

“Using the Internet to market small, medium and micro enterprises in a developing economy”

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Using the Internet to market small, medium and micro enterprises in a developing economy

Abstract

The Internet has become a key tool in promoting small businesses and their products. This, combined with the increased use of the Internet by customers, worldwide, provides opportunity for small businesses to raise their online profile. The objective of this paper is to ascertain the extent to which small, medium and micro enterprises (SMMEs) have adopted the Internet as a marketing tool. To this end, a survey was conducted among 388 South African SMMEs using non-probability sampling. The results indicate that hype was created around company websites, businesses advertise online, using online directories, social media and e-mails to promote themselves all to some extent. There was a notable absence of the use of viral campaigns and engagement in online sponsorships. The large majority of respondents indicated that small businesses were not effectively using the Internet to promote themselves. Recommendations are made on how SMMEs can use the Internet more effectively in promoting their businesses.

Keywords: Internet, Internet marketing, small business, SMMEs.

JEL Classification: M31.

Introduction

The Internet has become one of the most prominent promotional tools with businesses using it as a key platform to create awareness and favour towards products. Customers have become reliant on the Internet when making purchases or searching for information about a business that provides a particular good or service (Jones, 2008). The fundamental problem is that it is not clear whether SMMEs use the Internet to promote their business and/or product offerings, and if they do so, the extent to which this is practiced. Some small businesses do not make use of the Internet as a promotional tool while others make minimal use of online promotions or only have a company website running. It would also appear that websites are not updated on a regular basis with regard to new promotions and advertisements are not added about new products that could attract new customers. This dearth of knowledge may result in SMMEs not understanding the full potential of promoting their businesses and products online. There are new, creative and inexpensive ways of using the Internet to create an online presence. There is also the real possibility of customers being lost to organizations that have effectively used the Internet to promote themselves as well as their products.

This paper will therefore ascertain whether SMMEs have been using the Internet effectively in marketing themselves. A better understanding of this practice will give SMMEs an opportunity to embrace technology and reap the benefits of using the Internet as a promotional tool. The primary objective of this paper is to determine the extent to which SMMEs have adopted the Internet as a marketing tool.

Customers use the Internet on a regular basis when shopping for products or engaging in information

search. It becomes necessary for businesses to have an Internet presence in order to receive consideration by the consumer. Internet marketing provides an excellent opportunity for businesses to reach a broader range of customers and promote their products in a cost-effective manner.

1. Literature review

Internet marketing, while being similar to traditional marketing, has the advantage of having a broader reach, but being able to do so more cheaply. Internet marketing involves essentially achieving marketing objectives through the use of digital technologies. It comprises activities such as creating and managing a website, as well as using online advertising as well as being the equivalent of a 24 hour store. Marketers are able to send messages to individual customers. Blogs and social media can be put to effective use in producing updated content to customers, both existing and new (Jones, 2008).

Chaffey, Ellis-Chadwick, Mayer & Johnson (2009) identify interactivity as being one of the key characteristics of Internet marketing with the added advantage of one-on-one communication with the customer. Given that customers seek out information and make a decision to visit a site, the Internet is considered a pull medium. Baker (2010) believes that there are a considerable number of benefits associated with Internet marketing, including, the unlimited number of customers to target, providing customised service online, interactivity with the customer, customer retention, tracking customers and ultimately, cost savings. Gay, Charlesworth & Essen (2007) add that interaction and customised efforts lead to stronger customer relationships.

The Internet facilitates effective promotion. Govender, Veerasamy & Jadwat (2011) regard Internet promotions as being a potent as these are aimed

directly at the consumer and are able to elicit an immediate response. Online promotions such as free delivery create hype and ultimately drive traffic to a website (Miletsky, 2010). Furthermore, Internet sponsorships can be used to good effect. Internet sponsorships allow companies to be associated with an already established brand that customers are familiar with. A low cost alternative to full sponsorship is co-branding. This links two companies that complement each other and attracts potential customers to the site (Chaffey et al., 2009).

