IMPACT OF DIGITAL MARKETING ON SALES GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI, KENYA

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DECLARATION

This research project is my original work and has not been presented for any award in this or any other institution.

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The research project has been submitted for examination with our approval as university supervisor.

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DEDICATION

I dedicate this research project to my family and friends. I dedicate the project to my family for the encouragement and enabling me to engage in my studies. To my late parents, thank you for instilling the importance of hard work and higher education.

ABBREVIATIONS AND ACRONYMS

CAK - Communications Authority of Kenya

CRM - Customer Relationship Management

ICT - Information and Communication Technology

KEPSA - Kenya Private Sector Alliance

KNBS - Kenya National Bureau of Statistics

OBCs - Online Brand Communities

OECD - Organization for Economic Cooperation and Development

PPC - Pay Per Click

SEO - Search Engine Optimization

SME - Small and Medium Enterprise

SPSS - Statistical Package for Social Science

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ABSTRACT

Marketing has been a challenge for small and medium enterprises (SMEs) around the world due to its cost. Traditional marketing which involves television, radio and billboards come at a cost way high for these SMEs and therefore growth of these companies becomes a challenge due to low sales as a result of awareness of goods and services provided. Digital marketing has provided small and medium enterprises a platform to create awareness to consumers on what they offer due to their relatively low cost. Previous studies done in relation to the effect of digital marketing and social marketing either had operational or environmental differences which provided a research gap hence motivated the study objective which is to determine the impact of digital marketing on sales growth of SMEs in Nairobi, Kenya. The study used a descriptive cross-sectional research design to allow analysis of SMEs in Nairobi at the same time. The target population was mainly from the Top 100 SMEs for the last 5 years and it had a population of 699 SMEs. From this population, a sample size of 255 SMEs was determined and randomly selected to answer the research objective. Primary data was collected using questionnaire as the data collection instrument which was sent to either the SME owners or marketing heads. The questionnaire was structured to provide uniformity in responses. The responses were analyzed through mean scores, Pearson's correlation test and Kruskal-Wallis test using SPSS v.21 software. The study results indicated that email marketing and social media marketing had significant impact on SMEs sales growth and to a great extent. Mobile marketing, search engine optimization (SEO) marketing, pay-per-click (P.P.C), and online marketing all had a significant effect on SMEs' sales growth and to a moderate extent. The study findings indicated that lack of digital media knowledge was the greatest challenge for SMEs in the adoption of digital marketing, followed by lack of suitable digital marketing techniques and the lack of finances. The findings led to the conclusion that email marketing and social media marketing are important to improve SMEs sales while the other techniques (mobile marketing, SEO marketing, P.P.C and online marketing) had little or moderate effect on sales. The study recommended that SMEs should be trained and sensitized on the available digital marketing techniques and how they are suitable for their businesses. The study also recommended that proper policies should be made by the government that assist SMEs to adopt digital marketing. Finally the study recommended that SMEs should be provided with funds in order to finance their digital marketing.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Businesses usually aim to grow in terms of market size and assets and due to competition, they have to ensure they attract and retain customers in order to remain profitable. Jobber and Ellis-Chadwick (2013) noted that the marketing concept is based on the basic principle that its implementation helps in business performance. They also stated that marketing is not an abstract concept, but rather, an acid test to the impact that its use has on important corporate indices such as profitability and market share. Small and medium enterprises as business entities need to grow to ensure survival and be able to compete in the market. Ayyagari, Beck and Demirgüç-Kunt (2007) in their study stated that in both developing nations and advanced economies, small and medium enterprises contribute roughly 60 percent of the manufacturing sector's formal employment. The growth of small and medium enterprises in any country is important since it implies a growth in economy and therefore more incentives need to be made to grow the sector. One of the factors important in the growth of SMEs is sales which generate revenues. This can be attained by marketing their products and services so as to create awareness and make their products and services preferred as compared to that of competitors. Therefore, depending on the size, resource availability and life-cycle stage of a company, marketing objectives will differ hence different marketing strategies.

Jain (2014) stated that large businesses usually have huge opportunities due to their large marketing budgets, enabling them to be easily visible through multi-channel marketing effort. On the other hand, due to limited cash resources, small and medium enterprises are hugely limited with the marketing possibilities on how they can gain visibility. SMEs are very much reliant on the word of mouth marketing and maintain their efforts rotating around limited avenues which they can afford hence restraining their potential for growth. Also, small business owners implement tailor-made marketing practices to achieve their business goals and as O'Donnell (2011) indicated, the process used in engaging marketing activities by small business owners is usually unplanned, informal, and employ a bottom-up approach. Studies indicate that a firm size is likely to affect the implementation of digital channels, with small

businesses being the slowest adopters (Bordanaba-Juste, Lucia & Polo, 2012), and large businesses are more likely to have the necessary resources and knowledge to implement new digital channels and tools successfully (Barnes *et al*., 2012).

