



INFLUENCE OF E-MARKETING ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA: SURVEY OF SMALL AND MEDIUM ENTERPRISES IN THE MANUFACTURING INDUSTRY IN KENYA

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ABSTRACT

A majority of SMEs in Kenya are skeptical of e-marketing adoption because these firms perceive very high development costs. They do not understand how e-marketing can enhance their business performance. This paper is a report on the influence of e-marketing on the performance SMEs in Kenya with particular reference to SMEs in the manufacturing industry in Kenya. The specific objectives of this study included determining how Search Engine Marketing, email marketing, blog marketing, and online advertising, each influence the performance of a SME. The study used a survey research design in collecting data from respondents and simple random sampling procedure to select a sample that represented the entire population. The target population was five hundred SMEs in the manufacturing industry in Kenya. The findings showed the significant influence of Search Engine Marketing, email marketing, blog marketing, and online advertising on business performance. The study showed that SMEs in Kenya who are keen in adopting e-marketing have achieved above average business performance.

Keywords: E-Marketing, SME, Business performance, Transaction Cost

INTRODUCTION

Coviello, Milley, and Marcolin (2001) suggest that E-marketing as an innovative technology-based activity, has been considered as one of the main aspects of marketing practice that involves using the internet and other interactive technologies to create and mediate dialogue between the firm and its customers. E-marketing provides customers access to information while the use of interactive technologies allows these customers to provide information to the business (Brodie, Winklhofer, Coviello, and Johnston, 2007). The internet, the main e-marketing tool has been recognized as a key business resource and is increasingly being used and integrated into firm's marketing activities. Brodie *et al* (2007) found that adoption of e-marketing is positively associated with marketing performance and more so on customer acquisition and retention. Effective e-marketing can enable the firm to obtain competitive intelligence and organizational capabilities that facilitate effective marketing decisions for proper positioning in the industry (Olalekan, 2009).

The major benefits of e-marketing for the firms that adopt it are: increasing exposure to global markets (Laudon and Laudon, 2004), enhancing communication (Chaffey, 2003), and reducing transaction costs (Sandeep and Sing, 2005) due to the aggregation of buyers (customers) generated by the e-marketplace. According to Chaffey, Ellis-Chadwick, Mayer, and Johnston (2009), the performance of e-marketing pertains to financial benefits obtained from the management process responsible for identifying, anticipating and satisfying customer needs. Supported by Gilmore, Gallagher, and Henry (2007), the performance of e-marketing is substantially linked to different technologies (e.g. e-mail, databases, wireless) to fulfill existing and emerging customer needs and preferences. E-marketing leads to standardization of products and prices as differences among competitors' products are reduced (Porter, 2001, p. 73). Large firms are also able to encroach onto niche markets, which were traditionally serviced

by SMEs because e-marketing significantly reduces transaction costs (Jeffcoat, Chappell, and Feindt, 2002, p. 124).

A majority of SMEs in Kenya are skeptical of e-marketing adoption because these firms perceive very high development costs from e-marketing and do not understand how e-marketing can enhance their business performance. There is limited systematic research into the impact of e-marketing on the performance of SMEs in Kenya (Shepherd, 2007).

Objectives of the Study

The general objective of this study is to determine the influence of e-marketing on the performance of SMEs in Kenya. The specific objectives are:

- i. To determine how search engine Marketing influences the performance of a SME.
- ii. To determine how email marketing influences the performance of a SME.
- iii. To determine how blog marketing influences the performance of a SME.
- iv. To determine how online advertising influences the performance of a SME.

RESEARCH METHODOLOGY

Research Design

Research design is the blueprint that enables the investigator to come up with solutions to problems and guides him in the various stages of the research (Nachmias and Nachmias, 2004). Cooper and Schindler (2008) summarizes the essentials of research design as an activity and time based plan; always based on the research questions; guides the selection of sources and types of information; a framework for specifying the relationship among the study variables and outlines the procedures for every research activity. The study used a correlational and descriptive survey research design, which explains the relationship that exists between the independent variables and dependent variable (Sekaran and Bougie, 2010). This design was chosen because it examines the present status and extent of adoption of e-marketing by SMEs in the manufacturing industry in Kenya. This design is considered appropriate for this study because it saves time, expenses and the amount of quality information yielded is valid, while interviewer bias is reduced because participants complete identically worded self-reported measures (Ade'r, Mellenbergh and Hand, 2008).

