

**SOCIAL MEDIA MARKETING, CHALLENGES AND PERFORMANCE OF
STARTUP COMPANIES IN NAIROBI**

OCHIENG LYNNETTE AWINO

D65/81267/2015

SUPERVISOR

PROFFESSOR JUSTUS MUNYOKI

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF
SCIENCE IN MARKETING, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI**

DECLARATION

This research project is my original work and has not been submitted for any award in any other university.

Lynnette Awino Ochieng

Reg. No.: D65/81267/2015

Signature: Date:

Recommendation

This research project has been submitted for examination with my approval as university Supervisor.

Professor Justus Munyoki

School of Business

University of Nairobi

Signature: Date:

DEDICATION

I dedicate this study to my parents, Vitalis Ochieng, my father and Lorna Ochieng, my mother. They have been very supportive throughout my study period and have selflessly sacrificed themselves to sponsor my Masters degree.

ACKNOWLEDGEMENT

I thank the Almighty for the opportunity to undertake this applied research project. I acknowledge the contribution, support and guidance of my supervisor Professor Munyoki for the time he spent checking on the progress of this applied research project all the way to the completion of my research project, which gave me a lot of encouragement to continue even when the going seemed tough. I also want to thank my friends, family and the entire school of business for their support throughout the project.

ABSTRACT

This study sought to establish the influence of social media marketing on the performance of startup companies in Nairobi, Kenya. The main objectives were: to determine the most widely used social media tools by Startup companies in Nairobi; to establish the influence of social media marketing on the performance of Startup companies in Nairobi and to determine the challenges arising from the use of social media marketing for the Start-up companies in Nairobi. This study used a descriptive cross sectional research design and a study population of 231 startup companies. The primary data was collected using semi-structured questionnaires through the drop and pick method within the respective startup companies. Secondary data was collected from scholarly articles such as research reports and books. Regression analysis using Ordinary Least Squares (OLS) method was used to evaluate whether sales revenues by start-up firms can be explained by a vector of variables that measure use of social media by those firms. Adjusted R-squared was used to assess the explanatory power of the model. In other words, the extent to which the engagement in social media and the control variables explain performance of start-ups. The individual co-efficient for the different independent variables were evaluated for statistical significance using t-test for regression co-efficients at 5% significance level (95% confidence level). The statistical significance of the entire model was also assessed at 5% significance level. The study found that most startups are using social media particularly Facebook and WhatsApp. However, very few firms use LinkedIn and twitter. Although most of the startups do not have a social media department, they acknowledge the role of social media in influencing their performance both positively if used properly and negatively if it is not managed properly. Therefore, they closely monitor their social media accounts. A regression analysis shows that there is a positive relationship between the number of followers on social media and sales revenue of startup firms. This study explained performance of starts ups as a function of the number of followers on social media, the sales volume (in units), the legal status of the startup and its location. Therefore, there were four independent variables. Performance of startups was measured using the annual sales revenue in Kenyan shillings. The four independent variables explain 48% of the performance in Start-ups firms whereas 52% of their performance is explained by other factors that are outside the model. . Holding all the factors that are in the model constant, a start up will report sales revenues of Ksh. 102,000. Each additional follower on social media increases sales revenues by Ksh. 5,000 on average. The coefficient is statistically significant at 5% ($p.value=0.049 < p.critical= 0.05$). Social media interaction offers a platform for marketing and sales of products, development of new product brands, access to real-time customer feedback to enhance banks' understanding of the needs of their customers. This study recommends that startups firms in Nairobi need to further embrace social media networks by increasing their efforts to reach larger audiences through the platforms. Further research is necessary to assess whether the findings can be similar in other regions in Kenya. The government of Kenya needs to provide support to start ups through educational programs to train them on how they can optimize sales revenues that are realized through social media at the lowest cost possible. Training on how to mitigate risks associated with social media platforms is necessary so that startups can reduce their exposure to such risks.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF TABLES	viii
CHAPTER ONE :INTRODUCTION.....	1
1.1 Background of study	1
1.1.1 Social media marketing.....	3
1.1.2 Organizational performance.....	4
1.1.3 Startups in Kenya.....	5
1.2 Research Problem	7
1.3 Objectives of the Study.....	9
1.4 Value for research.....	10
CHAPTER TWO :LITERATURE REVIEW.....	11
2.1 Introduction.....	11
2.2 Theoretical Framework.....	11
2.2.1 Technology Acceptance Model	11
2.2.2 Social Network Theory	12
2.2.3 Implicit Person Theory	13
2.3 Social Media Marketing and Performance of Startups in Nairobi.....	14
2.4 Review of Empirical Studies	19
2.5 Summary.....	21
CHAPTER THREE :RESEARCH METHODOLOGY	22
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Target Population.....	22
3.4 Sample and Sampling Technique.....	23
3.5 Data Collection	23
3.6 Validity and Reliability Testing.....	24
3.7 Data Analysis.....	24

CHAPTER FOUR :DATA ANALYSIS,RESULTS AND DISCUSSION	27
4.1 Introduction.....	27
4.2 Geographical Dispersion.....	27
4.3 Time of Operation of Start-ups	28
4.4 Legal Structure of Start-ups	28
4.5 Use of Social Media by Start-Ups.....	29
4.6 Customer Acquisition Costs through Social Media	30
4.7 Risks Associated with Social Media.....	31
4.8 Organizational Performance	33
4.9 Regression Analysis.....	34
CHAPTER FIVE :SUMMARY,CONCLUSION AND RECOMMENDATIONS.....	36
5.1 Summary	37
5.2 Conclusion	38
5.3 Recommendations for Policy and Practice	39
5.4 Limitations of the Study.....	40
REFERENCES.....	42
APPENDICES.....	45
Appendix I:Questionnaire.....	45

LIST OF TABLES

Table 4.1: Geographical Distribution of firms	27
Table 4.2: Time of Operation.....	28
Table 4.3: Legal Structure.....	28
Table 4.4: Use of Social Media by Start-Ups	29
Table 4.5: Reasons Social Media Use.....	30
Table 4.6: Social Media and Reduced Customer Acquisition Costs	31
Table 4.7: Risks Associated with Social Media.....	31
Table 4.8: Frequency of Updating Social Media Sites	32
Table 4.9: Performance of Startups and Social Media.....	33
Table 4.10: Performance Measures and use of Social Media	33
Table 4.11: Challenges Faced with the Use of Social Media	34
Table 4.12: Regression Statistics	34
Table 4.13: ANOVA.....	35
Table 4.14: Regression Coefficients	36

CHAPTER ONE

INTRODUCTION

1.1 Background of study

Marketing is paramount for the survival and success of any business. Today, businesses have a variety of marketing opportunities as compared to the recent past. Social media allows two-way conversations where organizations listen and respond to the consumers. Besides, social media encourages participation and feedback that helps businesses to improve their products or services (Pradiptarini, 2011). Additionally, social media allows startup companies to engage clients directly and at a relatively low cost as compared to traditional marketing tools. Since the main goal of startup companies is to reach a large client base, companies must, therefore, have their presence where consumers are hanging out, whereby in most cases this is in the social networking sites. This, therefore, makes social media effective for both well established and startup companies (Mishra, 2017). Social media has caused a shift concerning the tools and strategies businesses use to communicate with the clients. Social media marketing allows companies to understand the consumers taste and preference better. This is paramount in building an effective relationship with the customers. However, it is important to keep in mind that the companies must be able to respond to both negative and positive remarks concerning the brand. Social media marketing involves the use of online platforms like LinkedIn, Twitter and Facebook to attract customers in creative ways (Išoraitė, 2016).

