, the company status and the size of the company.
- 2) Insert the keywords of interest
- 3) Navigate through the results via a dashboard. In this dashboard the user can view the results as a table or mapped

The key part of the process and the reason this tool is useful is the interactions and actions the user can perform with the output of data. The dimensions present on the list are business name, city and address. The user can then filter by conditions, group and label the results and iterate the data set by adding more keyword to the filter. This tool was used only for Spain, Mexico and Colombia as it was unavailable after the expiration of the subscription.

Eurostat agency provides the set of NACE codes as the European standard classification of productive economic activities. The NACE codes selected are:

- 73.11 Advertising agencies
- 70.22 Business and other management consultancy activities

Regarding the NAICS codes, represent The North American Industry Classification System (NAICS) and are related to the US business economy. They are used by agencies to do statistics and classify businesses. In the case of Mexico and Colombia, it has been used the same NACE and NAICS codes than Spain. Indeed, for Mexico it is expected NAICS to perform better, because they are the US standard, and the country has a high cultural affinity and commercial integration. The NAICS codes used are:

- 541810 Advertising Agencies
- 541850 Outdoor Advertising
- 541860 Direct Mail Advertising
- 541870 Advertising Material Distribution Services
- 541890 Other Services Related to Advertising
- 541613 Marketing Consulting Services

In the tables included in *Appendix\_Matchplat* from the appendix, it has been structured step by step all the iterations for each of the 3 countries. For the better understanding of the tool and to exploit all the potential of the software, it has been done a total of 4 trainings with the staff of Matchplat and the internal team of Digital 360.

For each country, the outcome was a list of companies that from the preliminary qualitative analysis and considerations, matched all the requirements. It is important to highlight that the filters excluded for example companies with a bad financial performance or companies that were part of a large group, making impossible the future acquisition. The size of a company has been defined by searching the number of employees, the financial results (EBITDA and revenues) and taking as a "first" reference the classification provided by Matchplat in the analysis.

Finally, it has been done a more detailed analysis of the services provided by each of the firms. Indeed, they have been classified by different categories to then be compared and spot if some firms are specialized in specific services. In addition, it has been identified the main clients to understand which industries they come from and to discard a firm if it is too much B2C focused. Table 8 summarized the different steps followed and the tools used for the data collection.

	Phase	Tool and website
1) l	Definition of the list of target companies for each country	<ul> <li>Google (<u>https://www.google.com/</u>)</li> <li>LinkedIn (<u>https://www.linkedin.com/</u>)</li> <li>Matchplat (<u>https://www.matchplat.com/en/</u>)</li> </ul>
2) ] f	Preliminary analysis to identify the size of the firm and if it is part of a big group	<ul> <li>D&amp;Brandstreet (<u>https://www.dnb.com/</u>)</li> <li>LinkedIn (<u>https://www.linkedin.com/</u>)</li> <li>Financial Statement of the company (if available)</li> <li>Einforma (<u>https://www.einforma.co/nit-empresas</u>)</li> <li>El economista (<u>https://www.eleconomista.es/</u>) (<u>https://www.eleconomista.com.mx/</u>)</li> <li>Argentinian government (<u>https://www.argentina.gob.ar/</u>)</li> </ul>
3) 5	Service analysis to identify if the firms make digital and physical events, webinars, etc.	<ul> <li>LinkedIn(<u>https://www.linkedin.com/</u>)</li> <li>Official website of each agency</li> </ul>
4) ]	Financial analysis (revenues and EBITDA) to compare it with the first step and assess the size and power of the firm	<ul> <li>LinkedIn (<u>https://www.linkedin.com/</u>)</li> <li>Infocif (<u>https://www.infocif.es/</u>)</li> <li>Expansión (<u>https://www.expansion.com/</u>)</li> <li>El confidencial (<u>https://www.elconfidencial.com/</u>)</li> <li>Yahoo finance (<u>https://finance.yahoo.com/</u>)</li> <li>D&amp;Brandstreet (<u>https://www.dnb.com/</u>)</li> <li>El economista (<u>https://www.eleconomista.es/</u>) (<u>https://www.eleconomista.com.mx/</u>)</li> </ul>
5) 5	Service analysis to identify all the portfolio offered	<ul><li>LinkedIn (<u>https://www.linkedin.com/</u>)</li><li>Official website of each agency</li></ul>
6) <u>/</u>	Analysis of the portfolio of clients to classify them between B2B and B2C and their industry	Official website of each agency

Table 8: Steps followed in the data collection for the competitive analysis of marketing agencies

In addition, it has been supported the use of the digital tools by some trainings, Specifically Matchplat provided some support in understanding how to use their platform to better exploit the potential of the tool and conduct the research in a more effective way.

Primary Sources						
	Trainings (18 video-calls, 15 hours)					
Person and role	Scope	Unit quantification	Time quantification			
Giorgio Granelli (Matchplat)	Learn how to use the Matchplat database to identify companies of interest for analysis. First demo of the tool.	2 video-call	4 hours			
Elena Stankovic (Matchplat)	Learn how to use the Matchplat database to identify companies of interest for analysis. Further support with selecting the right NACE/NAICS codes for the explorations	5 video-call	10 hours			
Francesco Catullo (Head of Global Business Development of Digital360)	Support with the software and allow the contact with the team of Matchplat	6 video-call	12 hours			
Angela Fresneda (Digital Account Project Manager of Digital360	Support with the software and allow the contact with the team of Matchplat	5 video-call	10 hours			

Table 9: Trainings in Matchplat for the data collection for the competitive analysis of marketing agencies

It has been consulted a total number of 5 databases and 94 websites for each of the companies analyzed (Spain and Latam) and 2 more websites including Google and LinkedIn (5 databases and 96 websites for the data collection of marketing agencies)

### 2.4 Data Analysis

#### 2.4.1 PEST analysis

In the first place, as Digital 360 has already initiated its internationalization process through the recent acquisition of the Xona agency (beginning 2022), there is a high opportunity potential to enter in the whole Latam market. Moreover, as some strategic movements have been done first in Spain, Digital 360 is ready to move into the Spanish-speaking market. One of the most relevant linkages between the two regions is the common language, a variable than can be crucial to success in expanding the network capabilities and core resources of the company. That is one of the main reasons why the PEST analysis is important for understanding the current context and assessing the attractiveness of each of the markets. Once analyzed the opportunities and threats, it will be possible to understand how to achieve the competitive advantage (as the current in Italy) and which are the strengths and weaknesses of Digital 360 in each country. This will let to the generation of the strategic alternatives for the international expansion.

First, it will be analyzed the Spanish market, and later it will be put under analysis the Latam Region, specifically the countries: Argentina, Chile, Colombia, Mexico and Perú. From the whole set of Latin American countries, the rest have been discarded in this analysis as the priority shown by the management of *Digital 360* was to enter first in these new markets. Thus, with the comparison it will be extracted which are the most suitable countries that DIGITAL360 will be able to embark on an ambitiously international expansion strategy by replicating abroad its business model, already well implemented in Italy, and leveraging the high level of scalability of the technological platforms developed in the last few years. To support this analysis the PEST framework will cover the political, economic, socio-cultural and technological factors to embrace all the dimensions that shape each country and deliver quantitative and qualitative way the results. Every factor will be granularly split between some selected variables considered key and representative. The variables are mainly indicators, indexes, figures and qualitative information. During the analysis it has been used only data from reliable sources such as worldwide organizations, European commissions or regional/local authorities. Some examples are Organization for Economic Co-operation and Development (OECD), Eurostat, CEPAL, Social Economic and Social council of Spain, Ministry of economy and business or the United Nations Conference on Trade and Development (UNCTAD). Additionally, some information has been gathered from data-base sources such as Statista or reports provided by top-tier consulting companies such as Deloitte.

The analysis has been split into two parts, one covering the Spanish region as whole and the other one covering the Latam region. This has been done since some indicators are not available for both countries, in some cases because are from European institutions that do not cover the Latin American region.

First, in the Political section, it has been studied the same variables for both Spain and Latam. The variables are the following:

- **Type of government**: descriptive analysis of the current form of government of the country.
- **Head of state**: as the official public figure who embody officially a State in its unity and legitimacy.
- **Political party at the government**: current party at the power.
- **E-government development index (EGDI, 2020)**: indicator provided by The Department of Economic and Social Affairs of the United Nations Secretariat that assesses the development of the public administration and government in terms of digital competences and use of ICTs.
- **Transparency International's Corruption Perceptions Index (2021)**: index provided by Transparency International, a global coalition against corruption.
- **Resilient index at Covid-19 (2022)**: index provided by Bloomberg to understand the current impact of the pandemic and the impact of the initiatives undertaken.

Second, the economical dimension allows the understanding of the distribution of income and purchasing power of the population as well as the occupation in industries such as the ICT sector, to give a clue on its relative importance. By seizing the market in the different areas, it can be forecasted also the profitability and the expected revenues if the entry occurs.

- Gross domestic product (GDP)
- Gross domestic product per capita
- GDP Growth (2019-2020)
- **Doing business index (DBI, 2020):** this index summarizes in a score and ranking the different countries and serve as a reference to assess how easy is to do business in a country.
- **Economic freedom index:** index provided by The Heritage Foundation that can be used as a proxy of the level of "openness" of the economy.
- Inflation index
- Number of ICT Companies (2019)
- Number employees TIC sector (2019)
- Gross value added of the ICT sector (2019)
- Gross value added of the ICT sector over GDP (2019)
- Growth ICT sector (2018-2019)

The third dimension and the socio-cultural indicators selected, deal with the population of the country and are interesting to understand both the size of the potential market and how are the citizens responding to the technological and digital advances. The analysis also covers the rural areas as some of the countries are considered "emerging countries" and thus, the rural areas have an important weight in the geographical distribution of the population.

- Number inhabitants
- Area [Km2]
- Population density [ab./Km2]
- Official language
- **Digital access index:** provided by Global Enabling Sustainability Initiative (GeSI), a unique indicator that focuses only on digital and technology issues and aims to reflect the whole digital industry.
- Households with internet access rate
- Households with internet access at home, rural
- Individuals using internet rate
- Unemployment rate (2020)

Finally, the indicators used in the technological dimension are really important to calibrate the level of digital development and the competitiveness of each country in terms of digital issues. The variables selected are the following:

- Global Innovation Index (GII, 2021)
- ICT development index
- ICT Patents over IP5 family patents
- IP5 Patent families
- High-technology exports as % of manufactured exports (2019)
- ICT spending (2019)
- R&D expenditure as % of GDP (2017)
- ICT Employment rate over total
- Percentage of companies that have a website (2018)
- Percentage of companies that have deployed digital sales channels (2018)
- Digital Competitiveness Ranking score 2020
- Digital Economy and Society Index (DESI)
- Population covered by at least a 4G network (2020)
- Availability 5G network

Apart from the general indexes, it has been analyzed patent-related indicators, since they are "protections to technological inventions" they can serve as a proxy of the technological development in the ICT field. Moreover, the share of research and development related expenditures over the total GDP illustrates if the country is investing in development and is actively searching innovative solutions. Finally, another variable to highlight is the availability of the 5G network, although this indicator alone does not provide many insights, when combined with the other data can present a general perspective of how the connections network is Some of the region.

The Table 10 summarizes all these key indicators used in the assessment of the external context for each country and to understand the external forces that are shaping the industry where to put focus, the main goal is to identify the opportunities and threats.

PEST Analysis - variables and sources				
	Variable / KPI	Unit of measurement	Data provided by	Region
	Type of government	-	Wikipedia	Spain, Latam
F	Head of state	-	Wikipedia	Spain, Latam
IC/	Political party at the government	-	Wikipedia	Spain, Latam
	E-government development index (EGDI, 2020)	[0;1]	United Nations	Spain, Latam
PC	Transparency International's Corruption Perceptions Index (2021)	[0;100]	Transparency International	Spain, Latam
	Reslilient index at Covid-19 (2022)	[0;100]	Bloomberg	Spain, Latam
	Gross domestic product (GDP)	[Billion USD]	Statista	Spain, Latam
	Gross domestic product per capita	[USD/Inhabitant]	Statista	Spain, Latam
	GDP Growth (2019-2020)	[%]	Statista	Spain, Latam
AL	Doing business index (DBI) 2020	[0;100]	World bank	Spain, Latam
	Economic freedom index	[0;100]	The Heritage Foundation	Spain, Latam
0	Inflation index	[%]	IMF	Spain, Latam
NO	Number of ICT Companies (2019)	[#companies]	Statista	Spain, Latam
EC	Number employees TIC sector (2019)	[#employees]	Statista	Spain, Latam
	Gross value added of the ICT sector (2019)	[million €]	Statista	Spain, Latam
	Gross value added of the ICT sector over GDP (2019)	[%]	Statista	Spain, Latam
	Growth ICT sector (2018-2019)	[%]	Spanish government, IDC Group	Spain, Latam
	Number inhabitants	[inh.]	Statista	Spain, Latam
AL	Area [Km2]	[Km2]	Statista	Spain, Latam
UR	Population density [ab./Km2]	[inh./Km2]	Statista	Spain, Latam
JLT	Official language	-	Wikipedia	Spain, Latam
-CI	Digital access index	[0;1]	GeSI	Spain, Latam
G	Households with internet access rate (2020)	[%]	ITU	Spain, Latam
so	Individuals using internet rate (2020)	[%]	ITU	Spain, Latam
	Unemployment rate (2020)	[%]	IMF, Statista	Spain, Latam
	Global Innovation Index (GII, 2021)	[0;100]	WIPO	Spain, Latam
	ICT development index	[0;10]	ITU	Latam
	ICT Patents over IP5 family patents	[%]	OECD	Spain, Latam
	IP5 Patent families	[#patents]	OECD	Latam
AL	High-technology exports as % of manufactured exports (2019)	[%]	OECD	Latam
C	ICT spending (2019)	[Billion USD]	Statista	Latam
ΓŎ	R&D expenditure as % of GDP (2017)	[%]	OECD	Latam
I ON	ICT Employment rate over total	[%]	Statista, CEPAL, OECD	Spain
H	Percentage of companies that have a website (2018)	[%]	CEPAL, OECD	Latam
IE	Percentage of companies that have deployed digital sales channels (2018)	[%]	CEPAL, OECD	Latam
	Digital Competitiveness Ranking score 2020	[0;100]	IMD	Spain, Latam
	Digital Economy and Society Index (DESI)	[0;100]	European Commission	Spain
	Population covered by at least a 4G network (2020)	[%]	CEPAL, OECD	Latam
	Availability 5G network	[from date]	Local sources	Spain, Latam

Table 10: PEST analysis indicators, source and use

### 2.4.2 Competitive analysis - Marketing agencies

After the screening as it has been explained in the Data Collection that consisted in identifying the clients (B2B or B2C), analyzing the services provided and the user cases or case studies published in their websites and their size, it has been performed a more in-depth analysis and comparison to understand which are target and which are out of scope. Table 11 summarizes more in detail which are the qualitative criteria that has been adopted in other to perform such classification. As a reference it

has been considered clients such as IBM, Citrix, SAP, among other tech vendors with global presence and a well-stablished network in the B2B market (as the current clients of Digital 360 in the Italian country). In addition, those regarding companies that work as distributors of technology, such as Ingram micro or Tech data are really interesting and considered as relevant in relation with the target. Those with clients addressing directly the customer (B2C) have been discarded, this could be identified by searching on the agencies' websites the success cases or user cases and identifying those patterns.