Marketing is regarded as being the most closely associated function with the Internet because of the communication capability the Internet provides. Online marketing communication should, therefore, be an integral part of a business' promotional mix. When businesses were first introduced to the Internet, the emphasis was on creating a company website. This has changed, where Internet marketing communication has been included in the broader marketing communication mix (Reed, 2011). There are several online advertising alternatives. The most popular are banners which are placed anywhere on a number of websites and provide a link to the advertiser's website. An important trend has been day-parting which allows a company to use banner advertisements in the part of the day when there is the greatest volume of traffic on a site. This obviates the need to have a constant presence on a site (Forrester, 2010). Buttons are small advertisements that advertisers can use if there is limited space available on a site. Pop-up and pop-under advertisements appear automatically on a webpage, but cost more due to higher visibility. Rich media uses sounds and other effects to appeal to visitors. Text advertisements are also popular. Most of these can be used in combination with other methods (Swane-poel, 2007).

An important aspect of web marketing strategy is search engine optimization. The basic idea is the higher the website in the search result page, the greater the likelihood that more visitors will be attracted to the site. This is related to pay per click advertisements, where the advertiser is required to pay whenever a visitor clicks the link (Miller, 2011). According to Anderson (2009), most searchers and prospective customers that use the Internet with a view to possible purchases are unlikely to reach the bottom of a search result page. It is, therefore, important for businesses to attempt to gain visibility on the upper part of a web result page, ideally the first few. Spiller (2008) concurs that the placement of a company on a web page is important. Companies appearing first on the list are most likely to receive the attention of a web browser.

Social media is starting to play an increasingly important role in consumer decision making. Kabani (2010) indicates that around 49% of online customers make purchases as a result of recommendations made on social networking sites. However, a relatively small number of businesses actually use the Internet to promote their organization and/or products to reach customers using social networks. This would imply that companies are not taking advantage of the potential benefits offered by social networks.

Creating hype on the Internet is another important consideration. To this end, word of mouth is an effective strategy to promote the company and its products to both existing and potential customers. Customers should be encouraged to share their thoughts and experiences and engage with online customers. In order to create hype, the first step is to locate customers who are most likely to spread the message. The next step is to start the conversation on the website so that customers can participate in the conversation. Using discounts and blogs for example, keeps the conversation about a product moving (Harden & Hayman, 2009).

Viral campaigns serve as effective marketing tools and can be executed in one of two ways. The first is to create an online marketing message that catches the attention of the user who then passes the message on. The second is to offer an incentive for the receiver to pass the message on (Miletsky, 2010). As far as e-mails are concerned, Gay et al. (2007) believe that using this medium is an excellent way to personalize communication with the customer. E-mails can be used to send immediate notifications about current promotions, creating urgency around any promotion. The only drawback of using e-mails is that customers may be bombarded with messages, many of which are illegitimate and there exists the possibility that relevant information will be discarded when received by the customer.

Considering that more individuals are connecting to the Internet, it is important that businesses make use of the related facilities such as online directories. Most consumers do not use traditional paper-based directories such as the Yellow Pages to locate businesses. The trend is towards online directories when the need arises (Meadows-Klue, 2010). Clark (2011) suggests that businesses emphasise their website addresses on their communication material such as brochures, pamphlets, business cards and online advertisements with a view to facilitating customer access to the company website.

Taylor (2010) suggests that even if organizations devote a lot of resources to a site, there is no guarantee that customers will navigate easily through the site. If customers are to return to site and tell

others about it, websites must be user friendly. The more easily accessible the website and the simpler the navigability, the more likely visitors will repeatedly visit a site. Brechner (2010) stresses the importance of co-ordination of marketing activities with a view to achieving synergy. Promotional activities, messages, prices, online presence and tone must convey the same idea. To this end, Kabani (2010) recommends that a mix of various online advertising methods should be used to spread a message.