This research was founded on three theories. The technology acceptance model that was proposed in 1989 by Davis (Surendran, 2012) whereby he argues that perceived

simplicity and convenience are the major force behind individuals adopting an information technology. Social network theory which looks at how individuals interact with others inside their networks. The theory views social relationships in the form of ties and nodes. Ties are the relationships that exist between the actors while the latter is the individual players within the networks. The implicit person theory which looks at how personality influences consumer inferences and whether the personality traits are malleable or fixed (Heslin, Latham & VandeWalle, 2005). These theories will be useful in explaining social media and how it is applied in business.

A startup company is a newly emerged business whose main goal is to meet the needs and expectation of a marketplace innovatively. Start-up firms are usually described as reactive, unstructured and informal. According to Mishra (2017), Startup companies incorporate marketing to meet the immediate needs as opposed to paying attention to plans and strategies. This is attributed to the fact that startup companies focus on sales in order to survive. Marketing therefore in startups is not influential or adequately developed as compared to already established companies. Social media is, therefore, one of the solutions to the marketing challenge experienced by start-up. This is an appropriate marketing tool since it is affordable, relatively easy to use and allows startup companies to reach a large audience (Pradiptarini, 2011). As a result, therefore, startups can overcome the problems of limited budget and lack of expertise as the playing field is leveled, thus allowing startups to effectively compete with well-established companies. The philosophy that guides the startups is that markets have major gaps that the startups can fill. In other cases, startups are based on the belief that certain services are inadequately offered in the market, a gap the startups seek to fill (Evers, 2003).

1.1.1 Social media marketing

Social media refers to a set of internet-based applications that create user generated content that can be shared. Social media allows customers to follow, comment and ask questions about brands. Through this, a firm can be able to find out the perception of their potential customers. For many years the major forms of marketing included radio, television, magazines and many others. However, this has changed in the recent years with the advent of social media marketing. Today we are experiencing a radical shift regarding how start-up business conducts their marketing (Nyambu, 2013). Many startup businesses are embracing social media marketing as a marketing tool. However, it is vital to keep in mind those businesses that are capable of effectively using this new advances have a higher chance of increasing their competitive advantage. This, therefore, has made social media an effective marketing strategy for most start-up businesses. However, the major concern for most start-up businesses in Nairobi is establishing a wide consumer base, creating brand awareness and maintaining the existing customers by developing a relationship with them.

It is evident therefore that social media marketing has slowly replaced traditional marketing. This has therefore made it the strongest and fastest tool to develop and build a useful relationship between businesses and customers. It is, therefore, crucial for startups to use social media as a marketing strategy effectively. Besides, it is paramount to keep in mind that an appropriate marketing plan allows companies to understand their businesses, target consumers and know their competitors (Vásquez& Escamilla, 2014). Additionally, effective marketing plan, direct actions and decisions to follow the appropriate track. Lastly, the main reasons that make social media a leading marketing tool for digital

marketing is the fact that the platform has a large user base and is affordable thus making it appropriate for startup.

1.1.2 Organizational performance

An important aspect in strategic management is the monitoring of organizational performance. Organizational performance refers to the extent to which an organization is achieving its strategic goals and realizing its vision (Ekpe, Eneh&Inyang, 2015). Assessing organizational performance is the surest way through which managers can recognize areas that need change in organizations. Despite the importance attached to performance management, it remains a complex phenomenon that requires prudence in practice. Business executives therefore look into organizational aspects such as profits and performance in the stock market to gauge organizational performance. Such aspects, however, do not offer the full picture of organizational performance. The use of performance referents, seeks to cure the problem of failing to accurately assess organizational performance. Performance referents look into specific performance measures, and gauge how well an organization is on course in realizing the specific performance measures (Ekpe, Eneh&Inyang, 2015).

Financial measures of performance relate to organizational effectiveness and profits. Examples include financial ratios such as return on assets, return on equity, and return on investment. Other common financial measures include profits and stock price. Such measures help answer the key question “How do we look to shareholders?” Financial performance measures are commonly articulated and emphasized within an organization’s annual report to shareholders. To provide context, such measures should be objective and be coupled with meaningful referents, such as the firm’s past

performance. Customer measures of performance relate to customer attraction, satisfaction, and retention. These measures provide insight to the key question “How do customers see us?” Examples might include the number of new customers and the percentage of repeat customers (Short, 2003).

Internal business process measures of performance relate to organizational efficiency. These measures help answer the key question “What must we excel at?” Examples include the time it takes to manufacture the organization’s good or deliver a service. The time it takes to create a new product and bring it to market is another example of this type of measure. Learning and growth measures of performance relate to the future. Such measures provide insight to tell the organization, “Can we continue to improve and create value?” Learning and growth measures focus on innovation and proceed with an understanding that strategies change over time. Consequently, developing new ways to add value will be needed as the organization continues to adapt to an evolving environment. An example of a learning and growth measure is the number of new skills learned by employees every year (Short, 2003).

1.1.3 Startups in Kenya

Currently in Kenya, entrepreneurship has been seen to be rising at a very high rate. For this reason startup companies are coming up equally as fast to keep up with the trends. According to (Kenya Startups, 2017) there are 662 startup companies in Kenya. The three important things that start-up in Kenya hope to achieve when using social media as a marketing campaign is to enhance client engagement, create brand awareness and lastly, raising return on investment. This is crucial to them considering that these businesses are in their first years of operation and they need to survive. Social media marketing allows

businesses to communicate with customers directly by reading their comments and answering client's questions (Vásquez& Escamilla, 2014). This is vital for startups as it allows businesses to understand their consumers' demands, which is crucial in helping startup companies develop products and services that meet the customers' expectations (Mishra, 2017).

However, it is vital for a start-up company to develop and choose the appropriate social media platform for marketing. Another important consideration to ensure that social media marketing becomes effective is for start-up companies to make sure that their products and services are wrapped in a well-designed experience (Mishra, 2017). This is vital as it appeals to the people and makes them share with their friends. Additionally, startups must choose to engage in social environments that make sense and interest their consumers.

The business scene in Nairobi has experienced various developments and changes that have influenced the various aspects of marketing their produce. Here, startup companies in Nairobi have been forced to rethink how the major finances are distributed to marketing aspects such as advertising, use of sales agents and other tools of product promotion. Out of the 662 startup companies in Kenya, 548 of them are located in Nairobi (Kenya Startups, 2017). They cut across the various sectors of the economy most of them falling under technology and finance. An important aspect in examining the changing face of marketing by startup companies is the question of who holds the economic power in business transactions. In the past, the economic power was easily held and dominated by the sellers. This has, however changed, with the buyers now possessing the economic power due to various changes in technology and economic development.

For startup companies in Nairobi, therefore, a dire need for strategic marketing strategies arises. Here, the companies have to make sure that they approach marketing correctly in order to engage their audience better. Social media, therefore, comes out as a good avenue through which startup companies make their presence felt, thus attracting more financiers and customers. In making use of social media as a tool to gain exposure, the size of a company affects the ability of the said company to effectively make use of social media as a marketing tool.

1.2 Research Problem

The traditional channels of marketing have always posed a challenge to startup companies. One of the challenges includes the cost of marketing which is usually expensive. It is costly to adopt a marketing strategy that involves the use of banners, billboards and print media. This, therefore, makes these channels inaccessible due to high cost. Irrespective of the previous research conducted on social media marketing the empirical evidence provided has failed to show the influence of social media marketing on the performance of startup companies in Nairobi.