Population of the Study

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda and Mugenda, 2003). Mugenda (2008) defines a population frame as "an objective list of the population from which the researcher can make his or her selection." This study's population consisted of SMEs in the manufacturing industry in Kenya, because according to Mariarosa (2000) in the manufacturing industry, product proliferation and shorter product cycles require greater speed and flexibility. In this environment, the key to success in manufacturing business relies not only on price competition but rather on the ability to introduce sophisticated information links, forecasting capabilities and management systems. This is better achieved through e-marketing. The target population was drawn from a population frame of five hundred (500) SMEs in the manufacturing industry in Kenya.

Sample and sampling technique

Sampling design refers to a research plan that indicates how cases are to be selected for observation or as respondents (Mugenda and Mugenda, 2003). Mugenda and Mugenda (2003) reveal that for small populations, the general rule-of-thumb is that one needs to have at least 30 respondents but for bigger populations, a representative depends on the mode of selection and according to Gay, Mills, and Airasan (2008) a sample of 10% is representative. From the target population of 500 a sample size of 10% was taken giving a respondent base of 50 respondents consisting of managers from the Marketing departments, Operations departments, and Finance departments of the selected 50 SMEs. This sample size is considered representative and comprehensive in the coverage of the study objectives and economical in terms of time and money (Leedy and Ormrod, 2005).

Data Collection Instruments and Procedure

The survey questionnaire was developed from the literature and incorporated both open-ended and closed-ended questions items to gather the study's primary data. According to Cooper and Emory (2008),

the questionnaire is conveniently used because it is cheaper and quicker to administer, it is above the researcher's effect and variability, and is highly convenient for the respondents as they can fill them during free times or when workloads are manageable. The survey questionnaire incorporated Likert scales to measure perception, attitude, values and behavior.

Data processing and analysis

Quantitative data was edited to eliminate inconsistencies, summarized and coded for easy classification in order to facilitate tabulation. Interpretation descriptive statistics of measures of central tendency were used in describing the sample data in such a way as to portray the typical respondent and to reveal the general response pattern. These statistics were generated with an aid of the computer software, Statistical Package for Social Sciences (SPSS) which offers extensive data handling capability and numerous statistical analysis routines that can analyze small to very large data statistics. Pearson's correlation analysis was used to assess the relationship between the independent variables and the degree of e-marketing impact on performance. Correlation analysis was applied to all four research questions in order to determine the extent of performance in the dependent variable.

RESEARCH FINDINGS AND DISCUSSION

Age and Education Level

Age and Education level have a large bearing on adoption of e-marketing. Information technology especially e-marketing is a recent development and thus young generation is more astute to it. It is therefore expected that age and education level determines the success in adoption of e-marketing (Table 1).

Table 1: Age and Highest level of Education

Age	Highest Level of Education			Total
	Secondary	College	University	
25-35 years	5.0	22.0	21.0	48.0
36-45 years	0	8.0	20.0	28.0
46-55 years	0	5.0	19.0	19.0
Above 55 years	0	0	5.0	5.0
Total	5.0	35.0	60.0	100.0

Management Level and Information Technology Knowledge

The respondents were spread into 2 different levels of Management and these were senior (upper) level and middle level managers. Majority of the respondents were in the middle management with 53.6% response whereas 43.4% response was in the senior (upper) level management. This means that the responses represent the levels of management in the SMEs. This is important in this study due to e-marketing adoption for different purposes across the different levels of management of an organization. This is in line with Du Plessis and Boon (2004) who stated that electronic commerce/e-marketing managers must be responsible for web design and digital content.

Table 2 indicates that at least seventy six percent of the respondents have formal qualifications in the use of and operation of a computer and can use Microsoft Word for their report presentations in their organizations. Attendance of computer classes had the highest response (82.0%) while using the internet to gather information in a job had the least response (60.0%). These findings are in line with the suggestion of technical knowledge requirement in e-commerce/e-marketing setup given by Hossein (2012) who suggests that the technical knowledge requirement in e-commerce/e-marketing setup is believed to have an influence in a firm's decision to adopt the e-commerce technology and benefit from engaging in e-marketing.

Table 2: Information Technology Knowledge

	Frequency	Percent
Attended computer classes	41	82.0
Formal qualifications in the use of and operation of a computer	38	76.0
Use the Internet to gather information in my job	30	60.0
Use a database program (e.g. MS-Access/Excel) to manage data	40	80.0
Use Microsoft Word for my Report presentation to the Management	38	76.0
Use Microsoft Power Point for Report presentation	40	80.0

Attitude toward e-marketing adoption and use in the organization

The findings presented in Table 3 show that adoption of e-marketing being positively associated with customer acquisition and retention had a mean of 4.42 with significant standard deviation of 0.50. This means that the respondents' opinions were skewed to strongly agree. These findings imply e-marketing is essential in attracting and retaining customers. According to Bharat and Louis (2001) targeted e-marketing has emerged as a viable form of reaching customers on the Internet.