Considering the proliferation of information on the Internet, attracting customers to a particular site becomes a challenge. Given this situation, Hanson & Kalyanam (2007) believe that customers tend to stay within the sites they believe work for them and thus tend to avoid visiting new sites. The use of effective online marketing methods therefore becomes crucial. Reed (2011) suggests that one of the key considerations is to drive traffic to a business or product website. If valuable content is made available, customers will return to the website. Owen (2008) recommends that businesses strive to give customers excellent experiences rather than pushing messages to them.

2. Research methodology

The research constituted a quantitative, cross-sectional and descriptive study. The key variables were demographics (gender, designation of respondent and years in operation) and practices regarding the use of Internet marketing within their organizations. Internet marketing practices were measured using a five point Likert scale (strongly disagree-strongly agree) where strongly disagree = 1 and strongly agree = 5. Respondents comprised a sample of 400SMMEs located across South Africa, using convenience (non-probability) sampling. The sample size was guided by Sekaran (2003) who suggests that for a population in excess of 1 million, a sample of 384 respondents was adequate to draw inferences. Of the 400 questionnaires despatched, 388 usable questionnaires were received. The response rate was sufficient to draw statistical inferences.

A pilot test was conducted prior to the administration of the final questionnaire. Necessary alterations were then made to the questionnaires before conducting the research. The data analysis was performed using the Statistical Package for Social Sciences (SPSS).

3. Findings

3.1. Biographical variables. As reflected in Table 1, it emerged that, of 388 respondents, 287 (74%) were male and 101 (26%) were female. Males were clearly the predominant gender group. The majority of respondents (58%) were general managers of the

business followed by 29.9% being IT specialists, and 12.1% were the owners of the business. In terms of years of being in operation, 41.8% were in business for between four and seven years, and 25.3% were in existence for between eight and ten years. Clearly the vast majority (over 66%) of the businesses have been in operation for between four and ten years.

Table 1. Frequency distribution of biographical variables

		n	%
Gender	Male	287	74.0
	Female	101	26.0
Designation	Owner	47	12.1
	General manager	225	58.0
	IT specialist	116	29.9
Years in operation	Less than 1	16	4.1
	1-3	56	14.4
	4-7	162	41.8
	8-10	98	25.3
	Over 10	56	14.4
		388	100.0

3.2. The business website being currently in operation. As depicted in Figure 1, 92% of respondents indicated that their business’s website was currently in operation. This suggests an acknowledgement of the importance of the Internet in the success of their business.

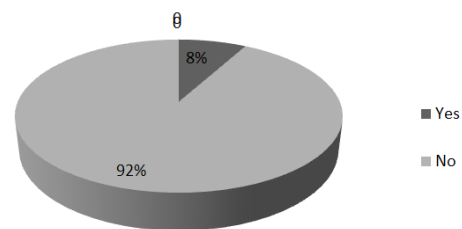


Fig. 1. The company website is currently in operation

3.3. Current special offers being advertised on the company’s website. It emerged that the majority of respondents (68%) advertised current special offers on their websites as reflected in Figure 2. Etheridge (2009) stresses the importance of using a mix of advertising methods, including current special offers.

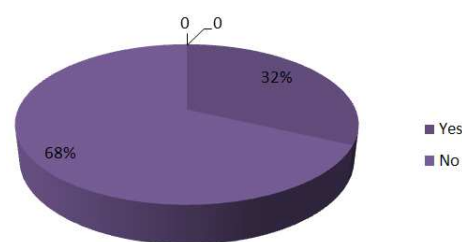


Fig. 2. Current special offers being advertised on the company’s website

Table 2. The study variables

	N	Min.	Max.	Mean
Hype was created around the company website	388	1	5	3.24
The business has advertised online	388	1	5	3.13
Online directories have been used	388	1	5	3.24
Social media platforms have been employed to advertise the business	388	1	5	3.67
E-mails have been used for promotions	388	1	5	3.53
Viral campaigns have been used	388	1	3	1.24
The business has used online sponsorships	388	1	4	1.39
The Internet is being effectively used by small businesses	388	1	5	1.86
The Internet is an effective promotional tool for small businesses	388	4	5	4.96

3.4. Creating hype around the company website.

The results as reflected in Figure 3 indicate that the majority of respondents have attempted to create hype around the company website with 38% agreeing and 22% strongly agreeing in this regard. The mean value

of 3.24 (Table 2) affirms this. 17% of respondents have not created hype around their company websites. Harden & Heyman (2009) highlight the importance of creating hype around a company website and stress the importance of engaging customers.