In a study that examined the question of how startups can use social media to realize their financing targets Jin, Wu & Hitt (2017), found social media to be critical. According to this study, startups that are active on social media have three major advantages over startups that are less active. First, active startups attract a big number of investors and lenders. Next, the active startups have a higher probability of being funded. In regards to the amount of funding, startups active on social media attract higher figures of finance compared to the less active startups. An example includes a research conducted by Jagongo and Kinyua (2013), which looked at the relationship between entrepreneurship

growth and social media in Kenya. The findings of the survey indicated that social media marketing provides business with a platform to access the resources that were not available to the firms. However, the survey failed to establish the connection between social media marketing and performance.

Additionally, most studies conducted in the past involving the influence of social media on performance only focused on well-established companies, thus little has been done concerning startups in Kenya. The importance of using social media in selling organizational ideas is also seen in a study conducted by Schein, Wilson, Keelan (2010). The study looked into the role that social media played in improving the performance of the public health sector in Canada. The findings of the study included the fact that it is through social media that organizations pass messages to the intended populations effectively. The study revealed that social media offers a platform where messages can be passed free of charge, thus significantly reducing the marketing costs. Besides, social media offers a platform where the perceptions of the target audiences are rapidly captured, and messages tailored to meet the needs of the target groups. In the local scene, research also shows the critical role played by social media in helping organizations communicate with target populations. Okinda (2010) conducted a study that gauged the influence of various social media activities on the operations of Kenya Commercial Bank. According to this study, social media heavily improved direct marketing at Kenya Commercial Bank. According to the study, social media platforms initiated and improved positive relations between the bank and its target audience. Besides, the bank was able to offer regular and timely updates to a big number of customers who are active on social media.

Given the fact that social media is a rapidly changing phenomenon, it is easier for large companies to keep up with such changes and turn them into profits. For startups that have financial challenges, it is difficult to keep up with social media changes. The result here is a failure of the startups to create and maintain profitable business connections, a factor that leads to the failure of many startups. Although inefficient use of social media cannot be pointed to as the only reason behind the failure of startup companies, it plays a big role in the failure of such enterprises. This obviously together with lack of adequate research conducted to establish how social media influences performance, has created a gap that informed my decision to conduct this study. This study seeks to determine how effective social media marketing influence the performance of start-up businesses. Besides, how social media marketing is used to create a connection with the potential customers.

1.3 Objectives of the Study

The main objective of this research was to determine the influence of social media marketing on performance of Startup companies in Nairobi. The specific objectives therefore were:

- i. To determine the most widely used social media tools by Startup companies in Nairobi.
- ii. To establish the influence of social media marketing on the performance of Startup companies in Nairobi
- iii. To determine the challenges arising from the use of social media marketing for the Start-up companies in Nairobi.

1.4 Value for research

The findings of this research will assist businesses to understand the opportunities offered by social media as a marketing tool. This study will also go a long way in informing companies on the appropriate steps to follow to make the use of social media a success. The finding of this research will also assist start-up companies to come up with countermeasures to overcome challenges encountered when using social media as a marketing tool. Additionally, the findings will be valuable to the future researchers as it does not only enrich the existing knowledge but also acts as a source of reference. Besides, the study will point out areas that require further research. Lastly, this study will also assist start-up companies to adopt appropriate social marketing tools that will enhance their competitive advantage.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a broader context of the study subject in terms of past scholarly works and what other authors have written about social media, social media marketing and performance. It examined an increasing body of knowledge pertaining to theories related to social media and review of empirical studies related to social media marketing.

2.2 Theoretical Framework

A lot of theories have been proposed to aid in explaining the concept of social media and how it is used in business. This research will be developed around three theories the technology acceptance model, social network theory and the implicit person theory.

2.2.1 Technology Acceptance Model

Numerous theories have been proposed to explain information technology acceptance. One of them is the technology acceptance model that was proposed in 1989 by Davis (Surendran, 2012). He argues that perceived simplicity and convenience are the major force behind individuals adopting an information technology. According to this model, a business decision to use the advancement structure is influenced directly or indirectly by the perceived usefulness of the technology, ease, and the consumer's behavioral desire.

The first aspect of perceived usefulness examines the level to which a given application is anticipated to positively affect the working of an individual. In conventional business practice, individuals are most likely to adopt technological changes and improvements that make their work performance better. The second aspect of the TAM model is the

perceived ease of use (EOU). An important aspect in the successful adoption of new technology, especially in the workplace is the level of ease that individuals can use the new technology. Studies indicate that people are often pessimistic of using new technology, especially when the technology is perceived hard to use. A combination of the two factors defines whether a system or a new application is used. The two major aspects within the TAM model are influenced by various external factors, which are political, social and cultural factors.

2.2.2 Social Network Theory

Social network theory looks at how individuals interact with others inside their networks. The theory views social relationships in the form of ties and nodes. Ties are the relationships that exist between the actors while the latter is the individual players within the networks. A player's location within the social network is an indication of the strength of the ties that the person associates with. Consequently, a person who is close to the center of the network, usually shows more links with other players when compared to an individual who is at the outer edges of a network (Sih, Hanser & McHugh, 2009). The relationship that exists between the nodes in social networking helps us understand the choices people make when relating with others. This theory argues that the individuals value their relationships and links that exist between them and other players as compared to their personal attributes. In this case, therefore, companies should ensure that they have strong links with the consumers, keep in mind that consumers will adopt a brand which they feel that they have strong ties with.

The three key elements within the social network theory are centrality, cohesion, and structural equivalence. Centrality in the network theory speaks to the positioning of

different individuals within the network. The second aspect in the social network theory is network cohesion. Network cohesion as a concept refers to the nature of the interconnections that individuals have within a network. Research indicates that the level of network cohesion affects the level of personal influence within a network. In the cohesive networks, personal influence gets stronger with time, in comparison to the networks that are not cohesive. The third aspect of the social network theory is structural equivalence. Structural equivalence speaks to different positions within a network that have similar characteristics. The individuals that occupy these positions have similar individual traits that qualify them to occupy the said positions. It is through the concept of structural equivalence where the position and role of individuals such as opinion leaders come to focus. In addition, structural equivalence shows how information spreads within a given network.

2.2.3 Implicit Person Theory

The implicit person theory looks at how personality influences consumer inferences and whether the personality traits are malleable or fixed (Heslin, Latham & VandeWalle, 2005). According to this theory customers who have the notion that traits are malleable are usually more accepting of a particular brand. However, on the other hand, customers who have the notion that traits are fixed tend to be less accepting of a brand. The main argument within the whole implicit person theory is that consumers have different perceptions of trait change depending on their alignment to different implicit theories. There are two major approaches in the implicit person theory. First is the prototypical entity implicit theory that posits that personality traits and attributes are constant and do not change over time. The second perspective of the theory is referred to as the

incremental implicit theory, which assumes that individual traits and attributes change over time. Most of the research on the implicit person theory has been done on the field of social psychology, where the focus is on understanding various facets of human behavior. The modern day business environment has, however seen an increase in the application of the implicit person theory in trying to understand business. Here, managers use the theory to inform their approaches to decision-making and goal setting.

2.3 Social Media Marketing and Performance of Startups in Nairobi

Considering the shift in marketing campaigns, social media therefore, offers a powerful platform for organizations to engage customers (Nyambu, 2013). Furthermore, it provides an efficient platform for startup companies to engage clients and expand presence in order to create brand awareness. Before, start-up companies faced challenges from well-established firms even when they had superior products. This is attributed to the fact that the marketing channels were rarely awarded to start-up companies. However, with the advent of social media, this has changed making it easier for startups to market their products to the masses. It is, however crucial to keep in mind that startups must be able to identify the right users and must have the right expertise, in order to create an environment where users will willingly spread the brand to their networks (Vásquez& Escamilla, 2014).