Many small and medium enterprises are usually in the growth stage of the life cycle and it is at this stage that customer attraction and retention is important and therefore need to have a marketing objective of having effective reach to customers. For a long time, successful small businesses have succeeded via word-of-mouth in order to market their products and services, but with the growth of digital marketing the main logic of marketing has shifted from exchange of goods toward service provision, interactivity, connectivity and client relationships (Vargo & Lusch 2004). This shift has been enabled by innovations in technology, new marketing channels, and constant media environment changes (Bhattacharya and Bolton, 2000).

According to the Communications Authority of Kenya (CAK) (2016) report, the number of internet users in Kenya grew from 29.6 million in the fourth quarter of 2015 to 31.9 million in the first quarter of 2016. Consequently, the section of the Kenyan population who access the internet services reached 74.2 percent up from 69.0 percent that was recorded in the fourth quarter in 2015. Also, towards the end of the first quarter of 2016, mobile phone penetration stood at 88.1 percent with 37.8 million subscribers up from 36.1 million users in the fourth quarter of 2015. These statistics show a great potential in customer reach by marketers through digital means.

1.1.1 Concept of Marketing

Various people and associations have come up with the definition of marketing. The American Marketing Association defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, 2008). Coping with these exchange processes calls for a considerable amount of work and skill. It is involved in ten kinds of entities which are: goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Over years, the concept of marketing has evolved from the production concept, then the product concept. This was followed by the selling concept which holds that consumers, if left alone, will not adequately buy an organization's products. This

concept evolved to the marketing concept that has been practiced for many years, and currently, companies have embraced the holistic marketing concept which is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies (Kotler & Keller, 2012). The growth of internet and digital channels has made marketing grow in leaps and bounds in terms of customer reach, the speed with which it reaches the customer, and how the company interacts with them.

1.1.2 Digital Marketing

Various concepts and definitions have been brought out in previous studies with regards to digital marketing. One definition according to Nathan Research (2016) is that it is marketing that utilizes electronic devices (computers) such as personal computers, smartphones, cellphones, and game consoles to involve the stakeholders to be part of the process. Digital marketing techniques have the ability copying many marketing communications aspects and traditional media channels and, in so doing, they are able to extend the marketing mix. Digital campaigns are more specific and are an element of the marketing communication mix. However, the boundaries are blurred since digital technology is not only a way of communication but it is also a technique of distribution. The flexibility provided by the technology implies that it is highly complex (Jobber & Ellis-Chadwick, 2013).

Also, digital technologies are being more and more significant in defining many economic activity sectors. Because of the high interconnectivity levels, the internet has been compared to the wheel and the airplane in terms of its ability to impact the future business and society development. The internet, consequently, has given many companies an incentive to rethink the role of technology, and findings already indicate the extent of its global impact (Jobber & Ellis-Chadwick, 2013). Digital channels are also able to provide ways and means to personalize the media content; through the use of digital channels, customers are able to create or shape the form of brand communication, such as through stating their channel and content preference.

Digital technology is therefore seen to impact on business models, the type of marketing tools and media which all communication agencies must be able to deliver. There has, therefore, been a major move away from previously traditional communication tools and media and businesses are looking for ways in which service

providers are able to adequately articulate their digital marketing plans (Singh, 2011). This change in emphasis indicates that marketers should have customer expectations and how they can use the technology to achieve their marketing goals.

1.1.2 Sales Growth

The concept of business growth can be viewed as the process of improving a business performance measure. Dobbs and Hamilton (2007) defined growth as a change in size over a defined time period. Brush *et al.* (2009) on the other hand defined growth as the geographical expansion, increase in the number of new branches, inclusion of new markets and clients, increase in the number of products and services, mergers and acquisitions. The growth of a company comes as a result of increase in demands for goods or services, of which initial results will be seen in sales growth and consequently in investments in additional factors of production to enable it meet to new demands (Janssen, 2009).

Business growth basically occurs due to good utilization of resources and capacities that are used to facilitate growth by the companies. It comprises the capacities, acquired information, resources and financial counselling (Coad *et al.*, 2013). The market structure and innovations greatly determine growth and there is a huge possibility that small innovating businesses are able to grow faster than big firms (Daunfeldt & Elert, 2013). Teruel-Carrizosa (2010) stated that a firm's growth capacity is influenced by the market structure, especially in service ones that have common characteristics and tend to grow more than industrial firms. Even though industries need huge investment outlay, service firms tend to quit the market faster. Small businesses vary widely in size and capacity for growth, with the owners realising that business growth may end up in problems if the business is not prepared to handle that growth which can eventually lead to death of business (Churchill & Lewis, 1987). A well-managed growth will therefore assist businesses to achieve their objectives.