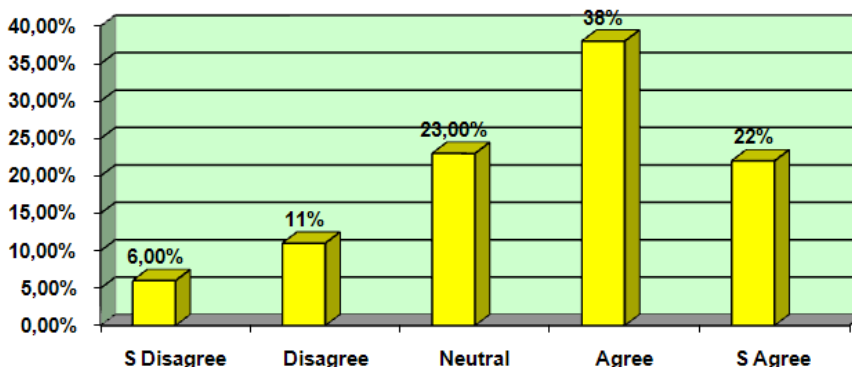


Fig. 3. Hype created around the company website

3.5. The business has advertised online.

59% of businesses have advertised online, with 39% of respondents agreeing and 20% strongly agreeing that they have done so (see Figure 4) with a mean

value of 3.13 as reflected in Table 2. 37% of businesses have not advertised online, suggesting that a sizeable percentage of businesses have not advertised online.

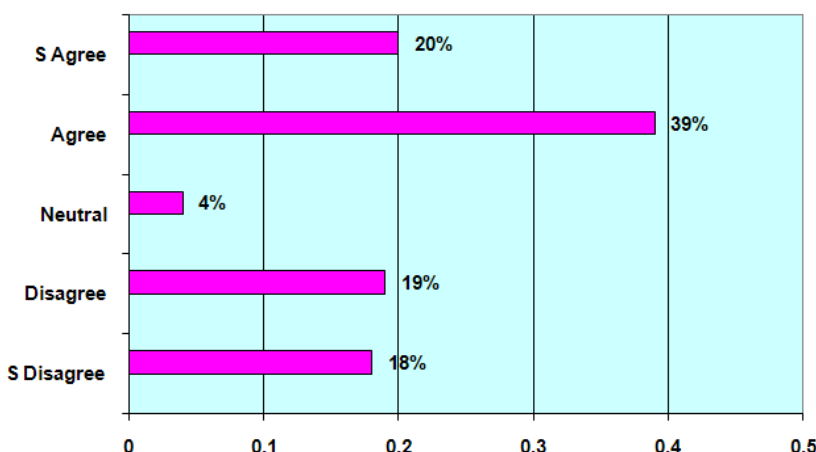


Fig. 4. The business has advertised online

3.6. Using online directories.

The results, as depicted in Figure 5 show that 59% of businesses have used online directories (38% agreeing and 21% strongly agreeing) with a mean score of 3.24, as reflected in Table 2. Clearly, a total of 36% of

businesses have not been using online directories. Kabani (2010) indicates that customers are moving away from traditional means to online directories to find businesses that can satisfy their needs.