Social media is an effective marketing tool for startup companies. It is considered a powerful marketing tool as it increases customer interaction and visibility. Social media offers start-up with an interface to communicate continuously and inform the users of their products and services (Murphy, 2014). Besides, the social media platforms such as YouTube, Twitter, LinkedIn and Facebook allow startups to share images and content at

a relatively minimal expense. Additionally, social media encourage two-way communications where consumers can ask questions and comment thus enhancing information delivery.

Social media provides start-up businesses with a cost effective way to market its products and services. By using social media a business is able to share content and enhance its visibility. Besides, social media greatly enhances brand recognition, which is achieved through continuous engagement with a broad base of clients (Murphy, 2014). Use of social media as a marketing tool helps start-up companies to optimize search engines which are crucial in attaining high page ranking and consequently obtaining traffic. Besides, social media also provide start-up businesses with an opportunity to create high content which improves rank (Murphy, 2014). Additionally, posting quality content usually persuades the followers to share and like the content which assists in building a social media community. Furthermore, it provides start-up businesses with a chance to be identified by industry influencers like bloggers who can write about that business.

Social media marketing increases a business visibility and thus providing a business with opportunities for conversion. It is important to keep in mind that every video, comment or post may influence viewers to visit the firm's website which in turn increases traffic. Brands are personified when they are interactive on the social media and as a result, many consumers may decide to purchase the product on the basis that, individuals prefer to conduct business with people instead of a company (Azarkina, Kpossa, & Lick, 2015). Since social media is a networking platform, it is perfect for start-ups. This is attributed to the fact that it creates a voice for the start-up business, which is paramount in humanizing the firm. As a result, customers feel contented and appreciated when they

receive a personalized response after posting comments or asking questions on the company page instead of an automated response. Two way communication indicates that a company is keen on their consumers and that their main objective is to provide the best experience (Išoraitė, 2016).

Building a loyal customer base is one of the major goals of a start-up company. Keep in mind that brand loyalty and customer satisfaction cannot coexist separately (Išoraitė, 2016). It is, therefore, crucial for businesses to continuously engage customers in order to build trust, considering that consumers see social media as a service channel that allows them to communicate with the company directly (Azarkina, Kpossa, & Lick, 2015). For a business to appear authoritative it has to achieve two major things, customer satisfaction, and brand loyalty. However, this can only be achieved through effective communication. This is attributed to the fact that when businesses post original content and respond to the consumer's questions it makes the business appear more credible (Azarkina, Kpossa, & Lick, 2015). The customers are left with the notion that a business is concerned with customer satisfaction and is ready to engage with them. As a result, the satisfied customers will be willing to share with others about the great product or services and in most cases share their opinion on the social media network. This will lead to customers mentioning a business which translates to advertising.

Social media marketing offers start-up business with a relatively low-cost advertising strategy. This is attributed to the fact that most social networking sites do not require payment for simply creating a profile (Mishra, 2017). On the other hand, any paid promotions that a company chooses to invest in are relatively cheap when compared to other marketing strategies. This benefit, therefore, allows a company to experience a

greater return on investment and use the saved money for other business expenses. Social media marketing allows start-up companies to understand what the consumers need by communicating to them directly (Mishra, 2017). Additionally, the platform allows the business to closely monitor its profile and in the process, identify a consumer's opinion which is rather hard to note if a business lacks the social media presence.

Sales Volume: Social media allows startup companies to see comments posted by prospects clients. As a result, therefore, a company will be able to know their customers wants. According to Evans and McKee (2010), social media provides companies with a platform to search connect and understand their clients. Besides, social media appeals to people to try new products, build brand awareness which translates to more sales.

Customer acquisition costs: This encompass costs arising from businesses convincing potential clients to purchase their products and services. Customer acquisition cost is paramount as it is used in calculating the value of a client to the business, this is crucial as it helps a business to decide on how much resources can be spent on a particular client (Jagongo&Kinyua, 2013). This process is vital considering that customers are considered assets and therefore must be acquired before managing them for profit. Customer acquisition is very vital for start-up firms, as a result, therefore, social media marketers should understand the costs involved and how the costs are measured.

Companies are able to keep track of their reach on the social media by closely monitoring the likes on Facebook, connection on LinkedIn and views on YouTube. This is crucial considering that start-up companies have a better chance of influencing their fan when they have a higher reach. However, this influence is dependent on the quality of content created on the social network, because quality content increases brand awareness

positively (Kabue, 2013). After successfully reaching the clients the next step involves engaging them and stimulating them to purchase the brand and stick with it. According to Oyza& Edwin (2015), when customers actively engage with a firm they will be persuaded to purchase more and even recommend to their social circles. The success of social media marketing, however, is dependent on the company's effort to raise engagement. This can be achieved through posting curious content in order to stimulate the audience. Additionally, it is crucial to note that social media engagement occurs in various forms, including clicks on posts, retweets, shares, Facebook comments, direct messages, YouTube ratings and many others. According to Schivinski&Dabrowski (2016), engagement is equal to the total number of interactions across the social media platforms over the total number of followers in those social media channels. The best way to ensure that social media marketing is a success is by linking the marketing strategy, for instance, content marketing to the social media channels. This is crucial since it stimulates the existing clients to continue engaging with the companies' brand. Besides, anonymous visitors can be comfortably converted to potential clients.

Risk Mitigation and Management: Social media listening is crucial in start-up companies since it acts as an early risk indicator in social media marketing. The ability to identify the risk indicator early enough is important in shielding the business and mitigating the effect of the crisis when they happen. Additionally, socially connected customers are also very important, since they can provide a business with community intelligence on how to identify fraud (Vásquez& Escamilla, 2014). It is paramount to note that startups can achieve an effective risk management when using social media for

marketing if they are capable of giving consumers a one brand experience across all the social media platforms.

2.4 Review of Empirical Studies

Multiple types of research have argued that startup companies have the capability to excel in the area of customer acquisition with low costs. Arockiaraj and Baranidharan conducted a research in India in 2013, the study reported that social media networking is continuously becoming the most popular online sector in India. As a result, therefore, marketers embrace this channel to interact with their customers. The analysis also indicated that social media develops brand awareness. Another research conducted by Schivinski and Dabrowski (2016) aimed at finding out how social media communication using Facebook influenced the customer's perception of brands. The findings of the results showed that there was a positive effect on brand attitude and equity when social media communication is user generated. On the other hand, a company's generated social media communication has a positive influence on brand attitude only. Finally, the results of the research showed that both brand attitude and brand equity influenced purchase retention positively. In this case, therefore, the individuals in the social media channel tend to trust the message originating from a fellow user, as opposed to when it originates from the company itself. The study also reported that social media offer start-ups business a relatively inexpensive channel to market their brands. According to Keller (2009), brand awareness, referrals and purchase intentions are all useful indicators of an increase in sale volume and brand equity.