Sales growth involves the increase in amount of revenue by a firm over a defined period. This could be as a result of increase in product prices, selling of more products or both. Sales growth as a result of price increase could be as a result of inflation adjustment and therefore not due to real sales growth but if costs remain low then it contributes to the real growth of sales. Increase in the number of products sold also

represents sales growth which could be as a result of geographical expansion, growth in new branches, or increase in the number of products and services.

1.1.3 Small and Medium Enterprises

Small and medium enterprises (SMEs) have been defined based on various aspects, mostly turnover and number of employees. OECD (2005) indicated that small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms that employ less than 250 employees, although the figure varies across countries. According to Ayyagari *et al*. (2007), majority of jobs are provided by SMEs in many economies globally. SMEs in OECD countries which have less than 250 employees employ more than 60 percent of the formal work force (Dietrich, 2010). With specific reference to Kenya, the Micro and Small Enterprises (MSE) Bill (2013) defines small enterprises as those firms, trade, service, industry or business activities that have an annual turnover ranging between Ksh.500,000 and Ksh.5 million, and have employed between 10 and 50 people. In the manufacturing sector, investment in plant and machinery ranges between Ksh.10 million and Ksh.50 million and, the farming and service sectors have registered capital of the enterprise ranging between Ksh.5 million and Ksh.25 million.

In Kenya, SMEs constitute about 75 percent of the businesses, have 4.6 million people employed, accounts for 87 percent of newly-created jobs, and contributes around 18.4 percent of the Gross Domestic Product (KNBS, 2013). Prior studies from industrialized and developing countries indicate that SMEs provide an important contribution to economic development, since they are a huge channel for employment and income creation (OECD, 2004). The small and medium enterprise (SME) sector is considered important to the economic structure in many developed and developing countries. They are essential to the impetus of both regional and national economic growth since they generate employment, contribute to growth of the economy and are usually transitional towards becoming larger businesses.

In the wake of globalization and trade liberalization, there are increased opportunities to access new markets and this provides an opportunity for SMEs to expand market, but also a challenge since they are exposed to large multinationals in their own market (OECD, 2004). This provides an opportunity for SMEs to access the new markets through marketing their products and services.

1.2 Research Problem

The importance of SMEs in both developed and developing countries cannot be overemphasized as it provides the highest employment in an economy. The sustainability of the SMEs in the economy can be achieved when they make sales and become profitable. Making consumers aware of their products and services requires marketing and the traditional methods of marketing have been seen to be beyond the reach of SMEs and therefore digital marketing has been seen as an alternative for the SMEs to reach the market to provide awareness about their goods and services. However, the SMEs need to know the digital techniques to use, how to maximize their customer reach and also know how to measure the impact of their digital marketing.

The marketing aspect of SMEs is different to that of large corporations, therefore making the adoption of digital marketing to be a greater challenge for them (Lipiäinen and Karjaluoto, 2013). Adoption of digital channels is likely to be more successful in large businesses since they are more likely to have the necessary resources and knowledge compared to small businesses (Barnes *et al*., 2012). Ochieng' (2016) through a Facebook research indicated that Kenyan entrepreneurs are some of the most active small businesses that generate revenue through advertisements on Facebook. The research continued and singled out businesses that, through Facebook advertising, have expanded in East Africa. They include children furniture brand FunKidz and an online restaurant guide Eat Out. Currently, a number of SMEs have embraced digital marketing and it would be important to know its impact in terms of sales growth which translates to profitability. Large companies have embraced digital marketing to compliment traditional marketing, but no accurate information is present with regards to digital usage by SMEs.

The impact of digital marketing on sales of SMEs in Kenya is what this study focused on. Various studies have been done in regards to digital marketing and how they have an effect on companies. Onyango (2016) analyzed the impact of digital marketing strategies on the performance of flowers exporting firms in Kenya, while Wanjuki (2014) did a study on impact of digital marketing on customer service at Barclays Bank of Kenya. The study done by Onyango (2016) analysed the horticulture industry and also used multiple linear regression for analysis, while the study done by Wanjiku

(2014) used case study of a bank and analysed using content analysis. This study used cross-sectional research design of SMEs using Kruskal-Wallis test analysis since the data was ordinal in nature. The gap in the identified research problem and the previous research done has led the study to formulate the following research question: what is the impact of digital marketing on sales growth of SMEs in Nairobi, Kenya?