Table 3: Mean Scores for Attitude toward e-marketing adoption/use in the organization

	Mean	Standard Deviation
Adoption of e-marketing is positively associated with customer acquisition and retention	4.4231	0.5038
E-marketing significantly reduces transaction costs due to the aggregation of buyers	4.3462	0.5616
E-marketing enables an organization to obtain competitive intelligence	4.4800	0.7141
E-marketing increases exposure to global markets	4.2308	0.8152
Receptive to use of e-marketing because it enhances business performance	4.4000	0.9574

In addition to providing a cheap and effective way of reaching qualified and interested end customers, it offers several other advantages in the way marketers can establish long-term customer relationships, leading ultimately to retention and loyalty of customers. There were three statements on benefits of e-marketing. However, two statements were mostly responded to, that is, a statement on e-marketing reducing transaction costs due to the aggregation of buyers (customers), which had a mean 4.34 while that of e-marketing enabling an organization to obtain competitive intelligence was rated higher with a mean of 4.48. These highlighted benefits are in agreement with Olalekan's (2009) where he suggests that,

effective e-marketing can enable the firm to obtain competitive intelligence and organizational capabilities that facilitate effective marketing decisions for proper positioning in the industry.

In addition, e-marketing increasing exposure to global markets had a mean of 4.23 while being receptive to use of e-marketing because it enhances business performance had a mean of 4.40. Some of the major benefits of e-marketing for the firms that adopt it are: increasing exposure to global markets (Laudon and Laudon, 2004) and reducing transaction costs (Sandeep and Sing, 2005) due to the aggregation of buyers (customers) generated by the e-marketplace. Brodie, Winklhofer, Coviello, and Johnston (2007) found that adoption of e-marketing is positively associated with marketing performance and more so on customer acquisition and retention. This means that some owners of small businesses may adopt e-marketing as a means of defending their autonomy in business and thus adopt the e-marketing technologies in a casual and *ad hoc* manner. All the rated statements had significant standard deviation greater than 0.5. From these factors, being receptive to use e-marketing because it enhances business performance had the most significant standard deviation.

Influence of Search Engine Marketing on the business performance of an organization

Table 4 indicates that all the respondents unanimously agreed that Search Engine Marketing has enabled their organizations to rank well in the Google search engine. The unanimous agreement followed through to another three factors: Search Engine Marketing has helped build their businesses’ online presence,

Table 4: Influence of Search Engine Marketing on the business performance of an organization

	Mean	Standard Deviation
Search Engine Marketing has enabled organization to rank well in the Google search engine	4.5517	0.5061
Search Engine Marketing has helped build business’ online presence	3.9310	1.0327
Search Engine Marketing has helped generate sales leads	4.2069	0.5593
Search Engine Marketing has enhanced marketing performance	4.3333	0.7112

Table 4 indicates that all the respondents unanimously agreed that Search Engine Marketing has enabled their organizations to rank well in the Google search engine. The unanimous agreement followed through to another three factors: Search Engine Marketing has helped build their businesses’ online presence, Search Engine Marketing has helped generate sales leads, and Search Engine Marketing has enhanced the marketing performance of their organizations. The findings are also supported by Chaffey, Ellis-Chadwick, Mayer, and Johnston (2009), Bharat and Louis (2001), and Chong, Shafaghi, Woollaston, and Lui (2010). 98.0% of the respondents indicated that Search Engine Marketing helps to reach more customers, incorporate the dynamics of search engines into their creative website concepts, convey the essence of their products’ brands and stimulate conversions while driving search performance, and achieve above average performance.

Influence of Email marketing on the business performance of an organization

Table.5 indicates majority of the respondents (75.0%) agree that email marketing has had significant impact on increasing the prospective customers subscribing to their organizations’ products via email. These findings agree with the suggestion made by David Kirkpatrick (2012) and Anna and Ken (2013) that email marketing provides a consistent and better customer experience; therefore SMEs that maximize on its potential can enhance their performance and maintain a good marketing position.