B2B Tech vendors	Facebook, Ingram Micro, Cisco, IBM, SAP, Citrix, Qlik, Oracle, Microsoft, Tech Data, AMD, Oracle, D-Link, HP, Salesforce, McAfee, Red hat, Nexsys, AMD, Google
Services (more relevant)	Digital marketing, Online events, Digital events, Webinars, Hackathons, Conferences, Networking, Lead generation

 $Table\,11: Qualitative\,criteria\ to\ assess\ the\ clients\ and\ services\ of\ the\ companies\ under\ analysis$ 

Once applied all these qualitative filters explained above, it has been done a service analysis based on the following categories:

- Branding
- Database/analytics
- Website
- SEO/SEM
- Social media ads
- Digital strategies
- Emailing
- Lead gen. Online
- Webinar/ Digital event
- Physical Events
- Social media
- Adv On/Offline
- Guerrilla
- Content MKT
- CMS
- Print
- Consulting
- Google AdWords
- E-commerce
- Inbound marketing
- CRM

This analysis has served as a benchmarking tool and to compare which are the agencies that offer more traditional services or are more aligned with and Inbound agency or which are the ones specialized in digital marketing and specifically in developing activities such as virtual events or other networking services to enhance a B2B network in a tech industry.

# **3.** The Digital 360 case

# 3.1 The Group

*Digital 360* is a leading Italian B2B player in the digital innovation arena, offering support to firms and public administrations in understanding and implementing digital innovation processes such as editorial content, communication services, lead generation, events, advisory and advocacy. It was established in 2012, from the experience developed by professors from Politecnico di Milano in the area of Entrepreneurial Innovation and Digital Transformation.

The group has grown significantly in recent years, with a compound annual growth rate revenue of 39%, between 2011 and 2020. This growth has been enhanced by the acquisition of 9 companies between 2012 and 2019 that have generated additional sales for the value of  $\in$  11.2m. Until 2021 the operating activities of the firm were focused on Italy.

#### Vision

Digital Transformation and Entrepreneurial Innovation, as an engine of economic growth and modernization of firms and public administrations.

#### Mission

Accompany companies and public administrations in the understanding and implementation of Digital Transformation and Entrepreneurial Innovation and facilitate their match with the best technology providers.

#### Cultural leadership

The group leverages on the experience and deep knowledge in all the Digital Innovation fields (Big Data, Data & Analytics, Cloud services, IoT, AI, etc.)

Goals

- Expand the current network, turnover and know-how. Grow outside the already saturated Italian market.
- Become a global player and a leader in the digital industry.
- Exploit new opportunities in unsaturated markets.

## 3.2 The business model

The business model of *Digital 360* categorize the firm as an "*Agency 4.0*" derived from the junction of Content Publishers, Marketing & Sales Agencies and M&S Technologies. Indeed, the firm operates a platform that matches supply and demand of digital innovation (Figure 3), differentiating between two business units:

- *Demand Generation*: focusing on tech providers and supporting them in marketing and lead generation activities, through a unique model, based on a Digital Marketing & Sales Engine approach.
- Advisory & Coaching: aimed at companies and public administrations via a unique business model based on engineered methodologies, data, assets and know-how.



Figure 3: Representation of Digital 360's business model (Source: Digital 360 internal reports)

The ICT market in Italy is truly relevant, moreover it has increased a 2,1% between 2020 and 2021 resulting on a total value above 40 billion euros<sup>7</sup>. In the next three years (2022-2024) digital business will continue to grow, thanks in part to the positive impact of the resources and reforms included in the National Recovery and Resilience. Therefore, *Digital360*'s "*Demand Generation*" Business Unit targets all technology companies that offer solutions and services (ICT Vendors, Software and Hardware resellers, Cloud Providers, Start-ups, Telcos, etc.) to provide them services regarding communication, events, research and other demand generation services. Specifically, this BU has a 57% share<sup>8</sup> over the total revenues. One of the pillars of the success of this business segment it has been the innovative approach through the

<sup>&</sup>lt;sup>7</sup> Report Il Digitale in Italia 2021 di Anitec-Assinform Volume II

<sup>&</sup>lt;sup>8</sup> Digital 360 - Consolidated half-yearly report as of 30 June 2021

"Marketing & Sales Engine" that tech companies use to assemble all the services necessary to generate new business opportunities. With strong business scalability, digital and remote services the firm has been able to compensate in the first year of the Covid pandemic the decline in traditional services and heighten operating margins. Additionally, the "Demand Generation" in particular marks a very significant growth, of about +44% comparing financial results in June 2021 with the same month in 2020. Even the comparison with 2019, the pre-pandemic year, shows an overall growth of +11%, confirming the weight of this innovative digital services even without the potential revenues of the physical events. Due to the recent pandemic restrictions the firm has not been able to leverage on this consolidated source of revenues but highlight future results even more optimistic with the resumption of activities linked to in-person events.

On the other hand, the Business Unit "*Advisory & Coaching*" that accounts 43%<sup>2</sup> over the total revenue's targets big companies, PMI, Micro-enterprises, Professionals and Public Administrations, offering support in digital innovation and transformation issues. To achieve this, *Digital360* relies on a unique service model, called "Advisory Engine", which is strongly based on proprietary methodologies, engineering data and knowledge assets, online channels - the proprietary Portal Network - that aims to overcome the scalability and cost limits of classical consulting models. Furthermore, the growth of this BU is lower, +11% in comparison with June of 2020 but reaches an excellent +37% compared to the value achieved in the first half of 2019.

Both Business Units share fundamental resources of the Group that can be decoupled between:

- Content Assets: events, B2B publications and portals that we can find in the DIGITAL360 Network, dedicated to digital transformation and business innovation entrepreneurial innovation and is the point of reference in Italy for managers, professionals, policy makers, politicians, tech companies, startups and public administrations.
- Technology Assets: integrated technological platform provided in as-a-service mode that consists in CRM, ERP, ESP, MKTG AUT and CMS.
- Know-how: cover the cultural leadership and highly developed core competences in the Digital Innovation.

# 3.3 The network

The Digital360 Network is the largest B2B network in Italy of portals dedicated to Digital Transformation and Business Innovation. Its mission is to spread the digital and entrepreneurial culture in Italian companies and public administrations through a multichannel platform approach. It is based on a Think Tank unique in Italy of

"experts" and "opinion leaders" on all topics of innovation. The Network also plays a key role in the go-to-market of both lines of business, allowing new prospects to be identified on an ongoing basis and the business model to be "scaled" towards the small and medium sized enterprise market.

The Network of Digital360 is supported by a team of over 100 professionals with multidisciplinary backgrounds and skillsets: journalists, SEO and social media specialists, marketing automation experts, digital marketing experts, innovators, creatives, project managers for event organization, etc. This multidisciplinary team operates as if it were an "extension" of the marketing department of the client company. The Digital360 Network allows to reach a qualified audience in the digital field, through more than 64 digital content assets (online portals, channels and newsletters) focused on all the multiple dimensions of digital innovation and addressed to all the different categories of stakeholders (decision makers in the purchase of ICT solutions and services, PA officials, politicians, institutions, etc.). The average unique visitors per month in 2021 was 2,6 million and the social media pages reached 575.000 between fans and followers. Another important KPI has been the 46.000 keywords in the Tech sector on Google's first page. Furthermore 1.500 original articles have been published monthly and 2.430 whitepapers up to date. Finally, 85.000 attendees have been registered from the 390 digital events held in the first half of 2021 contributing to an aggregate of 110.000 profiled contacts through webinars, events, whitepapers and contact centers.

<b>Portal website</b>	Description
www.agendadigitale.eu	The first journal on the Italian digital agenda
www.corrierecomunicazioni.it	Online newspaper of digital economy and innovation, reference point of the Italian digital community
<u>www.digital4.biz</u>	Dedicated to managers, professionals and entrepreneurs that explores the opportunities of digital technologies for business innovation
www.techcompany360.it	In-depth approach with the need for updating and information on market news, products and new services in the world of Tech
www.economyup.it	Approaches the development of different industries triggered by innovation and digital technologies
https://www.forumpa.it	Deals with the processes of organizational and technological transformation of the Italian PA

The main portals of the *Digital 360* Network are the following:

<u>https://www.start-</u> upbusiness.it	It is a reference for the Italian startup ecosystem
https://www.zerounoweb.it	Point of reference and support for companies, organizations, operators in the ICT world

Table 12: List of the main portals of Digital 360

# 3.4 The services provided

### Marketing & Sales Engine

"Synergistic demand generation engine, integrated into communication projects for the acceleration of the pipeline"

The Marketing & Sales Engine, launched at the end of 2018, is an innovative approach that is revolutionizing digital communication, marketing and lead generation services for tech companies (vendors, system integrators and channel operators). This framework is the basis of the Demand Generation As-A-Service offering as it leverages on the synergies from the integration of the content and technological assets together with its multi-disciplinary skills to manage in an end-to-end logic all the online marketing and lead generation activities of client companies. Apart from generating business opportunities through this Engine, the client firms can enhance their positioning and brand awareness in their market.



Figure 4: Illustration showing the integrated Market & Sales Engine

The use of the Marketing & Sales Engine (Figure 4) approach allows the achievement of a dual objective:

- Generate an effective continuous flow of communication, wisely integrating storytelling, SEO positioning, social activities and digital PR for clients, leveraging content marketing based on both the Digital 360 Network portals (outbound) and on clients' web properties (inbound).
- Generate profiled contacts and specific sales opportunities, leveraging Marketing Automation and "gated editorial content", such as white papers, reports, infographics, webinars, accessible to users only through previous registration.

Indeed, this Engine enables the creation of a strategic architecture based on proprietary assets that guarantee greater revenue recurrence, greater scalability and, in effect, higher margins. These assets are the blog with proprietary content, a strategic and lasting online positioning and a proprietary community of interested users and the tools to animate it with continuity and generate leads. On this architecture it is possible to insert modular thematic verticals, which allow the online positioning and the generation of business opportunities related to specific topics.

#### Custom services

This category includes services designed "ad-hoc" and customized on the basis of the specific needs of customers, usually of medium to large size. These projects are sometimes particularly articulated and can be classified in the following main sections: Communication, Events, Research, Lead Generation and Open Innovation.

#### • **Communication**

In this specific section it can be find the creation and implementation of content marketing plans and communication campaigns through the publication of content on the various portals of the Network. It can be differentiated the following services provided:

• Articles and Podcasts: it consists of the realization of valuable contents in view of storytelling on the Digital360 Network on the main themes related to the Partner's solutions. It starts from an analysis of the Communication and Positioning needs, then, the editorial plan can include the creation of the vision, strategy and in-depth articles with the involvement of the company's top managers. It also can include a case history or use case with interviews to

key people and testimonials, articles of promotion or reportage of initiatives organized by and with the Partner, pillar articles in SEO logic, with reference to specific keywords, article Pulse on social profiles and Podcast with interviews or in-depth analysis on key topics. Furthermore, the articles are promoted through portals, newsletters and the social media pages linked to the Network's publications. The measurement of the results is foreseen through appropriate KPIs previously identified (views, clicks, reach on social networks...).

- Video: creation of contributions in a different video format depending on the target and the key message to be conveyed. It can be spotted 6 different formats:
  - 1. Interview/Speech filmed remotely with a Q&A montage, simple graphics and some emotional references and images. The video staff guides the filming phase providing technical and content support to the person who will be in front of the camera.
  - 2. Interview/Speech filmed on location with a single manager or with multiple voices to talk about the company, recruit, share important messages, with the possible use of emotional images to better share the content. Filming is done by the video team in a location to be determined.
  - 3. Editing of material sent by the client, transforming old images or videos into something new and unique for their campaigns. Even the simple reediting of the existing content can create new and "fresh" video content.
  - 4. Montage of images from library with a strong impact, with pictures and music extracted from dedicated libraries, to explain a new concept, a product or even communicate in a more personal way with employees or consumers.
  - 5. Reportage (footage) The spaces, the people, the most important moments of the event: everything is shot by cameras and edited into a video content of a few minutes to transfer to those who were not there, all the highlights of the event.
  - 6. Infographics to explain a product from a technical perspective, provide functional information or simply transfer concepts or complex steps with a simple and straightforward storytelling, within everyone's reach.
- **Premium Content:** deals with the creation of customized premium content with the Partner's logo and profile that can be used for positioning and/or lead generation. It can be differentiated:
  - 1. E-Guide (12-15 pages): in this format we can find the White paper in an academic vertical format and the White paper with a business focus in horizontal format.

- 2. Case Study (4-5 pages): mix of content and images on projects with insight on needs, solutions and results.
- 3. Infographics (2-4 pages): immediate data and graphical content on the promoted solutions.
- **Display advertisement: c**reation of display campaigns on the entire network with banners of the most widespread formats and impact in terms of brand recognition, positioning and promotion of initiatives such as events and webinars.
- **Portal sponsorship:** aim of positioning the brand in an increasingly sharp and clear way as a reference player in a specific market or topic, it is possible to activate sponsorships with some of the channels of the Network, which provide a constant and ongoing presence of both the logo on the home page and original content produced by the editorial office, useful to strengthen the communication on the business offer, products, services and projects.
- **Newsletter and DEM:** promoting valuable content, cases, videos, events, webinars, summits through Network newsletters and direct email marketing campaigns to qualified databases within embedded projects.

### • Events

- Webinars: Live online event lasting about 1 hour that opens with a scenario presentation by a market analyst followed by a speech by the Partner (and/or a case study) and proposes a real round table coordinated by a journalist with guests and users connected.
- Web talks: talk show broadcasted live on the web in which a director of a newspaper will conduct an in-depth analysis of the hottest topics in the digital economy and will discuss a specific theme or strategic aspect of the digital economy together with some recognized and authoritative experts and a top manager of a market player.
- **Digital round tables:** a virtual round table behind closed doors that aims to be a moment of deepening and discussion with the involvement of a small number of top managers (from 5/6 to 10/15) who discuss with the Partner, moderated by a journalist.
- Web summits: in addition to the traditional webinar format, there is a more extensive formula: in 2-3 hours, different sessions in which industry experts, analysts and testimonials take turns to give life to in-depth analysis and debates related to a particular topic.
- **Digital daily events: up** to one day of live streaming, without interruptions, with alternating contributions: live presentations, round tables, testimonials and pre-recorded cases, etc. There is the possibility to remotely connect a high number of speakers/speakers in live mode (even more than 50) and to host more than 20 thematic sessions, interviews and in-depth reports.

- **Digital events enablement:** advisory service aimed at the digitization of a physical event, including format design, direction definition, organizational support and selection/supply of the technological platform (Digital360 uses two proprietary platforms Event 360 and Digital360 Powered by Primoround, both can be integrated with the leading platforms in the market).
- Virtual fairs: Real "digital fair" that includes visits to the stands, participation in online events, interaction with other participants within a customized "virtual environment".

### • Research

In this section it can be find the design and implementation of ad hoc surveys in relation to solutions and technologies offered to investigate the state of adoption and future investment intentions with respect to a selected cluster of companies. The main deliverables will be the list of companies surveyed with the respective responses gathered and a Strategic Research Report based on the analysis of the results.

### • Lead Generation

- **Content Syndication:** the content syndication campaign has the dual objective of increasing brand awareness and gathering a database of profiled contacts who have demonstrated an interest in the topic being promoted through the publication on the Digital360 Network.
- **Business Insights:** the goal of this activity is to generate profiled contacts through phone calls on a priority target of firms from the Digital360 database and/or generated through dedicated actions on the Network's multichannel platform (online events, digital and social campaigns, etc.).
- **Business Meetings:** the objective of this activity is to organize one-to-one meetings (physical or web call) with targeted prospects through telephone calls on a priority target of companies from the Digital360 database and/or generated through dedicated actions on the Network's multichannel platform (online events, digital and social campaigns, etc.).