1.3 Research Objectives

The objective of the study was to determine the impact of digital marketing on sales growth of SMEs in Kenya. The specific objectives were to:

i) Assess the impact of digital marketing on the sales of SMEs in Nairobi, Kenya.
ii) Identify the digital marketing challenges experienced by SMEs in Nairobi, Kenya.

1.4 Value of the Study

The study is of relevance to several stakeholders and groups. Firstly, the study is valuable to SMEs in Kenya and also outside Kenya. The SME managers and owners are able to know what digital marketing method to use and how potential customers can be reached and be able to maximize their digital marketing. This in turn maximizes their sales and be able to grow and become more competitive. The study is valuable to marketers who are thereby able to know how they can be able to integrate digital marketing to the existing traditional marketing in their organizations. The impact of digital marketing in SMEs would also be similar to that of large organizations and therefore the marketing departments are also able to know how they can incorporate digital marketing.

The study is of relevance to market researchers who would want to know changes and trends in marketing. This would enable them to advise their clients accurately in order to adopt the most effective marketing mix. The study is significant to policy makers in government and other institutions such as KEPSA who would want to know how to improve business opportunities for the SMEs and other companies. With this the government would provide an enabling environment with regards to I.T infrastructure, and laws and policies guiding digital marketing.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

The chapter reviews the theoretical framework together with empirical literature on the impact of digital marketing on company's performance. In particular, it explores the theories informing the study, general review of literature on study variables, empirical review as a conceptual framework with a model. Finally, the chapter provided a conceptual framework to identify the variables and operationalize them.

2.2 Theoretical Review

The study was anchored on several theories that are captured hereunder:

2.2.1 Network/Social Network Theory

The network approach's concept originates from several of the structural concepts brought forward by sociological thinkers such as Emile Durkheim, Georg Simmel and anthropologist Radcliffe-Brown whose research were largely based on comprehending the structure and impact of relational webs or "networks" of social associations between and among individuals. Network theory analyses all kinds of relationships, whether it is between people, animals or things. Social network analysis is an overlapping instrument used for learning about patterns that manifest within social networks and their influence on behaviour. Digital marketing channels are important in this respect since they allow marketers to listen and understand what is said by consumers, and also enable them to take advantage of the power of influential users so as to be able to spread the messages to other people in their networks. Research indicates that the very powerful users are those with the most impact across a number of differentiated networks.

The network theory sees social relationships in terms of nodes and ties. The nodes are the players within the networks, and ties are the relationships amongst the players. Various types of ties are present between the nodes, and in its basic form, a social network outlines all the relevant ties between the nodes being analysed. The network can also be used to "determine the social capital of individual players". These ideas are usually exhibited in a social network diagram, where nodes represent the points

while ties are the lines. This theory is useful in the study since it analyses how SMEs can maximize their 'networks', in this case their customers.

2.2.2 Theory of Collective Intelligence

Collective intelligence refers to a process where large numbers of people can converge simultaneously upon the same point(s) of knowledge, while at the same time achieving intellectual performance. The theory of collective intelligence postulates that groups are generally smarter and more productive than the sum of the individuals. Crowdsourcing is an internet phenomenon in which projects are broken down into small, individual tasks that are distributed to a large number of individuals for completion, and is known to have collective intelligence characteristics. According to Tapscott and Williams (2008), for collective intelligence to exist, it requires four principles. These principles are openness, peering, sharing, and acting globally.

Openness: for collective intelligence to work to its full potential, it requires people and companies to present and be candid about their ideas to the people on the internet so that their products can be improved. Peering: taking old information or products and modifying them to match yours and others' personal needs before releasing it to the public so that people can take utilize them. Sharing: it explains how intellectual property is required to be shared with others in the group. It is essential to allow for the constant exchange of ideas and critiques around which productivity is enhanced. Acting globally principle is based on communications technologies advancement that allows organizations to reach out across their entire collaborators' network and to engage everyone. This concept overcomes challenges such as department and branch borders in an effort to capture and utilize new ideas, new talents, and new markets. This theory is useful in the study since it indicates how digital marketing is able to bring SMEs and its consumers together to interact and be able to exchange ideas to come up with products or services that improve the whole experience.