Table 5: Influence of Email marketing on the business performance of an organization

	Mean	Standard Deviation
Email marketing has increased the subscriber list for products by prospective customers	3.419	0.724
Email marketing has effectively and steadily linked products' brands and customers	3.298	0.787
Email marketing has provided a consistent and better customer experience	3.079	0.794
The delivery rate of email marketing is quite good in reaching target customers and has enhanced market share	2.970	0.812

Influence of Blog marketing on the business performance of an organization

Table 6: Influence of Blog marketing on the business performance of an organization

	Mean	Standard Deviation
Blog marketing has driven new business	3.628	0.645
Blog marketing has guided the improvement of products with reference to customers' feedback	3.567	0.607
Blog marketing has been effective in answering frequently asked questions	3.507	0.687
Blog marketing has been efficient in facilitating information on specific topics regarding the organization's products, for prospective customers	3.333	0.769

The results presented in Table 6 indicate that, blog marketing driving new business and blog marketing guiding the organization on how to improve its products with reference to customers' feedback on the company's blog, had means of 3.628 and 3.567 with significant standard deviations respectively. Blog marketing being efficient in facilitating information on specific topics regarding the organization's products, for prospective customers was reported to be most common, emphasizing how blog marketing has influenced business performance, with a mean of 3.333 and the most significant standard deviation of 0.769. These findings agree with Chaffey, Ellis-Chadwick, Mayer, and Johnston (2009) who suggest that, blogs play a crucial role in driving new business and enhancing overall performance of a firm.

Influence of Online advertising on the business performance of an organization

The results which are presented in Table 7 indicate that online advertising being effective in mitigating increased competition had the most significant standard deviation of 1.3544. Majority of the respondents (80.0%) agree that online advertising has been helpful in overcoming the challenges of saturation of markets. These findings agree with the suggestion made by Soleimani (2009) that online advertising enables a SME to overcome the challenges of saturation of markets. Online advertising being effective in

introduction of new products and online advertising creating avenue for access new markets, had means of 3.3241 and 3.0980 with significant standard deviations respectively. These findings are supported by Marhaba (2008) who suggests that online advertising is one of the most important e-marketing tools that plays a very important role in a firm's policies and marketing strategies such as introduction of new products. The findings are also in line with the suggestion made by Soleimani (2009) who suggests that one of the benefits online advertising poses for SMEs that are keen on maximizing its potential is access to new markets.

Table 7: Influence of Online advertising on the business performance of an organization

	Mean	Standard Deviation
Online advertising has been effective in introduction of new products	3.3241	1.0874
Online advertising has been helpful in overcoming the challenges of saturation of markets	3.5476	1.2889
Online advertising has been effective in mitigating increased competition	2.3795	1.3544
Online advertising has created avenue for access to new markets	3.0980	1.2567

Table 8: Correlation analysis of business performance

	Correlation	Sig.	Remark
Search Engine Marketing	0.180	0.105	Significant
Email marketing	0.214	0.068	Significant
Blog marketing	0.232	0.052	Significant
Online advertising	0.198	0.084	Significant

Table 8 indicates the four categories of e-marketing as well as the strength of the relationship of these categories of e-marketing on business performance. To examine the association between Search Engine Marketing, email marketing, blog marketing, and online advertising on business performance respectively, and the extent of performance, Pearson *r* correlation analysis is employed. All four categories show a positive relationship with the extent of business performance. The four categories of e-marketing are statistically significant, with Search Engine Marketing, being the most statistically significant with a significance level of 0.105. It can be concluded, therefore, that the findings supported the assumption that there is a relationship between e-marketing and business performance.

CONCLUSIONS AND RECOMMENDATIONS

Search Engine Marketing, email marketing, blog marketing and online advertising are all key elements of e-marketing which enhance the performance of SMEs that are keen on realizing the benefits of e-marketing. These e-marketing elements provide SMEs with the potential to reach more customers, steadily link the products' brands and customers and enhance their market share, drive new business for them and guide them on how to improve their products with reference to customers' feedback, mitigate increased competition, and creating avenue to access new markets. This research study has shown that

those SMEs in Kenya who are keen in adopting e-marketing and integrating it into their business strategies, have achieved above average business performance and sustainably transformed their businesses by synchronizing their customers, business processes and technology to profitably achieve growth in the dynamic, competitive business environment.

The market ultimately drives e-commerce development, but it is the private sector that fuels it and SMEs form a substantial part of the private sector. The government of Kenya and private sector partnerships can engage in a campaign to disseminate information to SMEs about e-marketing framework and policies, best practices, success stories, and opportunities and obstacles relating to the use of ICTs and e-marketing. These awareness campaigns could include affordable training courses and workshops on e-marketing, security and privacy, awards programs, and information centers to assist SMEs. Ultimately, this information campaign should come in the form of an overall e-marketing development strategy for the economy, focusing on its various innovative applications for SMEs.

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