### • **Open Innovation**

Go beyond the silo mentality of traditional corporate research labs and harness new ideas from inside and outside the organization, mainly through collaborations or dedicated events including different stakeholders.

• Call4Ideas - Call4StartUp: are contests that, addressing external factors such as startups, teams of developers or suppliers on topics of particular relevance and interest to the client, aim to get to know innovative business ideas and entrepreneurial projects. Also scout for particularly innovative startups or suppliers or generate positive communication related to the themes of digital innovation and entrepreneurship.

 Hackathon: "digital marathons" of one or two days of code development, in which participating developers can join multidisciplinary teams that reproduce the classic organizational structure of a startup with the aim of developing prototypes of digital projects, sharing ideas, creativity and increasing skills in an innovative and fun way.

Finally, regarding the structure of the DIGITAL360 Group the "Demand Generation" Business Unit incorporates the services of three Group companies: ICT & Strategy, ServicePRO and FPA. The "Advisory & Coaching" business unit incorporates the services of other three Group companies: Partners4Innovation, IQ Consulting and FPA. Indeed, the synergies between the two Business Units are important and twoway. On the one hand, "Demand Generation" can rely on the experts and skills of "Advisory&Coaching" to produce more specialized content and to drive events and workshops; on the other hand, the "Advisory&Coaching" Business Unit can exploit the Digital Marketing&Sales Engine to generate new prospects on an ongoing basis (especially among small and medium-sized companies) and its key resources can enjoy high visibility on the Group's portals and events, positioning themselves as opinion leaders.

### 3.5 Reasons for internationalization

At this point, Digital 360 has been offering the services mentioned only to the Italian market and in the end, this has become saturated. The main reason for internationalization is the expansion of the business and gaining access to larger markets. The strategic rationale developed and pursued by the top management is to replicate in Spanish-speaking countries the business model successfully developed and implemented by the group in Italy. Upon the different strategic alternatives under which a company can entry into a foreign market the firm has chosen the direct investment, specifically by external growth through mergers and acquisitions. This mode of international expansion chosen involves the acquisition of local companies so as to already know the characteristics of the market, the customers and the main competitors. Moreover, other of the main advantages of the external growth are the rapid achievement of distribution and service networks, the acquisition of established brands, learning of different organizational and management cultures and facilitation in the relationships with local governments, among others.

The optimal location depends on the type of core-competences underlying the business model and, hence, the competitive advantage of the firm. Given that competitive advantages are based on internal resources, skills and capabilities, location decisions depend on where such resources and capabilities can be exploited. In order to expand *Digital360*'s operations and enter markets that are not yet exploiting their potential, the top management decided that Latin America will be the first geographic area in which to undertake the internationalization process. *Digital 360* pursues its M&A campaign with the acquisition of *XONA*, a Buenos Aires-based marketing agency operating in the technology sector. The deal allows *Digital 360* to begin its international expansion by entering the fast-growing Latin American digital market. The integration of the business model and expertise of *Digital 360* with the knowledge of the market driven by *XONA* will be a relevant source of competitive advantage against the other players and will reinforce its competitive positioning.

The international expansion of *Digital 360* is conducted first by searching and analyzing possible acquisitions targets, which entails these categories: *Online Publishers, Marketing Automation Agencies* and *Digital Marketing Agencies*. Regarding the last category,

# 4. Results

# 4.1 Internal analysis of Digital 360

### 4.1.1 Resource & Competence Based View

The first step into the formulation of the internationalization strategy is to understand which are the sources of competitive advantage of *Digital 360* and why its performing better than competitors. Upon the two approaches to strategy, it will be followed the analysis from a "resource-based" approach with the *Digital 360*'s competences as the starting point. With this approach, instead of setting the starting point in the existing products and industry, the strategy will compete to shape the future industry structure in the foresight foreign countries. Indeed, the company will leverage on their resources with their strategic architecture. The strategy has a longrun as the goal is to exploit its internal core-competences and compete for opportunity share.

Since the context is characterized by innovation and constant change, as well as the technologies to serve customers that are continuously evolving, an external orientation does not provide a reliable basis for formulating a long-term strategy. Indeed, the company's own resources and capabilities can be a much more solid basis for defining its long-term strategy. Thus, a definition of the organization in terms of what it is capable of doing may provide a more durable basis for defining its long-term strategy.

Taking the approach to strategy analysis to present a resource-based view of an SME's sustainable competitive advantage (Rangone, 1999), it will be defined first which is the strategic intent of *Digital 360* and the capabilities in which the management of the firm focuses, thus, defining the key performances it wants to achieve.

This analysis will cover two basic capabilities: *Innovation* and *Market management* capabilities. For the company is crucial to develop and innovate through digital technologies the products and services offered. Moreover, the relationships and knowledge within the market are key factor for the success of the company to place

and sell its products efficiently. Within each capability it has been examined the key performances:

INNOVATION CAPABILITY	MARKET MANAGEMENT CAPABILITY
key new product development performances	key marketing performances
Integrated technological platform	Customer network
Scalable solution	Customer relationship
End-to-end solution	Digital culture dissemination
Software-as-a-service	

Table 13: Resources linked to the key performances and the respective capabilities

Once defined the key performances is important to identify in a preliminary evaluation, the relevant resources that impact on those. Following the approach of this model, it can be said that *Digital 360* is a unique set of tangible and intangible resources. *Tangible* resources include physical and financial means, such as human, financial or physical resources. On the other hand, *intangible* resources include the resources you cannot touch and see, such as reputation, organization, brand equity, culture, know-how or patents (Hall, 1992; Zahara and Das, 1993; Collis and Montgomery, 1995).

Tangible resources	Intangible resources
<ul> <li>Digital publishing and technological assets.</li> <li>Subscription services for both DEMAND GENERATION and ADVISORY &amp; COACHING business units</li> <li>Specialized teams in different service lines (editorial content, events, lead generation and digital marketing).</li> <li>Critical mass and economies of scale (organic growth CAGR11-20 of 39%)</li> <li>Unique Think Tank of "experts" and "opinion leaders" in Italy</li> <li>Largest B2B network in Italy of portals dedicated to Digital Transformation and Business Innovation (more than 2,6 million monthly unique visitors and 56 portals)</li> <li>Xona's network and competitive positioning in Latam</li> </ul>	<ul> <li>Corporate identity as a benefit corporation</li> <li>Market expertise due to years of investment in R&amp;D and experimentation</li> <li>Strong competencies in Martech and Sales-Tech based services</li> <li>Innovative approach for generating new business opportunities (Marketing &amp; Sales Engine)</li> <li>Know-how and methodologies from the founder's background</li> <li>Strong M&amp;A expertise in the Italian market</li> </ul>

Table 14: Classification of the key resources of Digital 360

Once the resources identified it is necessary to assess in a qualitative way their value. To do so, it can be applied for example the VRIO test in order to classify and rank them in terms of ability to create and sustain a long-term competitive advantage. In fact, after contrasting them against the tests: Valuable, Rare, Inimitable, organized to capture value it can be said that the most valuable resources are:

- First the network of customers, including both tech vendors and tech buyers is one of the most valuable resources of *Digital 360* to deliver integrated solutions and gain from a long-term relationship.
- The specialist teams of professionals aligned with the expertise of *Digital 360's* founders to leverage on their know-how to help companies in their digital transformation and innovation process.

### 4.1.2 XONA Acquisition

*Digital 360* entered into the LATAM area by a binding agreement for the acquisition of 51% of *Emprendimientos Aereos Srl* ("*XONA*") for € 395k (corresponding to 8.7 times the multiple used for the valuation EV/EBITDA). The combined result is an average 2.8% and 1.2% increase in revenues and EBITDA. The company is a marketing and lead generation agency based in Buenos Aires, generating FY21 revenues of \$1.3mn

with an EBITDA margin of 7.7%. The agency is really well-positioned and highly specialized in the Latin American region with over 20 years of experience in the tech industry. The company leverages its competitive positioning from working with the top Information and Communication technology vendors offering communication activities, digital and physical event planning, content strategy and PR services, while assisting clients in achieving their business goals and adding value to their brands.

This strategic deal seeks entering in the promising LATAM digital ecosystem. Since this market is characterized for being huge and a highly fragmented market due to the low concentration of market shares in the hands of various players, the company may leverage its strong M&A expertise acting as a consolidator in the sector. In parallel with the acquisition, *Digital 360* has launched the Spanish portal *InnovaciónDigital360.com* that targets the Latin American countries and Spain discussing the major themes of digital transformation and illustrating opportunities for business innovation through the use of technology. This a highly promising strategy to enter into the Spanish-speaking world.

Under comparison, the Spanish and LATAM markets have many parallels to the Italian market, defined with a wide range of SMEs and a notable delay in the digital transformation of companies and public administrations mainly due to the role of ICT vendors. After the pandemic governments have already begun setting up recovery and fund-raising plans to undertake the current economic context, indeed, this could help boosting the digitalization process. The *XONA* operation acts definitely as the precedent to embark on an extensive internationalization process by replicating abroad its business model, already successfully implemented in Italy, and taking benefit of the high scalability of the technological platforms developed in recently.

### 4.1.3 Financial indicators analysis

Financial Analysis is aimed to obtain a deeper understanding of the performance of an entity/group. It is interesting and useful in M&A contexts, benchmark analysis (intra-sector), to identify reasons of positive/negative performances or to understand areas of improvements. That is the reason why in this section it will be performed a synthesized analysis of the main financial indicators to deeply understand the performance of *Digital 360* from a financial perspective. As the firm is a listed company, financial statements provide a more structured and detailed information since it is subject to more restrictions and transparency obligations towards stakeholders and investors.
## Shareholder's perspective

• ROIC

Return on invested capital (ROIC) is a ratio used to evaluate a company's efficiency in allocating the capital under its control to profitable investments. ROIC gives an idea of how well a company utilizes its capital to generate profits. The value of this indicator strongly demonstrates an upward trend of  $\Delta$ +18,4% between 2019A and 2021E reaching a value of 13% in the latter financial period. As the ROIC is notably greater than the firm's weighted average cost of capital (WACC) that can be considered as an 8%, reveals that the invested capital is being used effectively and the company is creating value.

• ROE

ROE in a synthetic way indicates how much an equity-risk investor can get from every  $\in$  invested in the company. To conclude about the ROE, it is necessary to compare the performance of free or low risk investments. Indeed, ROE, according to the financial leverage formula ([ROI + leverage ratio \* (ROI - r)] \* t) is affected by the debt. This product amplifies the good or bad effects of the income generation and productivity of the assets. This means that a big leverage ratio amplifies the fluctuations of the ROE, for a given change in the value of ROI.

Between 2017A<sup>9</sup> and 2019A *Digital 360* suffered a clear decrease in the return of equity, from 6,8% to -0,5%, but this ratio has increased reaching 22,4% in the 2021E<sup>10</sup>. Moreover, this indicates the effectively management of the firm in using the company's assets to create profits.

• Leverage ratio

As mentioned before, the leverage ratio (the ratio between Debt and Equity) amplifies the fluctuations of the ROE, for a given change in the value of ROI, or in other words, amplifies the good or bad effects of the income generation and productivity of the assets in which we invest. Leverage is an investment strategy of using borrowed money to increase the potential return of an investment. This ratio is generally higher than 1, which means that the company is using third party's

<sup>&</sup>lt;sup>9</sup> A Year followed by an A indicates that the results for that specific Year are considered Actuals

<sup>&</sup>lt;sup>10</sup> A Year followed by an E indicates that the results for that specific Year are considered Expected

liquidities to finance its assets and operations. However, it shouldn't be too big because a big leverage ratio means big debt with third parties.

From the financial results of this recent years, it can be inferred a strong decrease from 2019A and 2020A bringing the leverage from 0,78 to 0,14. The value for the year 2021E is about 0,03, confirming the same trend.

## Liquidity

• NWC

The Difference between the Current Assets vs. Current Liabilities (Net Working Capital) represents the most important index to assess the ability of the firm to repay short term liabilities. From the preliminary observations appear to be positive with a value of 2,6 in 2021E as the entity is ablet o meet short term obligations by liquidating the operating (current) assets. The projections until 2024E are overly optimistic and highlighting an increasing trend.

• NFP

NFP summarizes the level of indebtedness towards borrowers of financial resources to the firm. NFP is typically negative as Groups, companies, etc. tend to obtain borrowings in order to finance the business. NFP is the quick indicator expressing the amount due to company creditors. Indeed, a negative NFP does not mean itself that the situation is bad, a company should take into consideration the existence of Equity resources (while keeping the relationship balanced with the asset structure anyway). The cash flow generation in the period amounted to 1,1 million euros, thus reducing the Net Financial Position from 1,4 million euros (debt) at 2020A to 0,46 million euros (debt) at 2021E. This result is even more positive if read in the light of the fact that the Group incurred a cash out for investments for a total amount of EUR 2,4 million (of which EUR 1.4 million for M&A transaction).

## • NFP/EBITDA

Financial metric that indicates the "virtual" number of periods that are needed to repay the financial liabilities, so the lower this ratio, the better. Regarding this indicator it can be seen a decline from 2,50 to 0,27 from 2019A and 2020A and a negative figure of -0,45 for the 2021E period. This negative figure is due to the fact that from 2021E the NFP is also negative. Moreover, the NFP or Net Debt if negative, implies that the company possesses more cash and cash equivalents than its financial obligations and is hence more financially stable.

#### Results

Indeed, it has occurred an improvement in FY-21 NFP as a consequence of the underestimated net cash position of the companies acquired coupled with a better-than-expected cash flow generation.

#### **Overall company's perspective**

• ROCE

This financial ratio that can be used to assess a company's profitability and capital efficiency and it is commonly when a company is under analysis for further investment. This ratio can help to understand how well a company is generating profits from its capital as it is put to use. From the financial data it can be concluded an increasing trend in this indicator from a value of 0,5% in 2019A to a value of 14,4% in 2021E. The forecasts also indicate an upward tendency.

# 4.2 Spain

## 4.2.1 PEST Analysis

#### 4.2.1.1 Political

The first section of the PEST analysis makes reference to the political external factors of the country. In the case of Spain, the form of government is a parliamentary monarchy with Felipe VI as the king, with the role of head of the state, and Pedro Sánchez Pérez-Castejón exercising the executive power as the president of the government. The government in minority headed by the secretary of the Spanish Socialist Workers' Party (center-left, a democratic socialist party and the second oldest party) Pedro Sanchez, governs with the support of Unidas Podemos (left-wing anti-austerity, born in 2014 and gaining traction). Moreover, the 1978 Constitution is the supreme law of the Spanish legal system, and Article 27 of the Constitution establishes the right to education and freedom of education. The territorial organization of the State is characterized by decentralization, with the right of autonomy recognized by the Constitution to the autonomous communities, provinces and municipalities.