2.2.3 Generational Theory

Generation theory explains that the era in which a person was born impacts their perception of the world. It also indicates that our value systems are shaped in the formative years of our lives through our families, friends, communities, significant events and the general era in which we are born (Jurkiewicz & Brown, 1998). Initiated by Strauss and Howe in 1991, generational marketing theory stipulates that

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consumers born during the same era, usually a 20-year period, have similar attitudes and behaviours due to shared experiences that influenced their childhood and moulded their world views. This current era can be defined as that of digital information which can be defined by the use of digital media. Generational theory is relevant to digital marketing based mainly on how each generation communicates and the online places where they can be accessed easily by marketers. This theory is useful to the study since assists SMEs to identify customer generations and homogenous groups and formulate appropriate marketing content for them using digital media.

2.2.4 Forms of Digital Marketing

Digital technologies have the ability to copy almost all aspects of traditional media channels and marketing communications and, in the process, cover the marketing mix. Digital promotions are, however, more specific and are a marketing communication mix component. Digital marketing involves the use of digital media in the process of carrying out the marketing practices. The forms of digital marketing include emails, mobile marketing, search engine optimization (SEO), social media, pay-per-click (PPC), online advertising, and viral marketing.

Email marketing is one of the digital marketing techniques earliest used and it involves providing personalized or targeted messages to specific people at the correct time. With the emails, businesses will deliver emails that meet the user's requirements. Mobile marketing is defined as the use of a wireless medium to provide consumers with time and location-specific, tailored information that promotes products, services and ideas (Scharl, Dickinger & Murphy, 2005). It therefore improves the interaction between consumers and their mobile phones, the consumer-brand relationship, together with the mobile advertising capability to control the viewing environment, giving advertisers with the opportunity to create more meaningful brand relationships (Aaker, Benet-Martinez & Garolera, 2001).

Search engine optimization (SEO) is the process of designing the contents of the website to fit what the business prospects are looking for, and presenting it in a way which is easily accessible to both people and search engines. If a business wants to increase its targeted traffic to the website, the organic or natural search results (the results in the middle of the search engine results page) are the place to be (Ryan &

Jones, 2009). Pay-per-click marketing provides businesses an opportunity to be highly ranked in a search pages for specific keywords and phrases through payment. It is viewed as an effective way to rapidly generate search engine traffic depending on the type of business and the specific keywords they want to rank for. Although pay-per-click continues to grow in popularity and competitiveness, keywords are becoming increasingly expensive for smaller businesses (Ryan & Jones, 2009).

Online advertising is when advertisement is done on the internet and consists of advertisements placed on search engine results pages, advertisements embedded in e-mails, and other ways in which advertisers use the internet. The primary aim is to acquire a prospective customer to act immediately by clicking on the advert (The Saylor Foundation, 2017). These advertisements are used to prompt various actions from potential customer and meet several marketing communications objectives such as increasing action, changing opinions, and increasing recall.

Affiliate marketing is a form of online advertising where a digital user or website promotes an online retailer and, depending on the sales or leads is generated for that online retailer, earns a commission (IAB Australia, 2016). In this case, the third party earns revenue every time a potential customer clicks on the link provided by the originator of the advert website. Viral marketing is a mixture of the several elements of digital marketing and it involves publicizing the message content through multiple channels. It may include Youtube videos, email marketing, blogs, and also some traditional components, all with a purpose of ensuring that the content captures the market attention and automatically spreads to other online communities.

2.2.5 Digital Marketing and Sales

Several studies and literature have indicated a relationship between digital marketing and sales. Digital marketing is able to reach new customers and provide personalized communication to the customers, hence increasing awareness and sales (Jain, 2014; Jagongo & Kinyua, 2016). Small businesses could be able to use digital media such as social media, e-mails which are known to be very cheap to access potential customers to create product awareness, while medium enterprises have some revenue to use digital tools such as pay-per-click (PPC), search engine optimization (SEO), online advertising, and viral marketing.

2.2.6 Measurement of Digital Marketing Effectiveness

There has been an increased importance to measure digital marketing success as efficiently as possible in a dynamic business landscape, as is currently the case, more than ever before. Digital marketing tools have some ways available to measure success through various metrics that business owners can obtain (Gregorio, 2016). One of the methods used to measure digital marketing effectiveness is through analytics which is in-built in most digital marketing tools. According to a white paper presented by Fernandez and Bharathi (2015), the insights derived from big data analytics helps a business to precisely drive future decisions through provision of the right message to the consumers at the right time, and for the right price. There has been a rapid growth in intuition-driven marketing and there has, therefore, big data analytics and digital marketing are getting tightly interwoven.