Kabue also conducted a survey in 2013 to establish the factors that affect the small and medium-sized enterprise adoption of social media as a marketing tool. The researcher

paid attention to SMEs in Nairobi County. According to the findings of the research, there exists a positive relationship between the performance of a business and the marketing strategy adopted. The findings also reported that many of the participants used in the study are active social media users. The study reported that social media marketing increases business performance and provides businesses with a cheaper way to advertise as compared to other types of marketing strategies. Another study was conducted by Stanley in 2011 to determine the role of social media as a marketing tool for the tourism industry in Kenya. The researcher used Kenya safari and tour as his study population. The analysis of the results indicated that the use of social media as a marketing tool enhances brand awareness and revenue. Odhiambo (2010) conducted a research to determine whether social media is more efficient in brand management when compared to the traditional media. The study established that although social media is better compared to some of the traditional marketing channels. It is impossible to use it alone without augmenting it with the latter channel. This, therefore, implies that is nearly impossible for social media to establish brand awareness single handedly. Additionally, the research reported that social media interaction is a crucial step in customer relationship management process since it increases customer retention and allows the spread of corporate message from one user to another. Additionally, social customer relationship management enables firms to identify their high-value clients and thereafter proceed to market to them. This way the companies will succeed in making their clients feel that they have a one on one relationship with the firm and hence a sense of trust is created.

2.5 Summary

The literature has looked into researchers that have not explicitly addressed the influence of social media marketing on the performance of Startup companies in Kenya, with special reference to Nairobi. The literature has clearly shown the shift from the marketing approach of bombarding customers with numerous advertisements, to a marketing approach that centers on creating relationships with potential customers through a two-way communication process. This is considered effective as companies get to understand the customers' expectations and thus come up with a product that will solve the consumer's problem (Jagongo&Kinyua, 2013). Although there has been a shift in the marketing approaches, some of the social media marketing campaigns today still focus on sales as a short term result, which is an old fashioned marketing strategy. On the other hand, the theories indicate that creating an honest company client relationship by constantly engaging conversation influences interaction. Trust is considered the key factor to attract followers and persuade them to change their purchasing habits and influence their friends. This is vital as it translates to increased business revenue and thus affecting the performance of the company positively. According to Murphy (2014), creating brand loyalty and establishing a strong relationship with the customers helps in ensuring that the social media marketing campaigns are relevant to the client. Besides, the literature indicates that more people are using the internet and joining social media, which translates to increased company client interactions every day. This, therefore, is a sign that customers are depending on social media to access services as well as make inquiries.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the techniques that will be used in conducting this research, particularly, sampling, methods of data collection and data analysis strategies.

3.2 Research Design

The research design illustrates the roadmap that the research will follow. Research design is the organizing of conditions for purposes of collecting and analyzing data in a way that it shows relevance to the research. The study adopted descriptive cross sectional research design, which encompasses the process of collecting data that describe events. The process also involves organizing data and describing it (Williams, 2007). This research design is relevant for this study as it portrays the variables by answering who, what and how questions. This design is effective for this study considering that descriptive statistics shows the cause and effect relationships that exists among the research variables.

3.3 Target Population

A study population comprises of the entire groups of individuals, objects, items, cases, articles, or things with common characteristics existing in space at a particular point of time. This study used 548 startup companies located in Nairobi as the target population. The companies were selected on the basis that they are active social media users so as to ensure relevance with the study being conducted.

3.4 Sample and Sampling Technique

Simple random sampling was used for this research in order to identify the sample. 231 startup companies located within Nairobi will form the sample population. This figure was calculated using the formula $n = N / \{1 + N (e^2)\}$.

Where;

n=sample size; N=Total number of startups in the population; e=allowable error (%) and a 95% confidence level. Therefore:

$$n = 548 / \{1 + 548(0.05^2)\}$$

$$n = 231.22$$

Therefore 231 startup companies were used as the population for this study.

The researcher obtained a list of registered startup companies from the Registrar of Companies after which a random sample was obtained. (Omair, 2014).

3.5 Data Collection

A semi-structured questionnaire was used to collect data from the head office of the 231 start-up companies in Nairobi. The questionnaires constituted of closed ended questions. For this study, a questionnaire was considered suitable for data collection considering that it is the most effective instrument when the respondents are many and they are literate to answer questions. The questionnaire was semi-structured and it was administered to 231 managers of the respective startup companies.

The study employed primary and secondary methods of data collection. The secondary data collection methods include scholarly articles such as research reports and books. Primary data collection methods, on the other hand, include the questionnaire.

Data was obtained from the participants after seeking consent from the management of the head offices of the various startup companies. The questionnaires were administered to the participants through the head of marketing unit which were then later collected at the end of the business day.

3.6 Validity and Reliability Testing

The study established the content validity of the research instrument by consulting and following the guidance of the university research supervisor. In the present study, the reliability of the study was ensured through the development of a measurement instrument that focuses on the data collection procedures. To ensure reliability of the study, the measurement instrument ensured that the study questions used were clear, without any form of ambiguity. This was done by making sure that the questions formulated were simple and easy to understand. The clarity of these questions ensured that data interpretation was done with a high level of certainty, indicating an improved level of reliability.

3.7 Data Analysis

The study adopted a quantitative research design as it seeks to establish a causal relationship between social media marketing and performance of startup companies in Nairobi. The use of descriptive statistics such as means, standard deviations and percentage proportions will be employed to summarize data into meaningful information to the study that is tables, graphs, and percentages. Regression analysis using Ordinary

Least Squares (OLS) method was used to evaluate whether sales revenues by start-up firms can be explained by a vector of variables that measure use of social media by those firms. Consequently, we seek to make direct causal statement of the impact of independent variables (social media use) and sales revenues.

The model is specified as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where

Y Performance of start-ups as indicated by the sales revenue for the last 12 months in Kenya Shillings

β_0 Constant term. It summarizes the sales level that is not affected by any of the independent variables under consideration.

$\beta_1- \beta_4$ Co-efficients of the independent variables that shows the extent to which a unit change of those variables influences sales.

X_1 The number of aggregate followers that a firms has on all its social media accounts. It approximates how aggressively the firm uses social media

X_2 The total sales volume made through social media. It approximates how persuasive a firm is on its social media accounts.

X_3 It is a variable for location. It controls for the differences in market size in different locations

X_4 It is a variable for legal status. Legal status is used as a proxy for the firm size since that information was not available.

E Error term

Adjusted R-squared was used to assess the explanatory power of the model. In other words, the extent to which the engagement in social media and the control variables explain performance of start-ups. The individual co-efficients for the different independent variables was evaluated for statistical significance using t-test for regression co-efficients at 5% significance level (95% confidence level). The statistical significance of the entire model was also be assessed at 5% significance level.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents study findings from analysis of survey data collected from start-ups in Nairobi using a survey instrument that is attached in the appendices. The study targeted a sample of 231 respondents based on provide adequate statistical power. To allow for possible attrition, 300 different enterprises were targeted and 224 returned their filled-in survey instrument which translates to a response rate of 75%. The total number of firms that responded fell short of the targeted sample size by only less than 10. Therefore, the data was adequate for analysis.

4.2 Geographical Dispersion

Table 4.1 shows the geographical dispersion of the start-ups under the study. The firms were only drawn from Nairobi based on data drawn from the Nairobi County government.

Table 4.1: Geographical Distribution of firms

	Frequency	Percent (%)
Starehe	16	7%
Dagoretti	9	4%
Kamkunji	7	3%
Makadara	29	13%
Langata	25	11%
Kasarani	13	6%
CBD	81	36%
Westlands	40	18%
Njiru	4	2%
Total	224	100%

Source: Research Data (2017)

The study found that most of the firms (36%) operate within the Central Business District, followed by Westlands at 18%.

4.3 Time of Operation of Start-ups

Table 4.2 shows the geographical dispersion of the start-ups under the study. The firms were only drawn from firms that have been in operation for less than 2 years based on their registration license date.

Table 4.2: Time of Operation

Time	Frequency	Percent (%)
0-6 Months	34	15%
12-18 Months	101	45%
6-12 Months	45	20%
Above 18 Months	45	20%
Total	224	100%

Source: Research Data (2017)

The study found that almost half of the sampled firms (45%) have been in operation for between 12 and 18 months while only 15% have been in operation for less than 6 months.