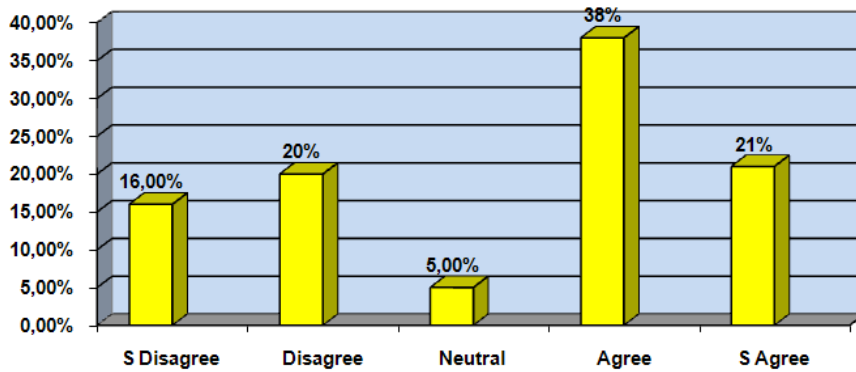


Fig. 5. Online directories have been used

3.7. Employing social media platforms to advertise the business. The majority of businesses agree (37% strongly agree and 29% agree) that they have employed social media platforms with a mean value of 3.67 (Table 2). 25% of respondents indicated that

they have not employed social media platforms to advertise their business. This is reflected in Figure 6. Kabani (2010) has shown that a considerable percentage of customers make purchases based on recommendations made on social media sites.

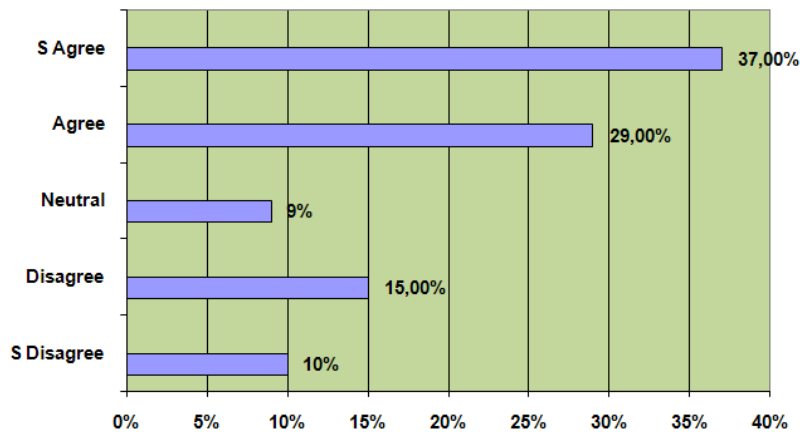


Fig. 6. Social media platforms have been employed to advertise the business

3.8. Using e-mails for promotions. As indicated in Figure 7, 36% of respondents agreed and 27% of respondents strongly agreed that they have used e-mails for promotions. The mean value of 3.53 (Table 2) attests to this. 26% of respondents indicated that they

have not used e-mails for promotions, with 11% being neutral in this regard. This constitutes a sizeable proportion of businesses that did not use e-mails for promotions. Gay et al. (2007) stress the role of e-mails in providing personalized communication to customers.

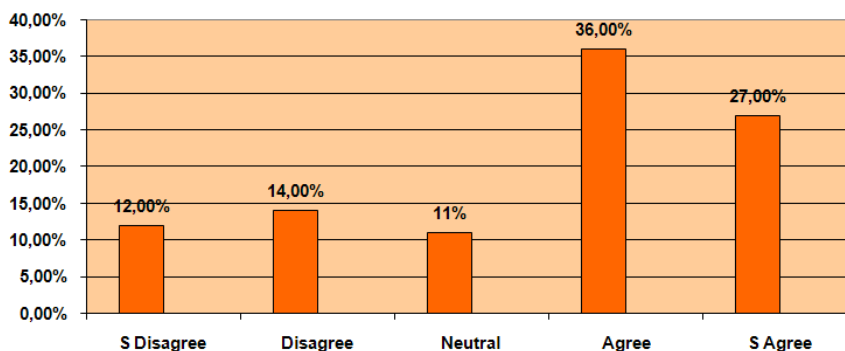


Fig. 7. E-mails have been used for promotions

3.9. Using viral campaigns. The results, as depicted in Figure 8, show that there is a notable absence of the use of viral campaigns, with no respondents indicating the use of viral campaigns and 6% of respondents being neutral on the

matter, reflecting a mean value of 1.24 (Table 2). This would suggest significant opportunity for improvement. Miletsky (2010) highlights the benefits of using viral campaigns by small businesses.