Data availability and insights make digital platforms complete and therefore provides great opportunity to make inferences by marketers from this data and make the right decisions (Jain, 2014). By being able to measure the performance of each campaign, SMEs would continuously learn how to improve their campaigns and therefore understand the relationship of the target audience with the various touch points and messages broadcasted. Tracking online behaviour and visitors has been made much easier by the digital world as marketers try to understand where online visitors come from, which pages they were viewing, the time they spent on the website, the sources which are sending quality traffic, and most importantly, whether the website visits turn into leads or conversions.

2.3 Empirical Review

The empirical review outlines similar studies done previously by researchers. Onyango (2016) did a study on the influence that digital marketing strategies have on the performance of cut flowers exporting firms in Kenya. The study conducted qualitative and quantitative research using semi-structured interviews targeting 30 cut flowers exporting firms in Kenya. From the analysis, the results indicated that digital marketing significantly improved revenue, improved market share, and increased profitability. Firms using digital marketing showed better performance than their counter parts using conventional marketing strategies. It also noted that digital

marketing's major benefit emanates in its exceptional capability to give personalized and interactive information without the restriction of time and place.

Srinivasan, Bajaj and Bhanot (2016) did a study to understand social media marketing concept and its role in the micro, small and medium enterprises sector. The study used exploratory research to identify the social media marketing techniques used to acquire and retain customers by MSMEs. Judgemental sampling was used to collect data from fifty micro, small and medium enterprises (MSMEs). The study results indicated that participation in social media creates a strong impact on brand awareness and brand trust, which results in a strong influence on customer acquisition and retention. The study also indicated a positive relationship between the time spent on social media and amount of sales made. It concluded by stating that social media marketing strategies have a positive impact on customer acquisition and retention which results to market share increase.

Yasmin, Tasneem and Fatema (2015) conducted a study on the impact of various forms of digital marketing on a firm's sales. The study used primary data examining a sample of 150 companies and 50 managers who were selected randomly to determine digital marketing effectiveness. The data collected was analysed using various statistical tools and techniques including correlation tests. The study results indicated that there is a positive relationship between digital marketing and sales increase. It also indicated that all digital marketing elements such as online advertising, search engine optimization, email marketing, and social media have positive effect on firm's sales.

Adegbuyi, Akinyele and Akinyele (2015) did a study examining how social media marketing affects the performance of small scale businesses. They study administered one hundred and fifty copies of questionnaire to owner-managers and employees of selected SME's in Ota Metropolis. The data was analysed using descriptive statistics, ANOVA and correlation test. The study results indicated that relationship creation and networking with other businesses increases brand exposure. A business may reciprocate to promote your business when you promote their business or product. The study also indicated that social engagement with others makes businesses visible to their audience and this creates potential to reach many potential customers.

Taiminen and Heikki (2015) did a study on the SMEs' usage of digital marketing channels. The study collected data comprising of semi-structured interviews for SMEs comprising of 16 managers and 421 respondents in Central Finland. The study results indicated that SMEs have not been maximizing the full capability of digital tools available, and therefore not gaining benefits from the opportunities they present. From the study results, queries were raised on whether SMEs understand how digital marketing brings about essential changes in the nature of communication.

Njau and Karugu (2014) did a study to determine how e-marketing has an impact on the performance of SMEs in the Kenyan manufacturing industry. In particular, the study sought to analyse how email marketing, online marketing, search engine marketing, and blog marketing had an impact on the performance of an SME. A survey research design was conducted for the study, where the target population consisted of 500 small and medium enterprises in the manufacturing industry. A random sampling technique was used to select a sample to represent the target population and from the sample data was collected from them. The study findings indicated there email marketing, online marketing, search engine marketing, and blog marketing as digital marketing techniques had a significant influence on business performance. The study findings also indicated that SMEs in Kenya which are keen in adopting e-marketing as a marketing strategy since they achieved above average business performance. The study recommended that the government should partner with the private sector partnerships to engage in a campaign and provide relevant information about e-marketing framework and policies to SMEs, the success stories, the best practices, and opportunities and challenges encountered with regards to ICTs and e-marketing usage.

Wanjuki (2014) also did a study to determine the impact of digital marketing growth on customer service in Barclays Bank of Kenya. The study adopted a case study approach analysing Barclays Bank branch in Meru. The data collected was analysed using content analysis. The study results showed that 59% of the respondents indicated that digital marketing enhances the brand visibility of the bank, 26% felt that digital marketing increasing awareness about the product that a bank offers to its customers, while 12% indicated that the digital marketing creates psychological believe that the bank services are the best compared to all others in the market.