4.4 Legal Structure of Start-ups

Table 4.3 summarizes the legal structure of the sampled start-up firms.

Table 4.3: Legal Structure

	Frequency	Percent (%)
Sole proprietorship	128	57%
Partnership	72	32%
Limited company	25	11%
Total	224	100%

Source: Research Data (2017)

The study found that most of the start-ups are sole proprietors (57%) whereas only 11% are limited companies.

4.5 Use of Social Media by Start-Ups

Out of the 224 firms that responded, 218 firms (97%) use some type of social media platform which reflects the pervasiveness of social media among firms in Nairobi. Table 4.4 summarizes the different social media platforms that are used by starts-ups.

Table 4.4: Use of Social Media by Start-Ups

	Frequency	Percent (%)
Facebook	138.88	62%
WhatsApp	67.2	30%
Twitter	11.2	5%
Blogs	4.48	2%
LinkedIn	2.24	1%
Total	224	100%

Source: Research Data (2017)

The respondents were asked which social media platform is the most preferred within their institutions and the results show that Facebook is the most popular social media platform (62%). We can only speculate that it is most preferred because of its wide reach of Facebook pages and the ease of marketing such pages. WhatsApp is also popular with at least 30% of the firms interviewed reported using it. Very few firms are using LinkedIn and blogs. It is noteworthy that only 5 firms (less than 3%) of the interviewed firms had a social media department, while the average number of employees for those firms that had a social media department is three. The average number of social media followers for firms that had social media accounts was 8,432 with a standard deviation of 198. It is clear that most start-ups appreciate the pivotal role that social media plays in the success of their firms. We further sought to understand the specific motivations for using social media. Table 4.5 shows the summary of the main reasons for use of social media.

Table 4.5: Reasons Social Media Use

Reason for Social Media Use	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Market Research	50%	27%	23%	0%	0%	100%
Selling products	70%	20%	6%	3%	1%	100%
Access to new markets	67%	22%	9%	0%	2%	100%
Collect customer data	30%	15%	3%	40%	12%	100%
Manage customer relationships	60%	25%	10%	5%	0%	100%

Source ResearchData (2017)

The respondents were asked their main reasons for using social media and the results show that the most important drivers for using social media is selling products, access to new markets, managing customer relationships and market research. Table 4.5 shows that 90% of the respondents strongly agree or agree that they use social media for selling products. This is supported by the fact that 94% of the respondents strongly agree or agree that they have acquired new customers through social media platforms. Similarly Table 4.5 further shows that 89%, 85%, 77% of the respondents strongly agree or agree that they use social media to access to new markets, managing customer relationships and market research respectively.

4.6 Customer Acquisition Costs through Social Media

Information technology is lauded for reducing informational cost and bridging geographical distance which lowers the cost of interacting with potential customers. The study asked respondents where they believed that social media has reduced their customer acquisition costs. Almost all of the respondents revealed that social media has reduced customer acquisition costs by (97%).

The respondents were asked the extent to which social media interaction has reduced customer acquisition costs and Table 4.6 summarizes their responses.

Table 4.6: Social Media and Reduced Customer Acquisition Costs

	Frequency	Percent (%)
Little Extent	16	7%
Moderate Extent	49	22%
Great Extent	87	39%
Very Large Extent	72	32%
Total	224	100%

Source ResearchData (2017)

The results show that 32% believe that it has reduced customer acquisition cost by a very large extent, 39% believe that it has reduced customer acquisition cost by a great extent, 22% believe that it has reduced customer acquisition cost by a moderate extent, 7% believe that it has reduced customer acquisition cost by a little extent.

4.7 Risks Associated with Social Media

There are various risks that are associated with social media that could not only affect the performance of start-ups but, also influence how a start-up will continue to be operational in the foreseeable future. The stakes are even higher for start-ups since they do not have strong systems and the financial muscle of organizations that have been operational for long to cushion such risks.

Table 4.7: Risks Associated with Social Media

Response	Reputational Risk		Operational risk		Data Management Risk	
	Frequency	%	Frequency	%	Frequency	%
Yes	190	85%	112	50%	76	34%
No	34	15%	112	50%	148	66%

Source ResearchData (2017)

The respondents were asked to state the various risks they pose to face with the use of social media and the results in Table 4.7 show that the respondents believe that social

media use by their business possess reputational risks, operational risks, and data management risks.

Reputational risk appears to be the strongest concern for start-ups. This is expected because social media allows very fast transmission of information and widens social networks which increases reach of the message. A negative comment on a social media site will be read by everyone who visits that site. Therefore, a bad reputation could hinder acquisition of new customers through social media and at the same time reduce sales or turn away already existing customers. Therefore, the surveyed start-ups have a very fast turn-around in responding to messages on social media and ensuring that orders are delivered on time. Although most of the firms do not have a social media department, they closely monitor their social media sites to respond to customer needs and complaints in a timely manner.

Table 4.8: Frequency of Updating Social Media Sites

	Frequency	Percent (%)
Hourly	67.2	30%
Daily	100.8	45%
Weekly	22.4	10%
Monthly	6.72	3%
Other	26.88	12%
Total	224	100%

Source ResearchData (2017)

The respondents were asked how often they updated their social media sites and the results are shown on Table 4.8 above. According to this study we found that around 100 start-ups update their social media sites daily, this represents 45% of all the population under study. 30% which represent about 67 start-ups update hourly with the rest doing their updates weekly and monthly that is 10% and 3% of the start-ups respectively.

4.8 Organizational Performance

The respondents were asked if the use of social media has improved the performance of their company and the results are shown in Table 4.9 below.

Table 4.9: Performance of Startups and Social Media

	Yes	No
Has the use of social media marketing improved the performance of your company?	94%	6%

Source Research Data (2017)

The study found that 94% of the respondents acknowledge that the use of social media has improved company performance only 6% felt that their performance has not improved with the use of social media.

The respondents were asked to gauge the extent to which their company performance improved based on the measures shown on Table 4.10 below.

Table 4.10: Performance Measures and use of Social Media

Performance Measure	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Enhanced brand awareness	60%	25%	10%	5%	0%	100%
Improved search engine rankings	40%	21%	27%	8%	4%	100%
Higher conversion rates	70%	20%	6%	3%	1%	100%
Selling of products	80%	15%	4%	0%	1%	100%
Customer satisfaction	58%	17%	6%	14%	5%	100%
Improved brand loyalty	30%	15%	3%	40%	12%	100%
Increased brand authority	50%	27%	23%	0%	0%	100%
Cost effective	67%	22%	9%	0%	2%	100%
Increased marketplace insights	92%	2%	0%	6%	0%	100%

Source Research Data (2017)

The study found that most respondents strongly agree and agree that the use of social media has improved their company performance. Based on Table 4.10, 85% believe that it has enhanced their brand awareness. 61% believe that it has improved search engine

rankings. 90% believe that it has resulted to higher conversion rates. 95% believe that it has made it easier for them to sell their products. 75% believe that it has improved customer satisfaction. 45% believe that it has improved brand loyalty. 77% believe that it has increased brand authority. 89% believe that it is cost effective and 94% believe that it has increased marketplace insights.

The respondents were asked what challenges they have encountered with the use of social media and the result are shown in Table 4.11 below.

Table 4.11: Challenges Faced with the Use of Social Media

	Yes	No
Legal challenges	12%	88%
Technological challenges	94%	6%
Inadequate skills	78%	22%
High costs	85%	15%

Source Research Data (2017)

The study found that start ups are facing several challenges with 12% accounting for those with legal issues. 94% having technological challenges, 78% having inadequate skills with 85% having high costs.