The Recovery Plan, approved by the European Council in July 2020, in which the digital, along with the environmental transition, is one of the key vectors on which the Member States' investments should be based. The European Union's recovery plan's firm commitment to support the digital transformation offers an ideal

opportunity for the Spanish economy, given that it has been one of the most affected by the crisis caused by the pandemic and has ample scope for action in the digital sphere. Another strategy, under the name "España Digital 2025" also with the aim of promoting the digital transformation in the country, runed in a social-private collaboration it is aligned also with the European Union's digital strategy and will be financially backed by the European Union's Recovery Plan. It also foresees the participation of all the country's economic and social economic and social agents of the country for its development and implementation. The Ministry of Economic Affairs and Digital Transformation advances its commitments to improving the business climate, connectivity and digitization of the economy and promoting the Recovery Plan. Moreover, with the aim of fostering entrepreneurship in Spain, the Next Tech Fund was approved, which plans to mobilize up to 4 billion euros of public-private direct investment to foster the growth of digital companies and investment in innovative, high-impact technology. Besides the implementation of the Digitalization Plan for the Administration 2021-2025, the Government has decisively supported the digitalization of the productive fabric. In this regard, the launch of the 'Digital Kit' program to promote the digitization of micro-enterprises, small businesses and self-employed professionals, which has a budget of 3,067 million euros for the period 2021-2023, stands out. To stimulate scientific R&D, technological development and innovation in Artificial Intelligence, in September the government launched a 105 million euro call for applications for R&D projects in AI and other digital technologies, and their integration into value chains. More than 1,200 applications were submitted. With the aim of strengthening Spain's supercomputing capabilities, the Executive approved a grant of 22 million euros for the implementation of the Quantum Spain project, which will develop a highperformance quantum computer.

#### 4.2.1.2 Economic

In this second part of the analysis, it will be analyzed the economic context of Spain and its most relevant factors. In Europe, an increasingly robust recovery is taking hold, supported by gradually rising vaccination rates and mobility. Strongly supportive macroeconomic policies and COVID-19 support programs have helped to smooth the path to recovery by helping to safeguard labor relations and protect private-sector balance sheets. Moreover, as it can be seen in the Figure 5, economic growth in the eurozone countries in 2021 was mostly disproportionate. France and Italy recorded the highest growth of over 6%, while Germany, afflicted by a struggling industrial sector, experienced lower-than-expected growth of 2.7%. Spain, the European country most affected by COVID-19 in 2020, failed to recover its losses due to its heavy dependence on tourism: it recorded growth of 4.9%. As a whole, data shows evidence of a resilient recovery in the Eurozone from the adverse headwinds resulting from the disruption of supply chains and recurrent COVID-19 outbreaks.

In Figure 5 it can be visualized the evolution of the Spanish GDP when compared with other relevant countries. Both from the actual data until 2020 and the forecasted data it can be seen that the trends of Spain and Italy are quite similar, always with higher values for the latter.



Figure 5: Gross domestic product (GDP) at current prices of Europe's largest economies from 1980 to 2026 (in billion U.S dollars) (Source: Statista)

The Figure 6 shows the evolution of the Spanish GDP per capita, an interesting indicator as a greater GDP per capita is often associated with positive outcomes in a wide range of areas, such as better health, more education and even greater life satisfaction. It can be seen that due to the economic crisis suffered between the 2008 and 2014 the GDP declined but from that moment it can be seen a clear forecasted growth.



Figure 7: Spain: Gross domestic product (GDP) per capita in current prices from 1986 to 2026. (Source: Statista)

In the next figure (Figure 8) it is shown the time evolution of the total amount of employees in the ICT sector (colored with the blue bar) from 2014 to the last available data in 2019. The total amount of employees in the ICT sector is estimated to be 446.881 in 2019 from the data available of the Spanish "*Social Security*". The positive trend (with a positive growth of 4,6% between 2018 and 2019) shows the importance of the sector in the Spanish economy and the creation of workplaces in that specific area. This trend is directly influenced by the also positive growth in the number of companies, as shown in Figure 9, in the ICT sector, enabling higher business figures. The number of companies in the sector has also increased from 2018 accounting for 25.905 in total.



Figure 8: Number of people employed in the ICT, media and audiovisual services sector in Spain, by sector (2014-2019). (Source: Spanish Social Security)



Fuente: Seauridad Social

Figure 9: Number of ICT and media and audiovisual services companies in Spain, by sector (2014-2019). (Source: Spanish Social Security)

Spain, in particular, has been in the throes of a steady economic recovery in recent years; however, the COVID-19 crisis led the country to an unprecedented drop-in economic activity in 2020, with the most profound downturn among EU member states. Nonetheless, although the ongoing containment measures still dragged down the economy in the first half of 2021, Spanish GDP is estimated to have grown by 5.7% in the year 2022 (IMF), with tourism-related economic activities underpinning the recovery and private demand as the main growth driver. Spain is expected to keep growing in 2022 (6.4%) and to return to its pre-pandemic level in early 2023. The EU's Recovery and Resilience Plan (RRP) is expected to drive public and private investment, as household consumption is expected to remain strong over the forecast period.

<b>Main indicators</b>	2019	2020	2021 (e)	2022 (e)	2023 (e)
GDP (billions USD)	1.393,20	1.280,46e	1.439,96	1.570,91	1.659,88
GDP (Constant Prices, Annual % Change)	2,1	-10,8e	4,9	5,8	3,8
GDP per Capita (USD)	29.576 e	27.179 e	30.537	33.171	34.907
General Government Balance (in % of GDP)	-3,1	-5,3 e	-5,0	-4,4	-4,3
General Government Gross Debt (in % of GDP)	95,5	119.9e	120.2	116.4	116,2
Inflation Rate (%)	0,7	-0,3e	2,2	1,6	1,4
Unemployment Rate (% of the Labor Force)	14,1	15,5e	15,4	14,8	14,1
Current Account (billions USD)	29,75	8,80e	5,95	22,22	22,92
Current Account (in % of GDP)	2,1	0,7e	0,4	1,4	1,4

Table 15: Main indicators of the Spanish economic outline. (Source: IMF – World Economic Outlook Database, October 2021. Note: (e) Estimated Data)

Table 10 shows some of the figures reflecting the impact of the pandemic in the Spanish economy. Also, it can be seen the rapid financial effects of the measures to measures taken to mitigate its impact: in 2021, the general government deficit stood at 5.1% of GDP. As most of the measures will be phased out gradually, from 2022 onwards the deficit should start to follow a declining trend (4.4% of GDP this year and 4.3% in 2023). In addition, although the *General Government Balance* increased in 2020, the debt-to-GDP ratio rose only slightly in 2021 (120.2%) and is forecast to hover around 116% over the outlook period, thanks to sustained economic growth and restraint in total current spending.

When assessing the risk of the Spanish region it can be concluded that the recovery from the post-pandemic situation will have to be driven in part by the domestic demand since its still in recession due to the tourism. This is because its dependence on the tourism sector (14% of GDP and 15% of employment), which in the summer of 2021 still registered half as many foreign visitors as two years earlier. Furthermore, sectoral composition plays an important part in shaping growth performance (Figure 2.2, panel 1). It has a large negative impact on growth for economies with large tourism sectors, such as Spain and Greece, and a positive impact for economies with major ICT sectors, such as Ireland.

To sum up, some of the Strengths and Weaknesses of the economic context can be seen in the table below (Table 16).

Strengths	Weaknesses
<ul> <li>Comparative advantage in renewable energies (solar, wind).</li> <li>Large scale reforms (labor market, banking sector, bankruptcy law, etc.)</li> <li>Growing financial leverage from European institutions.</li> <li>Strong private sector deleveraging prior to pandemic.</li> <li>The manufacturing sector has demonstrated its ability to continually reinvent itself in recently.</li> </ul>	<ul> <li>High dependence on the financial sector</li> <li>Economy susceptible to economic conditions in the eurozone</li> <li>Long-term budgetary burden of an aging population</li> </ul>

Table 16: Strengths and weaknesses of the Spanish economic context

#### 4.2.1.3 Socio-cultural

In this section it will be treated the socio-cultural factors that shape the Spanish external context. Spain accounts for a population of 46.736.782 inhabitants, who live in an area of 505.990 km<sup>2</sup>, which generates a population density of about 92 inhabitants/km<sup>2</sup>, which is much lower than Italy (200 inhabitants/km<sup>2</sup>) or France (119 inhabitants/km<sup>2</sup>). The demographic situation in Spain, which has more than 47 million inhabitants, is characterized by an aging population. Unemployment, another of its main social problems, especially affects the youngest and those over 45 years of age and influences the loss of population. In terms of migratory movements, Spain has a positive balance according to 2020 data.

Bridging the digital skills gap between employed and unemployed people to mitigate the chronic nature of unemployment and enable continuous retraining throughout the working life, paying special attention to the digital divide in low population density areas and in rural areas.

In the Figure 11 is represented the proportion of specialists in the ICT sector above the total employment of the European countries. As it can be seen, Spain accounts for a 3,8%, a figure lower that the average of the European Union (4,3%). To do so, Eurostat agency categorized ICT specialists as people who have the ability to engineer, operate and maintain ICT systems and for whom ICT is the main part of their job. However, the ratio is lower for Italy (3,6%) in comparison with Spain.



Figure 10: Proportion of ICT specialists in total employment, 2020. (Source: Eurostat)

From the OECD statistics data it can be graphed (Figure 12) in a timeline distribution the percentage of households with internet access in their home. This is a relevant indicator to assess the ICT availability and access and make a comparison within European references. In this case Spain accounts with a 95,38% and the tendency is clearly upward.



Figure 11: Distribution of the percentages of households with internet access. (Source: Own elaboration)

If we focus on the data available from the same source but quantifying the percentage of individuals using the internet (Figure 13) it can be seen again a proportional positive trend. Indeed, Spain since 2016 is performing better that the average EU27 and between 2016 and 2020 its data shows a higher level of ICT availability and usage than Italy,



Figure 12: Distribution of the percentages of individuals using internet. (Source: Own elaboration)

#### 4.2.1.4 Technological

This last section from the PEST analysis covers the technological factors that shape the Spanish economy. Since 2014, the European Commission has been monitoring Member States' digital progress through the Digital Economy and Society Index (DESI). This report helps European countries to identify the areas with higher priority of action, that also include thematic chapters that provide a Europe-wide analysis in the main digital areas, which is essential for informing policy decisions. In the 2021 edition of the DESI index, as shown in the data from the European Commission (Figure 13), Spain is in the 9<sup>th</sup> position among the 27 EU Members States.



Figure 13: DESI score broken down for the 4 categories studied

Spain performs well in digital public services thanks to the digital by default strategy implemented across its central public services (Figure 13). The country also performs very well in the area of connectivity, even though some differences persist between urban and rural areas. In terms of human capital, Spain ranks 12th and has moved up positions in recent years, but there is scope for improvement, particularly in the ICT specialist's indicator. Spain is ranked 16th in the inclusion of digital technologies; its rating is in accordance with the EU average and the number of Spanish small and medium-sized enterprises (SMEs) selling over the Internet has increased considerably. Nevertheless, companies are not yet taking enough advantage of new technologies such as artificial intelligence (AI), big data and the cloud, which could contribute to the further development of productivity and e-commerce. In 2020, Spain embraced a new ambitious digital agenda, Spain Digital 2025, with the aim of promoting the country's digital transformation through a series of reforms between now and 2025, as well as through significant public and private investments. As part of this agenda, additional specific plans have been launched in areas such as human capital, connectivity and the digitization of companies.



Figure 14: DESI Index evolution and performance

As it can be seen in Figure 14, the DESI evolution over time has been incredibly positive and above the EU average. Furthermore, in early 2021, a National Digital Skills Plan was presented, which contains a detailed set of actions aimed at strengthening the digital skills of the working population and citizens in general. Spain currently has average results in the human capital dimension and this strategy will help its inhabitants to take better advantage of the opportunities offered by the digital economy and society.

For assessing the technological context in Spain, an interesting indicator is the Global Innovation index (GII). In 2021 Spain ranked in the 30<sup>th</sup> position of a total of 132

economies under analysis. This particular index aims to score and rank world economies based on their innovation capabilities. The analysis consists in the evaluation of 80 indicators, grouped into innovation inputs and outputs, with the goal to capture the different dimension of innovation. The results put Spain in the position 29 among the 51 economies with high income. The bubble chart in Figure 15, illustrates the direct linkages between income levels (GDP per capita) and innovation performance (GII score). The line defines the expected level of innovation according to the respective level of income for each country. Thus, it can be concluded that in relation with the GDP, Spain's performance is as expected for its level of development. Economies above the trend line are performing higher than expected and those below are underperforming.



Figure 15: The positive relationship between innovation and development (Source: Global Innovation Index 2021)

The following table (Table 17) summarizes the key data for each of the sections of the PEST analysis.

Spain - PEST Analysis					
	Variable / KPI	Unit of measurement	Value		
	Type of government	-	Parliamentary monarchy		
	Haad of state		Filippo VI (King - Head of State),		
CA	Tieuu by state	-	Pedro Sánchez Pérez-Castejón (Government President)		
LLI.	Political party at the government	-	Partido Socialista Obrero Español (PSOE)		
10	E-government development index (EGDI, 2020)	[0;1]	0,8801		
	Transparency International's Corruption Perceptions Index (2021)	[0;100]	61		
	Reslilient index at Covid-19 (2022)	[0;100]	75,6		
	Gross domestic product (GDP)	[Billion USD]	1.393,64 (2019); 1.282,484 (2020)		
	Gross domestic product per capita	[USD/Inhabitant]	29.564,74 (2019); 27.063,19 (2020)		
	GDP Growth (2019-2020)	[%]	-7,98%		
AL	Doing business index (DBI) 2020	[0;100]	77,9		
MM	Economic freedom index	[0;100]	69,9		
8	Inflation index	[%]	2,2		
NO	Number of ICT Companies (2019)	[#companies]	25.905		
Б	Number employees TIC sector (2019)	[#employees]	446.881		
	Gross value added of the ICT sector (2019)	[million €]	40.211		
	Gross value added of the ICT sector over GDP (2019)	[%]	3,23%		
	Growth ICT sector (2018-2019)	[%]	2,70%		
	Number inhabitants	[inh.]	46.736.782		
AL	Area [Km2]	[Km2]	505.990		
Ŋ	Population density [ab./Km2]	[inh./Km2]	92		
TI	Official lenguage	-	Spanish		
Ū,	Digital access index	[0;1]	0,7		
E	Households with internet access rate (2020)	[%]	95,38%		
SO	Individuals using internet rate (2020)	[%]	93,20%		
	Unemployment rate (2020)	[%]	15,40%		
ΑL	Global Innovation Index (GII, 2021)	[0;100]	45,4		
IC.	ICT Patents over IP5 family patents	[#patents]	9,60%		
ğ	ICT Employment rate over total	[%]	2,70%		
<u>N</u>	Digital Competitiveness Ranking score 2020	[0;100]	68,2		
E	Digital Economy and Society Index (DESI)	[0;100]	57,4		
TE(	Availability 5G network	[from date]	06/2019		

Table 17: PEST analysis in Spain

## 4.2.2 CAGE distance between Spain and Italy

In order to harness another way of looking at the Spanish country and the opportunities and affiliated risks associated with global arbitrage it will be used the CAGE framework. Specifically, it will be assessed the CAGE distance between Spain

and Italy using the tool The CAGE Comparator<sup>11</sup> to better quantify the distance effects.