Jagongo and Kinyua (2013) in another study sought to establish the impact of social media on SME growth in Nairobi, Kenya. The study applied descriptive research design and questionnaires were administered to 246 small and medium enterprises in Nairobi, having either the business owners or managers as the respondents. The study used cluster sampling to separate the target population and thereafter used simple random sampling technique in order to identify the specific businesses that were used for the study. The study findings indicated that social media tools provide greater accessibility to the market and CRM which subsequently have a significant effect on SMEs growth. Additionally, businesses through social media experience fast and cheap communication with customers and also allow them to create a database which the business may then use to generate leads which might eventually lead to increased sales which grows the SMEs. The study recommended that policy makers should keep monitoring the current technological adoption trends by SMEs to come up with policies which encourage best practices for the SME sector growth.

Erdoğmuş and Çiçek (2012) did a study on how social media marketing has an effect on consumer brand loyalty. The scope of the study consisted of customers who followed at least one brand using social media in Turkey. The relevant data was collected by administering a questionnaire which was structured, with a sample size of 338 respondents and the collected data analysed through multiple regression analysis. The study results indicated that social media marketing has a positive effect on consumer brand loyalty when the media provides advantageous campaigns, offers relevant and popular contents, and also appears on various platforms and provides applications on social media.

In another study, Jain (2014) did a study on how social media marketing has an impact on SME businesses in India. The study results indicated that small and medium enterprises can achieve the following through digital marketing: create leads and drive sales, reach new customer groups, improve brand awareness, drive customer engagements, gain customer insights, and improve productivity.

Kithinji (2014) also did a study to determine the impact of internet marketing use on SMEs performance in Nairobi county. This was done using a descriptive survey research design and used a sample size of 90 SMEs. Primary data was collected using questionnaires from the top management of the SMEs. The collected data was

analysed factor analysis and regression analysis. The study indicated that a large number of SMEs stated that their biggest challenge in the usage of internet marketing was the fear of losing their current customers who could not access internet. With regards to impact of internet marketing on SMEs performance, the study indicated that there was increased profitability, market share increase and the ability to expand their market growth.

2.4 Conceptual Framework

The conceptual framework identifies the relationship between the identified variables in the study, and operationalizes them. The relationship of the variables is as follows:

Independent variable   **Dependent variable**

Digital marketing adoption Extent of adoption	→	**Sales** • Sales volume

The conceptual framework highlights the independent and dependent variables which were used. The study analysed how digital marketing adoption as the independent variable affects the dependent variable sales. For sales variable, the study analysed both the volume and value of sales by SMEs as a result of digital marketing adoption. The extent of digital marketing adoption as the independent variable was measured using an ordinal scale, where SMEs indicated the extent to which they have adopted various forms of digital marketing techniques.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the methodology that was used to conduct the research. Section 3.2 began by indicating the overall research design used, followed by section 3.3 which discussed the target population which was relevant in providing relevant information for the study. Section 3.4 provided the sampling design which was used in the study, while section 3.5 presented the data collection instrument to be used, the justification for the choice. Finally, data analysis and presentation together with diagnostic tests was provided in section 3.6.

3.2 Research Design

According to Bryman and Bell (2007) research design can be defined as a general plan that gives an outline on how data will be collected and data analysis procedures. The study used descriptive cross-sectional research design. The descriptive study is one where information is gathered without changing the environment while a cross sectional study is one where there is a one-time interaction (snapshot) with the unit of analysis. An advantage of the cross-sectional research design is that it enables researchers to do a comparison of various units of analysis at an instant.

3.3 Target Population

Target population comprises the whole group of individuals or unit of analysis to which researchers are interested in studying in order to come up with conclusions. The study's target population was all the SMEs in Nairobi, Kenya which comprises of thousands of SMEs in Nairobi. The study used a list compiled from https://www.businesslist.co.ke/category/small-business/city:nairobi which comprised of 399 small-sized companies. The study also used the list of Kenya Top 100 companies in the last 5 years between 2012 and 2016 which has an average of 25 new entrants in a year giving a total of 200 medium-sized companies. In total, the study had a population of 699 SMEs.

3.4 Sampling Design

Sampling is the selection of a number of units of analysis for a study so that the findings of the representatives represent the population from which they are selected

(Mugenda and Mugenda, 2008). The study used a random sampling technique to select the SMEs for gathering information. According to Israel (2013), a sample size is determined by the level of precision, the confidence level, and the degree of variability. Cochran (1963) indicated that for large populations, the following formula may be used to determine a sample size:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision. The study used a precision level of 5% and therefore from the above formula, the calculated sample size is 255 SMEs which were randomly selected to get the relevant information for the study.