4.9 Regression Analysis

The study explained performance of starts ups as a function of the number of followers on social media, the sales volume (in units), the legal status of the startup and its location. Therefore, there were four independent variables. Performance of startups was measured using the annual sales revenue in Kenyan shillings.

Table 4.12: Regression Statistics

<i>Regression Statistics</i>	
Multiple R	0.715139

R Square	0.511424
Adjusted R Square	0.484281
Standard Error	1925.199
Observations	224
<hr/>	
Source ResearchData (2017)	

Table 4.12 shows that the four independent variables explain 48% of the performance in Start-ups firms whereas 52% of their performance is explained by other factors that are outside the model.

Table 4.13: ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	69834962.4	69834962	18.84177	0.000393908
Residual	222	66715037.6	3706391		
Total	223	136550000			

Source ResearchData (2017)

Table 4.13 shows that the F-statistic is 18.84 with a significance level of 0.0004 which is less than the p-critical of 0.05 at 5% significance level (95% confidence level). Therefore, the overall model is statistically significant. In other words, the number of followers on social media, the sales volume (in units), the legal status of the startup and its location.

The regression output provide the following model

$$Y = 1.02 + 0.05X_1 + 0.02X_2 + 0.32X_3 + 0.98X_4$$

Table 4.14: Regression Coefficients

	Beta	std error	t	p-value
Constant	1.02	0.166	6.13	0
Followers	0.05	0.025	1.99	0.048
Sales Volume	0.02	0.005	4.34	0
Location	0.32	0.038	8.39	0
Legal Status	0.98	-16.33	-0.06	0.952

Source Research Data (2017)

The values are converted to a factor of Ksh 100,000 before running the regressions. Holding all the factors that are in the model constant, a start up will report sales revenues of Ksh. 102,000. Each additional follower on social media increases sales revenues by Ksh. 5,000 on average. The coefficient is statistically significant at 5% (p.value=0.049 <p.critical= 0.05). Each additional unit of sales increases sales revenues by Ksh. 2,000 on average. The coefficient is statistically significant at 5% (p.value=0.000 <p.critical= 0.05). The coefficient for location is statistically significant at 5% (p.value=0.000 <p.critical= 0.05). Therefore, higher sales are realized by firms located in certain places compared to others by an average of Ksh. 32, 000. The coefficient for legal status is not statistically significant at 5% (p.value=0.054 >p.critical= 0.05).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study set out to assess the influence of social media on start-up firms in Nairobi. The study targeted a sample of 231 respondents so as to provide adequate statistical power. To allow for possible attrition, 300 different enterprises were targeted and 224 returned their filled-in survey instrument which translates to a response rate of 75%. The study used descriptive statistics and regression analysis to answer the research questions. Survey findings from the study show that most startups are using social media particularly Facebook and WhatsApp. However, very few firms use LinkedIn and twitter. Although most of the startups do not have a social media department, they acknowledge the role of social media in influencing their performance both positively. The most important drivers for using social media is selling products, access to new markets, managing customer relationships and market research.

The study found that the use of social media has improved company performance and that it has made it possible for startups to improve brand awareness; search engine rankings; resulted to higher conversion rates; made it easier to sell products; improved customer satisfaction; improved brand loyalty; increased brand authority; is cost effective and has also increased marketplace insights. The study found that most of the challenges that the Startups face include legal challenges, technological issues, inadequate skills and high costs.

The surveyed however are aware that social media plays a pivotal role in their success, but they are also aware that if it used properly and negatively if it is not managed properly. Therefore, they closely monitor their social media accounts. All the firms that

were surveyed also pointed out that social media has reduced their customer acquisition costs. The study asked respondents where they believed that social media has reduced their customer acquisition costs. A regression analysis shows that there is a positive relationship between the number of followers on social media and sales revenue of startup firms. The number of aggregate followers that a firm has on all its social media accounts was used as a proxy of how aggressively a firm uses social media. Therefore, startups that actively engage social media are more likely to have higher sales than startup firms that do not actively use social media if everything else is held constant.

5.2 Conclusion

It is evident that startup firms have embraced social media platforms to market and interact with existing and potential customers. Information technology has reduced

informational cost and bridging geographical distance which lowers the cost of interacting with potential customers. The informality and social aspects of social media makes it even easier to reach a larger audience. Therefore, firms need to continue utilizing social media platforms to enhance their performance. Social media not only allows firms to widen their market outreach hence reaching a larger audience and selling more products or services, but also provides a platform for conducting market research. Market research is important to keep up with changing consumer tastes, fashions and trends. Therefore, firms are not only able to maintain high sales, but also remain relevant within a dynamic market. Besides, social media provides a platform for managing customer relationships. Customers can voice their complains easily, and those complaints can be responded to and addressed in real-time compared to traditional platforms such as writing letters or dropping notes in complaint boxes which involve a time-lag.

However, social media is a double edged sword that needs to be used with caution. Reputational risk appears to be the strongest concern for start-ups. Social media allows very fast transmission of information and widens social networks which increases reach of the message. A negative comment on a social media site will be read by everyone who visits that site. The response and reaction of the firm to the complaint is also visible to all customers and potential customers who access to the site. Therefore, a bad reputation could hinder acquisition of new customers through social media and the same time reduce sales or turn away already existing customers.

5.3 Recommendations for Policy and Practice

This study found that the pivotal role of social media to the success of firms in today's digital world cannot be overemphasized. It adds to the mounting evidence of the positive

association between social media and firm's performance. Therefore, this study recommends that startups firms in Nairobi need to further embrace social media networks by increasing their efforts to reach larger audiences through the platforms. Social media not only allows firms to widen their market outreach hence reaching a larger audience and selling more products or services, but also provides a platform for conducting market research and manage customer relationships. Facebook and WhatsApp groups provide platforms to reach large audiences since most people have a Facebook account and a WhatsApp connection.

However, they also need to explore non-traditional social media channels to reach untapped markets. Examples of these social media platforms are LinkedIn and twitter. The study also notes that lack of finances as well skills/ knowledge of digital marketing as barriers to effective use of social media. Therefore, the government of Kenya needs to provide support to start ups through educational programs to train them on how they can optimize sales revenues that are realized through social media at the lowest cost possible. Training on how to mitigate risks associated with social media platforms is necessary so that startups can reduce their exposure to such risks. It will also increase the appreciation of the role of social media to their performance. Hence, they are more likely to devote more financial and human resources to a social media department.

5.4 Limitations of the Study

This study used survey data that was collected from startup firms within Nairobi. Some of the data that was collected related to sensitive information that most of the firms

expressed concerns in sharing because of the strategic relevance of such information. Therefore, the reliability of the data is pegged on how honest the respondents were given their concerns. The study also narrowed its scope to Nairobi because of limited financial resources and time constraints.