	<b>Spain</b> – CAGE Analysis with Italy				
	Common language	No			
ABLES	Colonial linkage	No			
VARI∕	Trade agreement	Yes			
NCE	Regional bloc	Yes			
AISTA	Physicaldistance	1.326 km			
Ι	Common border	No			

Table 18: CAGE analysis between Spain and Italy highlighting the main variables

In the table 18 it is specified the value of each of the variables that impact on the distance analysis in the comparison of Italy and Spain. This table summarizes the similarities with the focus country, Italy. For each of the categories: Cultural, Administrative, Geographic and Economic, the effects of each respective variable are calibrated to the gravity model calculated from these variables. It can be seen that the both the economic and administrative linkages are strong.

<b>Spain</b> - CAGE Comparator <sup>TM</sup> Distance Analysis with Italy						
Country	Geographic Distance (km)	CAGE Distance	GDP, 2019 (% of rest of world)	Actual Merchandise Exports, 2019 (% of world)	Predicted Merchandise Exports (distance and size effects only, % of world)	Predicted Merchandise Exports (full model, % of world)
Spain	1.326	81	1,7%	5,3%	4,6%	6,1%

Table 19: Output results of the application of the CAGE comparator that calculates the distance between Spain and Italy

<sup>&</sup>lt;sup>11</sup> https://globalization.stern.nyu.edu/cage

Assessing the results from the analysis with the focus country Italy and comparing with Spain, regarding the data between 2001 and 2019, the CAGE distance is much lower in comparison with the geographic distance (81 vs. 1.326). This specific distance is what geographic distance might look like if it incorporated the effects of all the types of distance into a single number, a proxy of market accessibility.

Moreover, the ranking of the partner countries based on the CAGE distance result in Spanish in the #15 of the ranked countries, reaffirming the fact that the two countries are in reality quite close in terms of trade and accessibility.

The column "*Actual Merchandise Exports, 2019*" shows the percentage of the focus countries flows with each country in the analysis, indeed, it is an indicator of current market penetration. The value of 5,3% for this indicator denotes that the actual market breakthrough is high in comparison with other countries, but lower than France, Germany or the US.

Regarding the value 4,6% of "*Predicted Merchandise Exports*", is showing the predicted percentage of the focus country's flows with each partner country using just distance and size effects. The result shows the existing rough market opportunities for Italy in the Spanish region.

The "Predicted Merchandise Exports" figure, reflects the predicted percentage of the focus country's flows with each partner country using the full model, including effects specific to each country and partner. A value of 6,1% gives an indication of a relevant market opportunity constrained by how countries normally interact.

## 4.2.3 Marketing agencies results analysis in Spain

In this section it will be analyzed and seized the market for Spain by gathering through the methodology previously explained a data set of companies. The scope of this analysis and the main output is a list of suitable marketing agencies for a possible acquisition supported by financial data and services analysis to understand their nature. It will be first analyzed the Spanish ecosystem and then the Latam region (in chapter 4.3.3) differentiating the research between countries.

The first step of the analysis it has been to remove the companies that presented discrepancies with the requirements from the management board of *Digital 360*. The feedback included reasons such as a low presence of B2B clients, a high weight of clients in the portfolio coming from other non-IT industries or agencies that offer services that are not aligned with the ones the company wants to serve. From a total number of 14 companies previously analyzed, only 5 were further studied.

Spain - Discarded companies			
<b>Business name</b>	Reason		
LEWIS COMMUNICATIONS SL	Although it offers interesting services such as Webinars and virtual events, a lot of its clients are from non-related ICT industries or B2C		
Inbound Colors S.L.	Discarded for its services (at is more an inbound agency) and focused on SEO/SEM.		
Webgains SL.	Although some clients are interesting the success cases and services are more related to other industries		
Anderground S.L.	Although interesting clients, the cases are more centered on the B2C products and too much focused-on gaming and e-sports.		
Wunderman Thompson SL.	Company too big, it has served as a benchmarking tool		
We Are Marketing Slu	Company too large and with clinets in the financial services sector (not B2B and IT focused)		
Antevenio S.A.	Removed but kept to further analysis		
TELECYL. S.A.	Company too large (> 2,5M€ turnover)		
Dentsu Media SL. (Merkle Inc.)	Company too large (> 2,5M€ turnover)		

Table 20: List of discarded companies in the Spanish region and reason

On the other hand, once discarded the companies from Table 20, it has been analyzed in more detail the companies that were in scope. Table 17 shows the main data of each company in the region as well a first figure of employees to estimate their size.

<b>Spain</b> – Companies in scope – general data					
Business name	Website	Headquarters	Founded	Employees	
WIN CHANNEL S.L (Grupo Caher)	https://winchannel.es/	Madrid	2004	106	
The Marketing Hub S.L.	<u>https://www.the-</u> <u>marketinghub.com/en/</u>	Madrid	2017	6	

OMNITEL COMUNICACIONES SL	<u>https://omnitel.es/en/</u>	Madrid	1994	147
AMOSTE 21, S.L.	https://www.pgrmt.com/	Barcelona	2001	11
FLOW MMC, S.L.	www.flowagency.es	Madrid	2004	17

Table 21: Analysis of the main data of the companies considered as target after the filters

Regarding the financial data, the insights have been gathered by searching the evolution of EBITDA with the last available data (L.A.) and the previous year and also calculating the multiple EBITDA over Revenues to assess the company's profitability. Table 22 shows the results for each firm analyzed:

Spain – Companies in scope – financial data						
Businessname	Revenues L.A -1	Revenues L.A.	EBITDA L.A -1	EBITDA L.A.	EBITDA/ Rev. L.A - 1	EBITDA/ Rev. L.A.
WIN CHANNEL S.L (Grupo Caher)	10.149.424 €	11.128.697 €	63.189€	108.705€	1%	1%
The Marketing Hub S.L.	99.600€	545.778€	33.245€	3.403€	1%	33%
OMNITEL COMUNICACIONES SL	21.474.866 €	14.245.662 €	1.068.754€	163.166€	5%	1%
AMOSTE 21, S.L.	1.605.506€	1.720.701€	20.800€	102.013€	1%	6%
FLOW MMC, S.L.	5.751.680€	2.069.615	2.898€	-234.580€	0,05%	-11%

Table 22: Analysis of the financial data of the companies considered as target after the filters

Another important step of the analysis to determine which are the best agencies to be acquired it have been analyzed the services more in detail provided by each country and its customers. In the *Appendix\_MA\_Services* of the appendix it can be further studied the types of services that each one provides in a comparative manner to better benchmark the results.

Business name	Services	Customers
WIN CHANNEL S.L (Grupo Caher)	Implementation and management of sales teams, Showroom and experiential marketing (creation and management of events), Definition of multichannel strategies designed specifically for the customer, Definition and creation of distribution channels, Specialized logistics in retail, Digital marketing and e-commerce, Outsourcing of resources	HP, Microsoft, Kodak, Jarden, itconic, Western Digital, Food Saber, Citrix, Breville, LG, Oracle, Orange, Oster, plantonics, Sage, Vodafone, república móvil, aruba, DXC.technology, equinix, vmware
The Marketing Hub S.L.	Marketing Automation, Buyer journey design, Account-Based Marketing, Social Media Mkt, Market Intelligence, Events, Marketing for Startups, Industry Marketing	Not mentioned in the web sitein call Pedro told me they are working with the main IT Vendors through partners In the last months they started working with HPE in a regular base
OMNITEL COMUNICACIONES SL	Corporate training, Corporate Events, Business Consulting, Marketing Strategy & Consulting, Outsourcing, Market Research, Digital Marketing, Demand Generation, Content Strategy	HP, Oracle, Philips, Microsoft, Huawei, Dell, Kaspersky Lab, NetApp, MoneyGram, Veeam, TechData, Unisys, ICT Informática, Cálculo y Técnica
AMOSTE 21, S.L.	DEMAND GEN: DB IT; Content Marketing, Email Marketing; Inside Sales; Lead generation. IT Channel Services: Channel Strategy, Channel Development, Channel Marketing. Online marketing: SEO/SEM, lead nurturing, community manager, Inbound Marketing, HubSpot. Events, Web Design, IT Company trainings	Dell, Cisco, Media Cloud, Sage, Vmware
FLOW MMC, S.L.	Events: virtual, live, hybrid. Webinars/webcasts, Design & Strategy, User experience: customer journeys and buyer experiences, Neuroscience: psychological and sociological aspects of the targets, Social, E-commerce and CRM integration, Design and production of sets, Streaming platforms, Data mining & analytics	IBM, Google, BBVA, L'Oréal, Matrix, Haagen-Dazs, El Corte Inglés, Oney, Diageo, Matrix, Plus 500, Puma,

Table 23: Analysis of the services and clients of the companies in target

AGENCY	The marketing hub	PGR	FLOW MMC, S.L.	
Link	<u>https://www.the-</u> <u>marketinghub.com/en/</u>	www.pgrmt.com	www.flowagency.es	
<b>Key People</b>	Guillen Carranza Pedro	Alberto Pascual	Javier Moraleda	
Tier HubSpot	Inbound & Social Media Certified	Gold partner	N.A.	
	FINANCIAL STAT	US		
Latest available YEAR	2021 (e)	2019	2020	
Share capital	3000	N.A.	<3.500€	
Latest available Revenue	1000.000	1.720.701	2.069.615	
EBITDA	250.000	102.013	-234.580	
Number of employees	6	11	17	
SERVICES				
<b>Demand Generation</b>	YES	YES	NO	
Channel Marketing (MDF management)	YES	YES	NO	
Events	YES	YES	YES	
Inbound Marketing	YES	YES	NO	
Web Design	NO	YES	YES	
Trainings	NO	YES	NO	

After the feedback provided by Digital 360 and the takeaways from the first contact with the agencies the final 3 companies selected as in target are shown in Table 24.

Table 24: Summary of the final selection of agencies in Spain

With all this data and analysis and after applying all the qualitative filters explained, the total number of companies decreased. As it can see in the Table 25 the initial data set of marketing agencies was accounting for a total of 14 companies. At the end 3 were considered in scope and classified as target.

Country	Companies analyzed	Companies in scope
Spain	14	3

Table 25: Spain, companies analyzed vs. companies in scope

# 4.3 LATAM

## 4.3.1 PEST Analysis

The PEST analysis will be conducted to analyze the Latin American external context by assessing the external factors that can affect a company's profitability. Indeed, it will help in the formulation of the strategic alternatives, thus taking advantage of the opportunities offered by the existing conditions in the business environment.

#### 4.3.1.1 Political

In this first section of the analysis, the policy aspect of PEST, focuses on areas where government policy and/or changes in regulation have an impact on the economy, the particular industry and the specific organization in concern. It will be assessed the current government structure, the head of state and the political party that is now in the power to have the big picture of the political context.

On the other hand, it will be analyzed three indexes. First, the E-government development index (EGDI), by Department of Economic and Social Affairs of the United Nations, is applied to gauge the readiness and capability of national institutions to use ICTs in the delivery of public services. It is useful as it can serve as a benchmarking tool to understand the level of development of each country and spot its strengths and weaknesses. Secondly, the Transparency International's Corruption Perceptions Index rates 180 countries and territories around the world according to their perceived levels of corruption in the public sector. Finally, the Resilient index at Covid-19, provided by Bloomberg since 2020, provides a monthly picture of how the pandemic is being managed most effectively in each country and with the least disruption to people and businesses.

### 4.3.1.2 Economical

The economical section of the analysis targets the key factors that assess issues like the stability of the economy, the current and forecasted growth rates and other important indicators that can affect the operating activities of a company that wants to internationalize.

First of all, the macro-economic indicators of GDP and GDP per capita are an important measure of economic performance and a helpful unit for making crosscountry comparisons, in a benchmarking process for a market expansion, of average living standards and economic well-being. Moreover, the growth rate will illustrate the economic growth and the latter trend with the last available data. In the Table 26 it can be seen how the growth trend it has been negative for the whole set of countries with Chile as the less affected for the negative cycle. What refers to total GDP Mexico accounts for the higher figure at it represents the biggest economy. When refers to the level of inflation the ranges are between 3 and 6 but Argentina accounts for an 50,94% inflation index. Referring to a statement from the Washington Post: "Worried about inflation? In Argentina, it is a way of life.," the inflations rates in Argentina are known as chronical as in the recent years have been above 40%. This has created a context ruled by uncertainty that ends up in a mismatch between prices and current income levels. Inflation is expected to be 47.9% at the end of 2022, which is up 2.7 percentage points from last month's forecast. Inflation is projected to decelerate to 36.7% at the end of 2023.

Country	GDP 2019 [Billion US dollars]	GDP Growth [%]	GDP 2020 [Billion US dollars]	Inflation index [%]
Argentina	445,4	-12,60%	389,288	50,94%
Chile	279,4	279,4 -9,47% 252,94		4,19%
Colombia	323,4	-16,07%	271,438	5,62%
Mexico	1.269	-15,37%	1.073,916	6,04%
Perú	228,5	-11,59%	202,014	3,15%

Table 26: GDP data and inflation of the Latam countries under analysis

The Doing Business Report, published since 2003, provides unbiased measures of business regulation and cost measurement through its index, in 190 selected economies and cities at the subnational and subnational and regional levels. The use of this particular index, Doing Business Index (DBI) it's really interesting when defining the international expansion strategy for a firm as it assesses areas such as the procedures, time and costs of starting a business or the bureaucracy, time and costs of international trading. More or less the values for this index for the different countries are quite similar but Argentina stand out achieving an overall score of 59, the lower. In particular, if we break down the index and focus in the *Starting a Business in Argentina – Score*, Argentina performs better than the Regional Average (Latin America & Caribbean) but lower for example, than Chile. Above all, the worst indicators for the country are in the *Resolving Insolvency* and *Paying Taxes* area. On the other hand, as shown in the second column of Table 27, the Economic freedom index assess economic variables such as: judicial effectiveness, tax burden, property rights or monetary and trade freedom. Argentina again accounts with the lower value and reaffirms the relationship between economic freedom and progress in the region, both poor in the region.

Country	Doing business index (DBI, 2020)	Economic freedom index (2022)
Argentina	59	50,1
Chile	72,6	74,4
Colombia	70,1	65,1
Mexico	72,4	63,7
Perú	68,7	66,5

Table 27: Comparison of the DBI and Economic freedom index between the Latam countries

Regarding the analysis of the ICT sector among the different countries, it has been analyzed the gross value added within the year 2020 and its contribution over the GDP of the country. Indeed, the latter indicator gives a general perspective of the importance of the sector in the country's economy. The data, as shown in Table 28 reflects that Mexico is the region with a larger ICT sector, representing 22 billion USD. Another interesting fact is that Colombia is the country with a higher contribution of ICT in the total gross domestic product (3,57%).

Considering the current and expected growth of the ICT sector in the Latin American region, the forecasted data is promising for 2021 as the expected growth is 7,7%. During the webinar "IDC FutureScape, Predictions 2021, Implications for the region", Ricardo Villate, IDC Group Vice President for Latin America, exposed that the pandemic has been the turning point that has accelerated the digital transformation process of many companies. It can be seen, in Table 28, that although the growth was negative for Mexico and Perú in 2020, the figures are expected to be positive in 2021.

Country	Gross value added of the ICT sector (2020) [Billion USD]	Gross value added of the ICT sector over GDP (2020) [%]	Growth ICT sector (2020) [%]	Growth ICT sector (2021) [%]
Argentina	6,8	1,75%	24,1%	10,40%
Chile	7,1	2,80%	6,3%	5,50%
Colombia	9,7	9,7 3,57%		3%
Mexico	22	2,05%	-1,7%	10%
Perú	4,8	2,38%	-12,2%	9%
Latin America			5,5%	7,7%

Table 28: Analysis of the ICT sector in the Latam countries

#### 4.3.1.3 Socio-cultural

The third stage of the PEST analysis concerned social factors. First, data on the population of each country was analyzed, as well as some territorial data, as shown in Table 30, at the end of the analysis. Later it has been analyzed some indicators that deal with the accessibility and usability of ICT. Also, the unemployment rate gives a general view of the current social issues in the specific country.