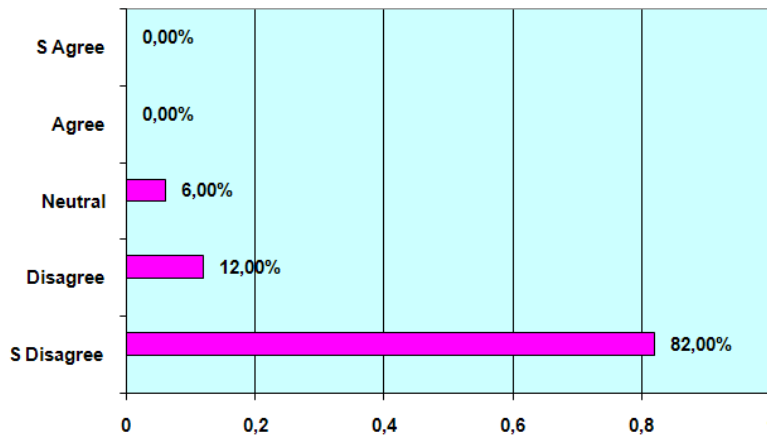


Fig. 8. Viral campaigns have been used

3.10. Engaging in online sponsorships. The results, as reflected in Figure 9 show that 89% of businesses have not sponsored online, with a mean value of 1.39 (Table 2). Clearly, there exists great scope for busi-

nesses to take advantages of the benefits associated with online sponsorship. Chaffey et al. (2005) suggest that this could include co-branding, which is a more cost effective approach to sponsorships.

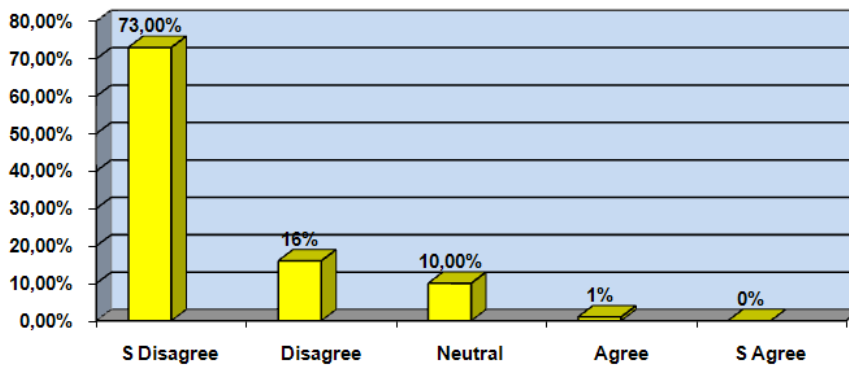


Fig. 9. The business has engaged in online sponsorships

3.11. The effective use of the Internet by small businesses. The results, as indicated in Figure 10, indicate that the vast majority (74%) of respondents did not perceive small business as using the Internet effectively, with 52% strongly agreeing and 22% agreeing with this statement. Only 10% of respon-

dents were in agreement that small business used the internet effectively. This was borne out by a mean value of 1.86 as reflected in Table 2. This needs to be viewed against the viewpoint of Reed (2011) that the Internet is an effective means of marketing small businesses while remaining cost effective.