REFERENCES

- Arockiaraj, G., & Baranidharan, K. (2013). Impact of social media on brand awareness for fast moving consumer goods. *International Journal of Logistics & Supply Chain Management Perspectives*, 2(4), 472.
- Azarkina, O., Kpossa, M. R., & Lick, E. (2015). Brand Mentions in Social Media as a Key Performance Indicator in the German Fast Moving Consumer Goods Industry. *International Journal of Business, Humanities and Technology*, 5(1), 62-68.
- Cox, S. L. (2012). *Social media marketing in a small business: A case study* (Doctoral dissertation, Purdue University).
- Ekpe, E. O., Eneh, S. I., & Inyang, B. J. (2015). Leveraging Organizational Performance through Effective Mission Statement. *International Business Research*, 8(9), 135.
- Evers, N. (2003). The Process and Problems of Business Start-Ups. *The ITB Journal*, 4(1), 3.
- Heslin, P. A., Latham, G. P., & VandeWalle, D. (2005). The effect of implicit person theory on performance appraisals. *Journal of Applied Psychology*, 90(5), 842.
- Işoraité, M. (2016). Raising Brand Awareness through the Internet Marketing Tools. *Independent Journal of Management & Production*, 7(2), 320-334.
- Jagongo, A., & Kinyua, C. (2013). The Social Media and Entrepreneurship Growth. *International Journal of Humanities and Social Science*, 3(10), 213-224.
- Jin, F., Wu, A., & Hitt, L. (2017). Social Is the New Financial: How Startup Social Media Activity Influences Funding Outcomes.

- Kabue, J. N. (2013). Factors Influencing Adoption of Social Media Advertising on Growth of Small and Medium Enterprises . *reserach project. University of Nairobi.*
- Keller, K. L. (2009). Building strong brands in a modern marketing communications environment. *Journal of marketing communications, 15(2-3), 139-155.*
- Mishra, A. (2017). Social Media- Faclitating a Paradigm Shift for Start- ups. *An International Journal of English, 3(4), 1-8.*
- Murphy, K. (2014). *The Influence of Content Generation on Brand Attitude and Purchase Intention Within Visual Social Media.*
- Njeri, M. W. (2014). Effect of social media interactions on financial performance of commercial banks in Kenya. *MSc project, University of Nairobi, Kenya.*
- Nyambu, E. M. (2013). Influence Of Social Media Marketing On Performance Of Telecommunication Firms In Kenya. *International Journal of Innovative Research & development, 2(9), 184-190.*
- Odhiambo, M., & Adhiambo, C. (2012). Social Media as a Tool of Marketing and Creating Brand awareness: *Case study research*
- Omair, A. (2014). Sample size estimation and sampling techniques for selecting a representative sample. *Journal of Health Specialties, 2(4), 142.*
- Oyza, I., & Edwin, A. M. (2015). Effectiveness of Social Media Networks as a Strategic Tool for Organizational Marketing Management. *The Journal of Internet Banking and Commerce.*

- Pradiptarini, C. (2011). Social Media Marketing: Measuring Its Effectiveness and Identifying the Target Market . *Journal of Undergraduate Research XIV*, 1-9.
- Schein, R., Wilson, K., & Keelan, J. E. (2010). *Literature review on effectiveness of the use of social media: a report for Peel Public Health*. [Region of Peel], Peel Public Health.
- Schivinski, B., & Dabrowski, D. (2016). The effect of social media communication on consumer perceptions of brands. *Journal of Marketing Communications*, 22(2), 189-214.
- Short, J. C., & Palmer, T. B. (2003). Organizational performance referents: An empirical examination of their content and influences. *Organizational Behavior and Human Decision Processes*, 90, 209–224.
- Sih, A., Hanser, S. F., & McHugh, K. A. (2009). Social network theory: new insights and issues for behavioral ecologists. *Behavioral Ecology and Sociobiology*, 63(7), 975-988.
- Stanley, C. K. (2011). The role of social media as marketing tool for tourism in Kenya. *Degree Thesis, International Business Helsinki* .
- Surendran, P. (2012). Technology acceptance model: A survey of literature. *International Journal of Business and Social Research*, 2(4), 175-178.
- The Collaboration on International ICT Policy in East and Southern Africa. (2014). *State of Internet Freedoms in Kenya 2014*. CIPESA .
- Vásquez, G. A., & Escamilla , E. M. (2014). Best practice in the use of social networks marketing strategy as in SMEs. *Social and Behavioral Sciences*, 148, 533 – 542.

Williams, C. (2007). Research Methods. *Journal of Business & Economic Research*, 65-70

APPENDICES

Appendix I: Questionnaire

Dear Sir/Madam you are invited to participate in the above mentioned research project.

The survey should only take 10 – 15 minutes to complete. To ensure confidentiality of all

responses, you are not obliged to provide your name. The information you give in response to this survey will be purely used for academic purpose.

Section A: Background Information

1. Name of the start-up company: _____
2. Using the categories below please indicate how long your company has been in operation.
 - a) 0-6 Months []
 - b) 6-12 Months []
 - c) 12-18 Months []
 - d) 18 and above months []
3. Please indicate the ownership of your company using the categories below (please tick one)
 - a) Sole proprietor []
 - b) Partnership []
 - c) Limited company []

Section B: Use of Social Media

4. Does your company have a social media site?

i) If yes which of the following social media site do you use?

- a) Facebook []
- b) Twitter []
- c) Blogs []
- d) WhatsApp []
- e) LinkedIn []
- f) Others (Specify) _____

5. Does your company have a social media department? Yes () No ()

If yes, how many staffs are employed in the department?

6. How many followers do you currently have?

Social media site	Number
Facebook	
Twitter	
Blogs	
WhatsApp	
Linked in	
Others	

7. Kindly indicate the level of agreement with the following statement as a reason for using social media in your company.

Objective of using social media	Strongly Disagree	Disagree to some extent	Neither agree nor disagree	Agree to some extent	Strongly agree
	1	2	3	4	5

Market Research

Access new markets

Develop new product brands

Selling of products

Collect data on customers

Customer relationship

management

Section C: Sales through social media

8. Averagely, how many new customers has your company acquired in the last 12 months through social media?
9. To what extent would you (dis)agree that the new customers acquired through social media interactions contributed to revenue growth in the last 12 months?
 - i) Strongly disagree ()
 - ii) Disagree to some extent ()
 - iii) Neither agree or disagree ()
 - iv) Agree to some extent ()
 - v) Strongly Agree ()

Section D: Customer Acquisition Cost

10. Has the adoption of social media interaction reduced the cost of customer acquisition in your company? Yes () No ()
11. What is the average cost of acquiring a customer in your company?
12. What is the cost of running a social media site in your company?
13. To what extent has social media interaction reduced customer acquisition in your bank?
 - i) Not at all ()
 - ii) Little extent ()
 - iii) Moderate ()
 - iv) Great ()
 - v) Very great extent ()

Section E: Organizational performance

14. Has the use of social media marketing improved the performance of your company?

(Yes/No)

If yes, to what extent would you agree/disagree that it has improved in terms of:-

Performance Measures	Strongly Disagree	Disagree to some extent	Neither agree nor disagree	Agree to some extent	Strongly agree
	1	2	3	4	5

Enhanced brand awareness

Improved search engine rankings

Higher conversion rates

Selling of products

Customer satisfaction

Improved brand loyalty

Increased brand authority

Cost effective

Increased marketplace insights

15. Has social media marketing created risk management concerns in your company?

If yes, what are the major risks brought about by social media usage

- i) Reputational risk ()
- ii) Operational risk ()
- iii) Data and information regulatory risk ()
- iv) Others (specify).....

16. How has your company controlled the issues posted on social media sites to avoid such risks?

17. How frequently is the social media site monitored and updated?

- i) Hourly ()
- ii) Daily ()
- iii) Weekly ()
- iv) Monthly ()
- v) Others.....

18. What challenges has your company encountered with the use of social media? (Tick all that apply)

- i) Legal challenges
- ii) Technological challenges
- iii) Inadequate skills
- iv) High costs

19. What measures have you put in place to deal with the challenges? (Tick all that apply)

- i) Acquire legal permits
- ii) Improved technological infrastructure
- iii) Seek affordable online services
- iv) Employ tech savvy employees

Thank you for your time and participation.