The Digital Access Index (DAI) acts as a proxy to assess the overall ability of the individuals to access and use ICTs. It is computed with the scope of 5 factors: the usage, the affordability, the quality, the knowledge and the infrastructure. This indica tor is provided by The Global Enabling Sustainability Initiative (GeSI) that represents 40 of the world's top ICT companies, 12 global firms and multiple international organizations. Chile ranked #44 is the country with higher digital accessibility in comparison with the others under analysis. It means that Chile's digital ecosystem with categories such as connectivity (infrastructure, use, affordability), technologies (e.g., cellular M2M connections and social media penetrations), and digital solutions/use cases is above the rest.

The Digital Ecosystem Development Index in Latin America and the Caribbean and the OECD (2018) also helps in explaining the socio-cultural context that shapes the Latam economy. Analyzing the eight multi-component pillars of this index (Figure X) it can be seen the present significant differences between LAC and OECD economies. Factors of production lag behind in all dimensions. Differences in household digitalization variables are heterogeneous, but in all of them the LAC



region is below the OECD average. The differences between LAC and OECD countries in the infrastructure and connectivity areas are also notable

Figure 16: Digital Ecosystem Development Index in Latin America and the Caribbean and the OECD, 2018. (Source: OECD)

The Figure 17 indicates that, from the data extracted for 2019, 97% of the Latin America and Caribbean population is an internet user. The total amount of users is about 430 million, even though some differences exist among the different regions. The LAC region is the 4<sup>th</sup> in terms of user penetration in Internet, after North America (88,5%), Europe (82,5%) and the countries from the Community of Independent States (CEI; 72,2%). The trend is upstream, and the expectations are positive.



Figure 17: Latin America and the Caribbean, Internet penetration and users, 2010 – 2019. (Source: CEPAL, Séptima Conferencia Ministerial sobre la Sociedad de la Información de América Latina y el Caribe)

Figure 18, however, show how internet access gaps by geographic area are still significant, and Internet use between the highest and lowest quintiles is still significant, and Internet use between the highest and lowest income quintiles in some countries can be three times quintiles in some countries can be three times quintiles in some countries can be three times higher than in others.



Figure 18: Selected countries in Latin America and the Caribbean, Internet users by urban and rural area, 2018 (Percentage over total population in each area). rural, 2018 (Percentage over total population in each area). (Source: CEPAL, Séptima Conferencia Ministerial sobre la Sociedad de la Información de América Latina y el Caribe)

#### 4.3.1.4 Technological

First of all, the Global Innovation Index (Table 29), by the World Intellectual Property Organization, reflects the performance of innovation performance of 132 economies and monitors the latest trends in innovation. The score is provided in a range of 0 to 100. For this specific index, Chile is the leading with a 35,1 as a score and Perú is the country with a higher growth between 2020 and 2021 (8,37%).

The World Digital Competitiveness Ranking (WDCR) assesses the ability and readiness of 63 economies to adopt and take advantage of digital technologies as a core enabler of economic innovation and transformation in the world economic transformation in business, government and society at large. Again, and aligned with the GII, Chile is the leading under the selected countries under analysis with a total score of 35,1 (Table 29). Argentina, on the contrary is the region with a lower score. The score is provided in a range of 0 to 100.

Finally, the ICT development index (IDI) is used to track and compare developments in information and communication technology (ICT) between regions and over time. Both Argentina and Chile represent higher indexes (6,8 and 6,6 respectively).

	Index	Global Innor	vation Index	ICT development index	Digital Competit	tiveness Ranking
		(0)	11 <i>)</i>	inuex	500	
	Year	2020	2021	2017	2019	2020
Arg	entina	28,3	29,8	6,8	56,0	43,6
Chile		33,9	35,1	6,6	66,7	61,8
Cole	ombia	30,8	31,7	5,4	56,1	45,5
Me	exico	33,6	34,5	5,2	60,4	48,7
Р	erú	28,8	31,2	4,9	54,0	47,2

The biggest gaps in the adoption of digital technologies in companies are found in activities linked to the production process. Figure 19 reaffirms that this is one of the great challenges facing the region is related to the adoption of digital technologies. Although there are no major gaps in basic indicators, such as Internet access and the use of electronic access to the Internet and the use of electronic banking by businesses, compared to OECD member countries, these differences are more evident in indicators such as the use of the Internet in the supply chain and sales by digital channels.



#### Results

# Figure 19: OECD and Latin America, digitization of production processes, 2018. (Source: CEPAL)

The statistics in the Figure 20 indicate that, irrespective of the degree of Internet adoption, a significant portion of companies have still barriers to digitization in the region's supply chain extend to distribution channels. Indeed, for some countries like Mexico the percentage of companies with website is lower that 50%. For Argentina and Chile for example there is a big gap between the companies with websites and the companies that actually deploy digital sales channels in their operations. From the available data of Perú it can be concluded that has the lower deployment of digital tools in their sales operations (7,2%).



Figure 20: Latin America: digitization of distribution channels distribution channels (2018). (Source: own elaboration from CEPAL data)

At last, considering all the data collected and the insights gathered from the external environment of each of the selected Latin American countries it can be concluded that the three most promising and attractive markets are: Chile, Mexico and Argentina, in that order. First, the Representative democratic republic of Chile shows better results in terms of political context, as the corruption indexes seem to be lower and the resilience in front of the pandemic too. Indeed, the country results in a higher level of performance in terms of the use of ICTs in the public services. In addition, data shows that doing business in Chile in easier and the economic freedom is higher. Although the GDP per capita is the highest among the countries under study, still the ICT sector has a low impact on the total GDP of the country. The accessibility and usability of digital technologies also indicates that is a moredeveloped country with the digital skills more consolidated. Both the level of investment in R&D and the Digital competitiveness score shows the current capabilities of the region.

In the second place, Mexico shows lower performances than Chile, but the market size is much bigger, so in terms of strategy, there are more potential target companies to be acquired in that region. As it can be seen in the ICT spending (24 billion USD) the market is incredibly attractive.

Finally, Argentina shows interesting figures for some indicators but the high inflation rate and the low shown transparency from the government puts it in the third place. Indeed, the country performs the worst in terms of digital competences and innovation.

			Latam - PES	T Analysis			
	Variable/KPI	Unit of measurement	Argentina	Chile	Colombia	Mexico	Perú
	Type of government	I	Federal presidential republic	Representative democratic republic	Unitary presidential republic	Federal presidential republic	Unitary presidential republic
	Head of state	1	Alberto Ángel Fernández	Gabriel Boric Font	Iván Duque Márquez	Andrés Manuel López Obrador	Pedro Castillo
CAL	Political party at the government	1	Justicialist Party	Social Convergence	Democratic Center	Morena	Free Peru
POLITI	E-government development index (EGDI, 2020)	[0;1]	0,828	0,826	0,716	0,729	0,708
	Transparency International's Corruption Perceptions Index (2021)	[0;100]	38	67	39	31	36
	Resilient index at Covid-19 (2022)	[0;100]	70,1	71,9	71,7	64,6	63,9

	F	Gross	Gross de	GD	Doingl	Econo.	IWOON	Number	Number e	Gross value	Gross value adde	Gro
	/ariable/KPI	domestic product (GDP)	mestic product per capita	9 Growth (2019-2020)	usiness index (DBI) 2020	nic freedom index (2022)	Inflation index	of ICT Companies (2019)	mployees ICT sector (2019)	added of the ICT sector (2020)	l of the ICT sector over GDP (2020)	wth ICT sector (2021)
	Unit of measurement	[Billion USD]	[USD/Inhabitant]	[%]	[0;100]	[0;100]	[%]	[#companies]	[#employees]	[Billion USD]	[%]	[%]
Latam - <i>PE</i> 9	Argentina	445,4 (2019); 389,288 (2020)	9.912,28 (2019); 8.579,02 (2020)	-12,60%	59	50,1	50,94%	N.A.	226.000	6,8	1,75%	10,40%
ST Analysis	Chile	279,4 (2019); 252,94 (2020)	14.741,71 (2019); 13.231,7 (2020)	-9,47%	72,6	74,4	4,19%	4.700 (2016)	N.A.	7,1	2,80%	5,50%
	Colombia	323,4 (2019); 271,438 (2020)	6.424,98 (2019); 5334,56 (2020)	-16,07%	70,1	65,1	5,62%	384 (2018)	39.430	2'6	3,57%	3%
	Mexico	1.269 (2019); 1.073,916 (2020)	9.946,03 (2019); 8.329,27 (2020)	-15,37%	72,4	63,7	6,04%	N.A.	N.A.	22	2,05%	10%
	Perú	228,5 (2019); 202,014 (2020)	7.027,61 (2019); 6.126,87 (2020)	-11,59%	68,7	66,5	3,15%	N.A.	N.A.	4,8	2,38%	%6

			Latam - <i>PE</i> (	ST Analysis			
	Variable/KPI	Unit of measurement	Argentina	Chile	Colombia	Mexico	Perú
	Number inhabitants	[inth.]	40.117.096	17.224.200	45.925.397	112.336.538	29.496.000
	Area [Km2]	[Km2]	2.766.890	756.950	1.141.748	1.972.550	1.285.216
r	Population density [ab./Km2]	[inh./Km2]	14	23	40	57	23
IAAU	Official lenguage	I	Spanish	Spanish	Spanish	Spanish	Spanish
เวกว-	Digital access index	[0;1]	0,57	0,62	0,52	0,55	0,51
ODOS	Households with internet access rate	[%]	90% (2020)	87,5% (2017)	52,2 (2019)	60,6% (2020)	39% (2020)
5	Households with internet access at home, rural	[%]	N.A.	N.A.	16%	30%	6%
	Individuals using internet rate	[%]	85% (2020)	60,2% (2017)	37,2% (2019)	44,2% (2020)	65% (2020)
	Unemployment rate (2020)	[%]	9,80%	7,20%	6,90%	3,50%	3,90%

		Ι	atam - <i>PEST Ana</i> i	lysis			
	Variable/KPI	Unit of measurement	Argentina	Chile	Colombia	Mexico	Perú
	Global Innovation Index (GII, 2021)	[0;100]	29,8	35,1	31,7	34,5	31,2
	ICT development index	[0;10]	6,79	6,57	5,36	5,16	4,85
	ICT Patents over IP5 family patents	[%]	N.A.	4,60%	N.A.	6,80%	N.A.
	IP5 Patent families	[#patents]	43	19	13	199	7
ΆΓΓ	High-technology exports as % of manufactured exports (2019)	[%]	5,2%	7,5%	9,1%	20,4%	0,1%
FOCIC	ICT spending (2019)	[Billion USD]	10,1	7,1	8,2	24,0	5,1
ONH	R&D expenditure as % of GDP (2017)	[%]	0,5%	0,4%	0,2%	0,3%	0,1%
LEC	Percentage of companies that have a website (2018)	[%]	63,60%	78,8%	67,2%	49,8%	N.A.
	Percentage of companies that have deployed digital sales channels (2018)	[%]	18,52%	10,6%	38,0%	8,7%	7,2%
	Digital Competitiveness Ranking score 2020	[0;100]	43,6	61,8	45,5	48,7	47,2
	Population covered by at least a 4G network (2020)	[%]	98%	88%	98%	93%	65%
	Availability 5G network	[from date]	02/2021	03/2022	2021	02/2022	03/2021

Table 29: PEST analysis in the Latam countries

Results

## 4.3.2 CAGE distance between LATAM and Italy

In this section it will be assessed the distance between LATAM and Italy using the CAGE framework formulation. The first step to analyze the "barriers" between the two countries in terms of international trade is a comparison using the same distance barriers as with the Spain region. In the following table it can be appreciated how there are few similarities in cultural and administrative terms, and furthermore, the geographical distance is quite remarkable. Moreover, all the countries in the LATAM region under analysis have a trade agreement with Italy except for the case of Argentina.

	LATAM – CAGE Analysis with	Italy	
	Common language	No	
ABLES	Colonial linkage	No	
VARL	Trade agreement	Yes (except Argentina)	
NCE	Regional bloc	No	
JISTA	Physical distance (Avg.)	10.664 km	
Ι	Common border	No	

Table 30: CAGE analysis between Latam and Italy

	LAT	<b>AM</b> - CAGE (	Comparato	r™Distance Analy	sis with Italy	
Country	Geographic Distance (km)	CAGE Distance	GDP, 2019 (% of rest of world)	Actual Merchandise Exports, 2019 (% of world)	Predicted Merchandise Exports (distance and size effects only, % of world)	Predicted Merchandise Exports (full model, % of world)
Colombia	9.315	5.865	0,4%	0,1%	0,0%	0,0%
Mexico	10.108	5.013	1,5%	0,9%	0,1%	0,1%
Chile	11.936	4.982	0,3%	0,2%	0,0%	0,0%
Perú	10.746	7.034	0,3%	0,1%	0,0%	0,0%

Argentina	11.214	8.332	0,5%	0,2%	0,0%	0,0%
Average	10.664	6.245	0,61%	0,31%	0,04%	0,04%

Table 31: CAGE comparator distance between Latam and Italy

By analyzing the data gathered from the *CAGE Comparator* The distance between both regions can be quantified, taking into consideration that for the LATAM region only countries have been taken into account: Colombia, Mexico, Chile, Perú and Argentina. Indeed, assessing the results from the analysis with the focus country Italy and comparing with the average result from LATAM, regarding the data between 2001 and 2019, the CAGE distance is much lower in comparison with the geographic distance (6.245 vs. 10.664). Although the CAGE distance is lower in comparison with the physical distance, in percentage is much lower than the data obtained in the comparison with Spain. From this it can be concluded that the real distance between the two regions is smaller than the geographical one, but even so there are important differences that the company should take into account when deciding its internationalization strategy.

Furthermore, the ranking of the partner countries based on the CAGE distance result in #92 Chile, #94 Mexico, #104 Colombia, #113 Perú and #119 Argentina. The range of results as a whole indicate the existing gap regarding trade and accessibility.

The "*Actual Merchandise Exports, 2019*" figure indicates the low current market penetration of Italy in the LATAM region, as follows a much lower for the predicted merchandise exports regarding market opportunities.

## 4.3.3 Marketing agencies results in Latam

The market of digital marketing in Latam, and more specifically the ecosystem of Marketing agencies is characterized for being really fragmented with not such big players taking the majority of the shares. Indeed, as it will be seen in the following analysis, the typologies of companies found differ from the ones identified in Spain. During the process, a lot of companies were discarded due to their clients (as they were extraordinarily little and too much local) or their services (many agencies were offering services more related with BTL, marketing in the point of sales or street marketing really focused on attracting customers in a B2C strategy).

A table for each country under analysis (Mexico, Colombia, Chile, Perú and Argentina) will be presented with a summary of the relevant data for each firm.

## Mexico

In the Mexican region a total number of 17 companies were analyzed and the preliminary data let to a final selection of 6 agencies. First of all, *Havas Media* was known to be a large global group, so it was taken as a reference but with no intention to initiate an acquisition process. *Marco consultora* was also identified as a multinational covering with clients worldwide so it was also used as a benchmarking tool.