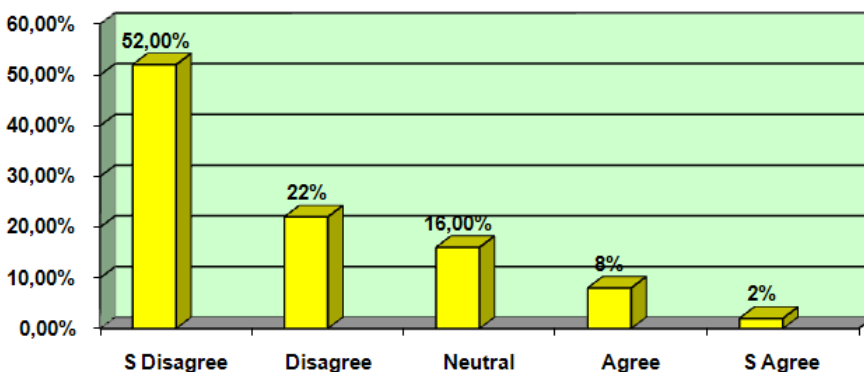


Fig. 10. The Internet is being effectively used by small businesses

3.12. The Internet as an effective promotional tool for small businesses. 100% of respondents considered the Internet to be an effective promotional tool for small businesses, as reflected in Figure 11, with 96% of respondents strongly agree-

ing with this statement. This is evidenced by a mean value of 4.96 as depicted in Table 2. This is a positive sign, indicating an acknowledgment of the importance of the Internet in promoting small business.

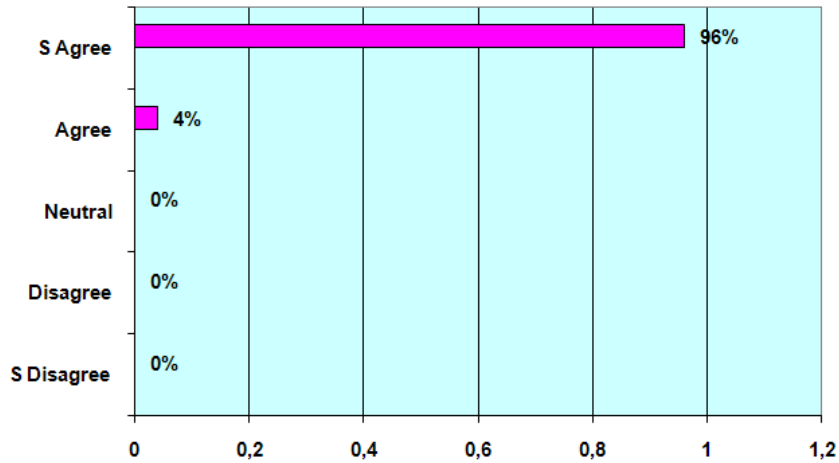


Fig. 11. The Internet is an effective promotional tool for small businesses

4. Recommendations

Based on the findings of the empirical study, the following recommendations are made. All current specials and promotions should be added onto the business’ website to attract more customers to the website. More hype should be created around business websites. Customers must be encouraged to share their experiences with others. To this end, customer engagement is important. Online promotions, free delivery, can be considered.

Various forms of online advertising options exist. These need not be elaborate or expensive. Other websites linked to the business website could be used. Businesses should ensure that they have a strong online presence. There should be listings on online directories where all the organization’s details are made available. The website must be constantly updated.

E-mails need to be more effectively used in sending personalized messages to clients. To this end, a proper profiling of customers is necessary. Small businesses should make use of social networks to speak about the company and/or its products. It is essential to start a conversation on social networks

and to keep track of developments. Organizations that do not have a website should engage the services of external service providers in establishing and maintaining the site.

Conclusion

The Internet has become one of the most important promotional tools for SMMEs. The fundamental problem is that it is not clear whether SMMEs use the Internet to promote their business and/or product offerings, and if they do so, the extent to which this is practiced. This paper, therefore, attempted to ascertain the extent to which this was being done. A survey was conducted among 388 SMMEs in Durban, South Africa. The results indicated that hype was created around company websites, businesses have advertised online, are using on line directories, using social media and are using e-mails to promote themselves, but only to some extent. There was a notable absence of the use of viral campaigns and engaging in online sponsorships. The large majority of respondents indicated that SMMEs were not effectively using the Internet to promote themselves. Recommendations have made as to how SMMEs can use the Internet more effectively in promoting themselves.

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