	BUSINESS NAME	HQ	FOUNDED	EMPLOYEES	RFC
	Antevenio México, S.A. de C.V.	CDMX, Mexico	2007	30	AME070816138
Chupis Corrd *	Cuarenta y Cuatro Concreto, S.A. de C.V.	CDMX, Mexico	2014	-	-
- Curfren(	Grupo Infosol, S.A. de C.V.	CDMX, Mexico	1989	25	-
Gi	Vendemos Publicidad S.A. de C.V.	CDMX, Mexico	2007	61	-
MARCO MICT	Marco Consultora México, S.A. de C.V.	CDMX, Mexico	1997	11-50	MCM040920IN5
havas media group	Havas Media Services, S.A. de C.V.	CDMX, Mexico	1994	586	-

Table 32: Selection of target agencies in Mexico

## Colombia

In the Colombian region it was identified from the data collection 22 companies but later on, filtering by the requirements the final result was a set of 6 companies again. In a first analysis it was interesting to see that *Feel Marketing Sensorial SA* and *TNT Marketing SAS* have presence both in Colombia and Mexico. Moreover, the former has also operations in Perú, another key region in Latam.

	BUSINESS NAME	HQ	FOUNDED	EMPLOYEES	NIT
marketing	TNT Marketing SAS	Bogotá	2015	51-200	9008370601
Feel	FEEL MARKETING SENSORIAL SAS	Bogotá	2007	11-50	9001731653
	Ziel SAS	Bogotá	2005	11-50	9000303165
IDO.	l Do SAS	Bogotá	2012	4	9005390672
(Demo)	TOP BRAND S.A.S.	Bogotá	2008	30	9003729312
ııHR	High Results SAS	Bogotá	2000	18	8300666534

Table 33: Selection of target agencies in Colombia

#### Chile

In Chile, the list of initial companies analyzed was of about 13 companies. Once performed the respectable checks on clients and services the list was reduced to a total of 6 candidates. The agency *G siete* was also labeled as a HubSpot agency, as it was mainly offering Inbound Marketing services and was an established partner. However, it was selected as it includes corporate events, online-webinar and consulting in their services. Then it was identified The Uno a Uno Group, that is composed by the Marketing Agencies: Uno a Uno, Clue y Tree Digital.

	BUSINESS NAME	HQ	FOUNDED	EMPLOYEES	RUT
. OPIA marketing	OPIA MARKETING SPA	Santiago, Chile	-	2-10	76710584-3
	Servicios M Y B Asesorias Limitada	Santiago, Chile	2009	1-50	76071342-2
UNOQUIO Marketry Efectivo	UNO A UNO S.A.MIMA	Santiago, Chile	2001	11-50	96961390-5
clue	Clue S.P.A	Santiago, Chile	2011	11-50	76168628-3
<b>Sectore</b>	TREE DIGITAL HOUSE SPA	Santiago, Chile	2015	2-10	76542259-0
Imak	Imak S.a.	Santiago, Chile	2000	28	96899120-5

Table 34: Selection of target agencies in Chile
#### Perú

In Perú the search had to be extended from the beginning as the list of companies provided by Google and LinkedIn was not offering relevant results. The companies were too little with local clients or were offering just marketing services related to point-of-sales and street marketing. From a preliminary list of 19 companies only 5 were selected to be analyzed more in-depth. From this set of firms, it was identified that *EGlobal Perú* had B2B clients in: Chile, Perú, Argentina, Uruguay, Ecuador, Colombia and Brasil. Furthermore, *Peru Events* was less attractive since only have clients in the energy sectors and not that many related to the ICT industry. *Strategica Consulting* was interesting also because have SAP as a partner and has organized events for this leading tech vendor.

	BUSINESS NAME	HQ	FOUNDED	EMPLOYEES	RUC				
TOMATE AGENCIA BYL & DIGITAL	TOMATE BTL S.A.C	Lima, Perú	2013	16	20554621512				
ΞσΊ	EGLOBAL PERÚ S.A.C.	Lima, Perú	2014	11-50	20553315370				
CLA SSIS	CLASSIS CORP. S.R.L.	Lima, Perú	1997	15	20340053118				
Peru Events	PERU EVENTS S.A.C.	Lima, Perú	1998	11-50	20514022438				
strategica	STRATEGICA CONSULTING SAC	Lima, Perú	2008	11-50	20519164176				

Table 35: Selection of target agencies in Perú

#### Argentina

Finally, the analysis of the ecosystem of companies in Argentina let to a total output of 9 companies. After the comparison 7 were selected. First it was identified The Globalplayer group, composed by the Marketing Agencies: Globaldardos and Fourplayers. The analysis of the whole group was interesting as covered the areas of US, Chile, Perú and Argentina. Also, the agency Fourplayers was really focused on online events, webinars and the application of virtual reality and AI to deliver exceptional marketing experiences. *BDG* also resulted interesting due to its presence in Argentina, USA (Miami), Brasil (Sao Paulo), Perú and Spain (Madrid).

The agency *Entercomm* has also a global presence including Chile (Santiago), Mexico (CDMX), Colombia (Bogotá), Panamá (Ciudad de Panamá), Argentina (Buenos Aires), US (Miami), Perú (Lima).

	BUSINESS NAME	но	FOUNDED	EMPLOYEES	CUIT				
	PRAGMATIVA	Argentina, BA	2009	11-50	-				
Global	GLOBALDARDOS S.R.L.	Argentina, BA	2002	11-50	30-70940989-8				
Altitus	FPESTUDIO S.R.L.	Argentina, BA	2006	11-50	30-71242624-8				
Buenos Ares	BDG SA	Argentina, BA	1999	-	30-70742862-3				
	ENTERCOMM	Argentina, BA	2005	11-50	-				
SAPPIA	SAPPIA EVENTOS CORPORATIVOS	Argentina, BA	1998	7	-				
	MARKETIC	Argentina, BA	2012	7	-				

Table 36: Selection of target agencies in Argentina

With all this data, as shown in Table 38 from a total initial number of 80 marketing agencies, the final result was 30 in target or considered in scope.

Country	Companies analyzed	Companies in scope
Mexico	17	6
Colombia	22	6
Chile	13	6
Perú	19	5
Argentina	9	7
TOTAL	80	30

Table 37: Total companies analyzed and target in Latam

#### Results

After the results, several calls and meetings were held with the managing board of Digital 360 and its team to better understand the possible connections with some of the managers of the target agencies and which were for them the ones to prioritize. After the presentation, the main outputs fort the further research were:

- Make a table (flow chart) where the different companies are ranked according to priority and stage of the company's process (either searching for more information or approaching the company).
- Make a table with possible options of companies in the three categories in the different countries for future possible options.
- Ask the technology providers and current clients of Digital 360 common with the analyzed companies (IBM, Oracle, etc.): which agencies they know or use for b2b marketing.
- Ask Digital 360's internal consultant--> LATAM balance sheets (shareholders, etc.) for CAP tables and balance sheets.
- Research in the Argentina region --> we are interested in having an idea also there of the competitors or potential agencies to do M&A.
- Understand how Digital 360 is going to present itself and the first contact with the filtered agencies in OK --> especially important.
- Make two plans:
  - Execution plan derived from the analysis --> table with the companies after the filter during the call --> make a pipeline
  - Connections detailed plan of how we are going to connect with the "potential contacts" --> table with at least 12 LATAM appointments

With the most recent feedback from the Digital 360 business development team in charge of the Latam area, it has been initiated the negotiation process and the first content with two agencies: *Feel* and the group *Uno a Uno*.

• *Feel (FEEL MARKETING SENSORIAL SAS)* is also a priority both for its clients and services but also because it has the headquarters in Colombia and operates also in Mexico. The acquisition of this agency could cover two important areas in the Latam region in one-shot.

Website: https://feel.com.co/

NIT: 9001731653

Headquarters: CALLE 90 18 35 OF 407, BOGOTÁ, BOGOTÁ

Founded: 2007

Employees: 11-50

Key People	Services	Customers
JUAN MANUEL RANGEL FLOREZ CEO-General manager https://www.linkedin.com/in/jmrfeel/ EDUARDO L. Operations Manager Mexico https://www.linkedin.com/in/eduardo- 1-079a3794/	Events: Conventions, Mass, Press, Sports, Congresses, Launches, Emotional activations that inspire. Development of graphic and audiovisual content, Brand architecture / Industrial design / Interior design, Spaces and sensory points of sale / Scenography / Commercial Exhibition. 1 to 1: Direct Marketing, Direct Mail, Endo marketing, Incentive plans, Relationship experiences, Lead generation. Virtual + UX: Virtual events, Fairs and virtual exhibition, Virtual reality, Gaming development, CX experiences, XP internal. Creative strategies Hearing and olfactive marketing	Facebook, Ingram Micro, Nickelodeon, Makro Colombia, Cisco, IBM, LOGICALIS, Instagram, MTV, Konami, Unilever, Viacom, PayU
	Hearing and olfactive marketing	

Table 38: Analysis Feel marketing agency in Colombia

• The *Uno a Uno* Group is composed by the Marketing Agencies: *Uno a Uno, Clue y TreeDigital.* The group has only presence in Chile but has a strong network of B2B tech clients, some of them strategic in the entry in Latam. The services provided also are aligned with the target of Digital 360. Table 40 summarizes the services and main clients.

Website: <u>https://unoaunomr.cl/</u>

**RUT:** 96961390-5

**Headquarters:** SANTIAGO (Ebro 2740 Oficina 503 SANTIAGO, Santiago, 7550169 Chile)

Founded: 2001

Employees: 11-50

Key People	Services	Customers
Maria Eugenia Riera Oportot Founding Partner and Executive Director https://www.linkedin.com/in/meriera/	<b>Relational marketing</b> <b>Events:</b> online and physical corporate events, seminars, reunions, conventions	IBM, Citrix, Cisco, RICOH, HP, Direct TV, Oracle, Microsoft, Stanley, Nextel, Intel, Samsung,
Mauricio Merino	Digital marketing	LexisNexis, Sonda, Acti,
https://www.linkedin.com/in/mauricio- merino-7b55771a/	Advertising	Hewlett Packard enterprise, Micro focus, DXP Technologies

Table 39: Analysis Unoa uno Group in Chile

# 4.4 Comparative considerations between Spain and LATAM

To enrich the analysis, it has been conducted some comparative considerations about the 2 areas, Spain and Latam. At first glance it has been identified that the Spanish market presents a level of concentration in the marketing agencies industry higher that the Latin American region. However, the market in Spain is also quite fragmented with not much companies holding large shares. The services provided by the marketing agencies in Spain are more digitalized and present a level of innovation higher that the ones in Lata. In fact, in the Latin American region a lot of agencies have been discarded for presenting services related to BTL or promotions in the point of sale. In the scope of this services presented, a lot of Latin marketing agencies include brand activation, mall activation, telemarketing, exhibitions, which are more directed to the final customer and thus, a B2C industry.

As whole, both markets resulted to be fragmented, presenting an attractive opportunity for Digital 360 to act as an integrator, shaping the industry into a more digitalized and innovative ecosystem.

### 4.5 SWOT and strategic alternatives

Once conducted the internal analysis of *Digital 360* and the external analysis of the context for each region it will be performed a SWOT analysis (Table 41) to identify the major Strengths and Weaknesses of the firm in relation with the Opportunities and Threats offered by the new markets. Thus, this will allow enabling the company's management to seek markets or business opportunities that create value and identify potential elements that threaten its value or position.

	SWOT an	alysis							
	Strengths	Weaknesses							
<ul> <li>Xa ex</li> <li>Di</li> <li>B2</li> <li>sp</li> <li>Inuso</li> </ul>	ma's network and identity to trigger the pansion in Latam gital publishing and technological assets B network of professionals managed by ecialized teams (some Spanish-speakers) novative approach through a scalable lution as-a-service	<ul> <li>Only one portal in Spanish (InnovaciónDigital360.com)</li> <li>Lack of internationalization expertise</li> <li>Difficulties in accessing the Italian portals from Spanish-speaking individuals or firm</li> <li>Unavailability of a stablished network in the foreign countries</li> </ul>							
	Opportunities	Threats							
SPAIN	<ul> <li>Cultural linkages with Latin American countries</li> <li>European framework and networking effects</li> <li>Relevant ICT infrastructure and potential digital hub of international connectivity</li> <li>Large number of SME suffering a digital delay</li> </ul>	<ul> <li>High digital development index</li> <li>Low ICT specialist and low talent attraction</li> <li>Low R&amp;D investment from government</li> <li>Financial SMEs difficulty to finance ICTs inversions</li> </ul>							
LATAM	<ul> <li>Cultural linkages with Latin American countries</li> <li>Huge and highly fragmented market</li> <li>Allocation of financial resources to digital transformation plans after the pandemic</li> </ul>	<ul> <li>Existing barriers to digitalization</li> <li>Melding two different corporate cultures</li> <li>Gap between the services offered and the digital competences of the country's firms and government</li> <li>Low government transparency and heterogenic regulatory environment</li> </ul>							

Once integrated all the analysis together it can be formulated different strategic alternatives for the international expansion in Spain and Latin America. The strategic alternatives that will be presented only cover the industry of Marketing Agencies,

but it could be further applied to the IT Publishers and Marketing Automation industries by analyzing the external context for each country (competition, concentration of the market, etc.). The strategic alternatives proposed after the exhaustive study are:

- Create the same set of portals or part of them by replicating the existing ones in the *Digital 360*'s network in Italy translating them into Spanish. For this option, since the traffic would have to be generated from scratch, it could mean postponing a lot in time the penetration in the new markets. Moreover, as in the early stages the figures would be low, the firm could suffer from a deterioration of the brand awareness or bad positioning. In addition, it could be perceived by the domestic market as a foreign and "distant" offering since there can be discrepancies in the content of the portals and the alignment with the Latin American context.
- Leverage on the current digital portals of *Digital 360* and translating them directly into Spanish inside each page. The company could better exploit their current traffic but again it could let to a low local-responsiveness since a lot of the contents are focused on Italian use-cases or are related with digital issues within the country.
- Acquire or initiate a partnership with some of the local companies listed in the analysis. The company can replicate the strategy implemented in the Xona's acquisition to new companies, covering other countries. With that, the company could leverage on the local networks of the running firms and their know-how and knowledge in the domestic market. *Digital 360* could capitalize the synergies from the acquisitions or partnerships. Indeed, it is necessary to find a company that is open to negotiate and to be part of a larger group since can happen that the firm is not planning to be acquired.
- In the first year's leverage on Xona to act as an aggregator since Latin America is a really fragmented market, without players having significant market shares. With the analysis of this first steps into the new market *Digital* 360 could assess the regions with the most potential once it has a better understanding of the market and has taken advantage of the network.
- The company could change its prior internationalization strategy (M&A) and entry in the new markets (Latam and Spain) by directly investing in internal growth (owning a subsidiary). This option is less attractive since entering the market through acquisitions allows rapid achievement of service networks, availability of a stablished network and the facilitation in the relationships with the local governments. Apart from the lower entry speed, there are more risks associated and the resource commitment is higher. Also, if it is compared the entry mode by M&A with internal development, more information is available to the prospective acquirer to evaluate the move.

- Acquire or partner with a low number of the local companies listed in the analysis but focusing on companies with operation in several markets (those with a presence in a large number of countries). Since the target companies as bigger this could make more difficult the acquisition, but the output will be mor efficient. *Digital 360*, in this case, will be able to cover more rapidly a wider area.
- Acquire or partner with a high number of the local companies listed in the analysis but focusing on companies with operation in single markets (those with a local presence, covering single regions). This alternative can allow an easier negotiation process (since the firms are smaller) but can let to risks in terms of merging two different corporate cultures, establishing effective working relationships or the loss of key works from the acquired firm.

## 5. Discussion

Strategy has been defined as "the match an organization makes between its internal resources and skills ... and the opportunities and risks created by its external environment" (Grant, 1991). When defining an internationalization strategy for a firm like *Digital 360* which presents an innovative approach to deliver digital and technological solutions is really important to analyze first the firm subject to the strategic formulation in order to understand which are the core competences that allow the firm to create and sustain competitive advantage within the current region of operations. Doing so, the company will be prepared to deliver and effectively allocate resources to build and expand their network and thus, support its competitive advantage in the foreign market (Hamel-Prahalad, 1990).

When concluded all the analysis about the internal and external context and sufficient strategies have been proposed, the evaluation of alternatives can begin. This requires a procedure by which each alternative plan is judged for its ability to meet the objectives of the organization (Armstrong, 1983). In order to build and expand company's vision, core ideology it is important to rely in two factors: core ideology and an envisioned future (Collins-Porras, 1996). Although the external context changes or the company embarks on its international expansion the fact of adapting its strategies to the new market the firm should always remain true to its core values and vision.

# 6. Conclusion and future development

Once formulated the diverse strategic alternatives to expand the operations of *Digital 360* in foreign countries it has been concluded that both regions present numerous opportunities and the company could leverage the scalability of its integrated digital solutions to move into the two areas.

Spain shows a higher level of digitalization of SMEs and Public Administrations. Indeed, the pandemic has served as a catalyst for digital innovation and the adoption of innovative solutions in the digital field. However, Spain's digital transformation may be compromised by a lack of skills and competencies, low investment in R&D and intangible assets, and the high presence of small and medium-sized companies that are still poorly digitalized even after the pandemic. The Spanish region offers a competent ICT infrastructure and the "Agencia Tributaria" as an example of a digitalized Public Administration. Since the country shows an index of digitalization and innovation higher than Italy, the expansion to Spain could represent a strategic move into other European countries more than a high-opportunity area. Big ICT companies have a complex digital ecosystem and some of *Digital 360*'s global competitors are well established in the region.

The Latin American region represents an exceptionally large and highly fragmented digital market. It has a business environment made up of a large number of SMEs that which, together with Public Administrations, are lagging behind in innovation and adoption of digital technologies. Using indicators provided by local organizations and commissions has served as a proxy to understand which are the countries that are at the bottom of the list in terms of digital transformation and innovation. Indeed, the Latin American region presents attractive opportunities, especially in Chile, Argentina, and Mexico. Chile is the leader in terms of technology adoption and digital competitiveness so *Digital 360* can encounter numerous opportunities to penetrate the market by acquiring companies with a portfolio of services and technologies more closely aligned with those used by the company in the Italian region. On the other side, Argentina shows the best results in terms of growth of the ICT market but presents high inflation rates and a lack of transparen cy from the government, factors that could impact the positive long-term growth forecasts. Moreover, the acquisition of Xona in Buenos Aires generates many

opportunities to expand the digital 360 network by being the first agent in the conquest of the Latin American region. Finally, Mexico is characterized by high growth rates in the industry and also for having a large and attractive market. As a whole, *Digital 360* could leverage its network of ICT specialists and multi-disciplinary teams to act as a consolidator of the low-concentrated digital ICT market by acquiring strategic firms covering one or more countries. For the countries presenting a low level of digital development, the firm could strategically acquire running companies with the principal aim of adopting their network of clients and then intend to transform them from the inside by implementing *Digital 360*'s long-term vision.

Moreover, could exercise its corporate position of Benefit corporation and act as a promoter of digital innovation with the role of delivering sustainable and inclusive growth opportunities, especially in the Latin American economy. Both the Latam region and Digital 360 could mutually benefit and reduce the social and economic inequalities present in the region. As the main takeaway of the analysis in the marketing agencies industry in both regions it can be said that Latam presents a more fragmented market but with a lot of opportunities due to its size. Indeed, the marketing agencies in Latam offer a set of services more related to "traditional" or conventional advertising. In the Spanish region, the market. The level of digitalization and innovation in Spain is reflected in a profile of more digitalized agencies that offer more innovative services and with a more solid network of B2B relationships. Moreover, Digital 360 is in a perfect position, due to its know-how and expertise in the industry to act as a consolidator and bring innovation to firms and public administrations, thus, becoming a global leader in the digital industry.

The strategy formulation placed in this investigation could be further followed by the definition of a road map of strategic actions assessed by two variables: the economic impact of those actions and the possible problems that the company could encounter in the implementation. By doing so, it could be then classified and prioritized the actions with a higher impact, the ones labeled as "quick win" and the others more marginal or with lower economic impact. Moreover, after the implementation phase, it will have to be analyzed the variance between the expected performances and the actual performances to set the corrective actions necessary to adapt the strategy. Digital 360 has already initiated a negotiation with both Feel and Uno a Uno Group so the result on those could let to a change in the strategy of internationalization by for example focusing on other regions not covered by these agencies if successfully acquired.

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### Appendix

#### Appendix\_Matchplat

	Matchplat – Spain	
First phase of analysis	<ul> <li>Input:</li> <li>Area: Spain</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890</li> <li>NACE: 73.11</li> <li>Status: Active</li> <li>Categories: VL, L, M, S</li> <li>Keywords: marketing agency, digital marketing, marketing digital, marketing hub, agencia de marketing, agencia de comercialización, innovación, transformación digital, operaciones de marketing, estrategias de marketing, B2b, social media marketing, b2b marketing, sector tecnológico, servicio omnicanal</li> </ul>	<u>Output:</u> Companies on target • VL: 21 • L: 72 • M: 436 • S: 247
	<u>Note:</u> The output of the 1rst phase is 4 data sets (different categ	;ories)
Second phase of analysis	<ul> <li>Input:</li> <li>Area: Spain</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890</li> <li>NACE: 73.11, 70.22</li> <li>Status: Active</li> <li>Categoriy: Very large company</li> <li>Keywords: marketing agency, digital marketing, marketing digital, marketing hub, agencia de marketing, innovación, transformación digital, digital transformation, B2B, inbound marketing, content marketing, b2b marketing, sector tecnológico, tech, omnicanal, online events, clientes tecnologicos, microsoft, oracle, citrix, hp</li> </ul>	<u>Output:</u> Companies on target • VL: 104 • L: 200 • M: 256 • S: 345
	<u>Note:</u> The output of the 2rst phase is 4 data sets (different categ been added a new NACE (70.22) and new keywords more spec	;ories) buthas ific

	<i>Matchplat</i> – Mexico	
First phase of analysis	Input:• Area: Mexico• NAICS: 541810, 541850, 541860, 541870, 541890• NACE: 73.11• Status: Active• Keywords: b2b, tic, it, clientes tecnológicos, digital transformation, content marketing, demand generation, lead generation, generación de leads, eventos online, eventos, omnicanal, agencia de marketing, marketing 	<u>Output:</u> Companies on target • 135
	Note: The first research covered companies of all sizes,	
Second phase of analysis	<ul> <li>Input:</li> <li>Area: Mexico</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890</li> <li>NACE: 73.11, 70.22</li> <li>Status: Active</li> <li>Category: Small company</li> <li>Keywords: B2B, TIC, IT, clientes tecnológicos, tech, marketing agency, digital marketing, marketing digital, marketing hub, agencia de marketing, transformación digital, digital transformation, content marketing, demand generation, lead generation, generación de leads, online events, Microsoft</li> </ul>	Output: Companies on target • 224
	<u>Note:</u> The output of the 2rst phase is 1 data set but has been added (70.22). It has been considered that the new NACE was not perform has been removed again for future phases.	la new NACE ning well so it
Third phase of analysis	<ul> <li>Input:</li> <li>Area: Mexico</li> <li>NAICS: 541613, 541860</li> <li>NACE: 73.11</li> <li>Status: Active</li> <li>Keywords: b2b, tic, it, digital transformation, content marketing, demand generation, lead generation, generación de leads, eventos online, eventos, omnicanal, omnichannel, agencia de marketing, marketing agency, transformación digital, marketing de contenido, empresa a empresa</li> </ul>	Output: Companies on target • 376
	<u>Note:</u> New search adding the NAICS [541613 - Marketing Consulti 541860 - Direct Mail Advertising] to expand our search scope	ng Services and

Fountle	Input:	<u>Output:</u>
Fourth phase of analysis	<ul> <li>Area: Mexico</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890, 541613</li> <li>NACE: 73.11</li> <li>Status: Active</li> <li>Keywords: eventos, tech, events, b2b, tic, it, content marketing, generación de leads, lead generation, marketing agency, agencia de marketing, eventos online, evento presencial, eventos virtuales, eventos digitales, Lenovo, hp, Microsoft, Cisco, Ingram Micro, Citrix, Google, IBM, virtual reality, tech data, omnicanal, evento 4.0</li> </ul>	Companies on target • 92
	<u>Note:</u> New search regarding all the NAICS codes used but focusing related" keywords such as eventos, tech, events, b2b, tic, it, content eventos online, evento presencial, eventos virtuales, and eventos d	g on "events- t marketing, igitales.

**<u>NOTE</u>**: SEARCH ITERATION on "DATA SET PHASE 3" and "DATA SET PHASE 2" by adding the keywords: marketing experiencial, experiental marketing, and experience marketing. These new keywords were selected after analyzing the websites and service labels of some of the initially chosen agencies.

	<i>Matchplat</i> – Colombia	
	Input:	Output:
First phase of analysis	<ul> <li>Area: Colombia</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890</li> <li>NACE: 73.11</li> <li>Status: Active</li> <li>Keywords: B2B, TIC, IT, clientes tecnológicos, tech, marketing agency, digital marketing, marketing digital, agencia de marketing, transformación digital, digital transformation, content marketing, demand generation, lead generation, generación de leads, online events, eventos, microsoft, omnicanal, omnichannel</li> </ul>	Companies on target • 860
	<u>Note:</u> The output companies were too large due to generic keywords a NAICS	and too many
Second phase of analysis	Input:• Area: Colombia• NAICS: 541613, 541860• NACE: 73.11• Status: Active• Keywords: b2b, tic, it, digital transformation, content marketing, demand generation, lead generation, generación de leads, eventos online, eventos, omnicanal, omnichannel, agencia de marketing, marketing agency, transformación digital, marketing de contenido, empresa a empresaNote:Note:The companies were more aligned with the target since the key	Output: Companies on target • 82
	more specific	
Third phase of analysis	<ul> <li>Input:</li> <li>Area: Colombia</li> <li>NAICS: 541810, 541850, 541860, 541870, 541890, 541613</li> <li>NACE: 73.11</li> <li>Status: Active</li> <li>Keywords: eventos, tech, events, b2b, tic, it, content marketing, generación de leads, lead generation, marketing agency, agencia de marketing, eventos online, evento presencial, eventos virtuales, eventos digitales, Lenovo, hp, Microsoft, Cisco, Ingram Micro, Citrix, Google, IBM, virtual reality, tech data, omnicanal, evento 4.0</li> </ul>	Output: Companies on target • 450
	<u>Note:</u> Done to obtain new companies by adding the NAICS 541613	

	May	CIM						Yes													Yes	Yes																
	Inbound	marketing		Yes					Yes				Yes	Yes							Yes	Yes										Yes				Yes		
	Ы	commerce			Yes			Yes																				Yes							Yes			
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	Consultin	60					Yes			Yes		Yes																			Yes							
	Prind	11111												Yes					Yes																			
	SMC	CIMD																																	Yes			
		Content	MKT	Yes			Yes		Yes		Yes		Yes																							Yes		
			Guerrilla										Yes																									
	Adv	0 n/Off	line						Yes		Yes		Yes					Yes					Yes				Yes						Yes			Yes		
SERVICES	Social	media			Yes			Yes	Yes		Yes	Yes	Yes																				Yes		Yes	Yes		Yes
		Physical	Events	Yes	Yes	Yes		Yes		Yes	Yes		Yes	Yes					Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes		Yes	Yes	Yes			Yes	Yes	Yes	Yes	
	Webin ar/	Digital	event		Yes	Yes		Yes			Yes		Yes	Yes					Yes			Yes		Yes					Yes				Yes	Yes	Yes	Yes	Yes	
	Lead gen.	Online		Yes			Yes		Yes					Yes								Yes										Yes				Yes		Yes
			Emailing	Yes					Yes		Yes		Yes					Yes				Yes									Yes			Yes		Yes		Yes
	Digital	strategies							Yes	Yes											Yes							Yes				Yes	Yes		Yes			
	Social	nedia ads			Yes				Yes		Yes	Yes	Yes														Yes							Yes		Yes		
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ľ	Database/	analytics		Yes					Yes		Yes										Yes										Yes	Yes				Yes		Yes
	out to a	branung							Yes	Yes			Yes		Yes	Yes	Yes																Yes		Yes			
	Website			https://www.pgrmt.com/	https://winchannel.es/	https://www.the-marketinghub.com/en,	https://omnitel.es/en/	www.flowagency.es	http://www.antevenio.com/	http://www.olimpiacoronel.com/	http://www.infosol.com.mx/	https://havasmediagroup.com/	https://gideas.com.mx/	https://marcomkt.com/	http://tntmarketing.com.co/	https://feel.com.co/	http://zielcolombia.com/	http://ido.com.co/	https://www.topbrand.co/es/	https://www.highresults.co/#inicio	https://www.opiamarketing.cl/	https://www.gsiete.cl/	https://unoaunomr.cl/	https://www.clue.cl/	https://treedigital.cl/	http://www.imak.cl/	http://www.tomateperu.com/	https://www.eglobal.one/	https://classiscorp.com/	https://perueventos.org/	https://strategica.com.pe/	https://pragmativa.com/	https://globaldardos.com.ar/	http://www.fourplayers.com.ar/	http://bdg.com.ar/	https://entercommla.com/	https://www.sappia.com.ar/	https://marketic.com.ar/
	Business name			AMOSTE 21, S.L.	WIN CHANNEL S.L (Grupo Caher)	The Marketing Hub S.L.	OMNITEL COMUNICACIONES SL	FLOW MMX, S.L.	Antevenio México, S.A. de C.V.	Cuarenta y Cuatro Concreto, S.A. de C.V.	Grupo Infosol, S.A. de C.V.	Havas Media, S.A. de C.V.	Vendemos Publicidad S.A. de C.V.	Marco Consultora México, S.A. de C.V.,	TNT Marketing SAS	FEEL MARKETING SENSORIAL SAS	ZielSAS	IDoSAS	TOP BRAND S.A.S.	High Results Sas	OPIA MARKETING SPA	Servicios M Y B Asesorias Limitada	UNO A UNO S.A.MIMA	Clue S.p.A	TREE DIGITAL HOUSE SPA	Imak S.a.	TOMATE BTL S.A.C	EGLOBAL PERÚ S.A.C.	CLASSIS CORP. S.R.L.	PERU EVENTS S.A.C.	STRATEGICA CONSULTING SAC	PRAGMATIVA	GLOBALDARDOS S.R.L.	FPESTUDIO S.R.L.	a BDGSA	ENTERCOMM	SAPPIA EVENTOS CORPORATIVOS	MARKETIC
Region				Mexico						Colombia							Chile						Perú			Argentiné												

Appendix\_MA\_Services

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