3.5 Data Collection Instrument

Data collection is the means used by a researcher to gather information that was used for investigation (Creswell, 2002). The data collection stage indicates the kind of data that is being collected for the research, whether it is primary or secondary, the data collection instrument used, and the duration of data collection. Primary data was used by the study to provide information that was used to analyse the data. A questionnaire was used as the primary data collection instrument, and was semi-structured with the structured part enabling uniform response for easier data analysis, while the open-ended section gave information not provided in the structured sections. Questionnaires were therefore important data collection instruments as they gave information important to the study and therefore gave researchers first-hand information for analysis. Mugenda and Mugenda (2003) stated that questionnaires provide comprehensive response to problems being analysed. Also, due to their relative ease of preparation, administration and cost-effectiveness, questionnaires have become a popular method for data collection. The validity of the instrument was done using pre-test and face validity so as to ensure the questionnaire actually measured what it was intended for.

3.6 Data Analysis

At the data analysis stage, the data that is collected is coded then data processed, cleaned and tabulation done. At this point the study analysed data to answer the research questions using both quantitative and qualitative data analysis techniques.

Quantitative analysis methods comprised of descriptive statistics for the univariate variables (which was in the form of means and standard deviation) and bivariate analysis which was done through Pearson's correlation test and Kruskal-Wallis test. The Kruskal Wallis test is a non-parametric test that is used when there is an ordinal dependent variable and an independent research variable with two or more levels (http://www.ats.ucla.edu/stat/spss/ whatstat/whatstat.htm, 2016). The analysis of both the univariate and bivariate statistics was done using SPSS software package v.21. The results were presented using tables and charts.

CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective of the study was to determine the impact of digital marketing on sales growth of SMEs in Nairobi, Kenya. This chapter contains the summary statistics from the small and medium enterprise responses in section 4.2, while the analysis of the impact of digital marketing on SMEs' sales growth was contained in section 4.3. Section 4.4 contained the discussions of the study findings, and chapter 4.5 summarized the data analysis findings, results and discussions.

4.2 Summary Statistics

With the objective of the study being to analyse the impact of digital marketing on growth of sales of SMEs in Nairobi, questionnaires were sent to 255 SMEs in Nairobi, Kenya and 190 SMEs responded by sending back the questionnaires. This gave the study a response rate of 74.5% with the other 25.5% not responding either because they were not in a position to give their SME marketing information or could not answer the questionnaire in time required for the study.

4.2.1 Descriptive Statistics

i) Type of Business

Table 4.1: Type of Business distribution

		Frequency	Percent	Cumulative Percent
Valid	Sole Proprietorship	75	39.5	39.5
	Partnership	33	17.4	56.8
	Limited Liability Company	82	43.2	100.0
	Total	190	100.0	

Source: Research data (2017)

Table 4.1 indicates the distribution of the type of SME businesses that the study sampled in Nairobi, Kenya. From the total of the 190 SMEs that responded, the findings indicated that 39.5% (N=75) of them were sole proprietorship, 17.4% (N=33) of them were partnerships, while 43.2% (N=82) of them were limited liability companies.

ii) Number of Employees by SMEs

Table 4.2: Number of employees' distribution

		Frequency	Percent	Cumulative Percent
Valid	Less than 5	60	31.6	31.6
	Between 5 and 20	86	45.3	76.9
	Between 21 and 50	41	21.5	98.4
	More than 50	3	1.6	100.0
	Total	190	100.0	

Source: Research data (2017)

Table 4.2 indicated the distribution of the number of employees by the SMEs in Nairobi, Kenya. The study findings indicated that 31.6% (N=60) of the SMEs have less than 5 employees, 45.3% (N=86) of them indicated that they have between 5 and 20 employees, while 21.5% (N=41) have employees between 21 and 50 employees.

iii) Annual Turnover by SMEs

Table 4.3: Annual Turnover distribution

		Frequency	Percent	Cumulative Percent
Valid	Less than 1 million	21	11.0	11.0
	Between 1 million and 3 million	45	23.7	34.7
	Between 3 million and 5 million	64	33.7	68.4
	More than 5 million	60	31.6	100.0
	Total	190	100.0	

Source: Research data (2017)

Table 4.3 above provided the distribution of annual turnover of the SMEs in Nairobi, Kenya. From the study findings, 11% (N=21) of the SMEs that responded indicated that they earn less than 1 million in a year while 23.7% (N=45) indicated that they earn between 1 million and 3 million in a year. The table also shows that 33.7% (N=64) of the SMEs earn between 3 million and 5 million, while 31.6% (N=60) of them indicated that they earn more than 5 million.

iv) Operational Duration by SMEs

Table 4.4: Operational Duration

		Frequency	Percent	Cumulative Percent
Valid	Less than 3 years	57	30.0	30.0
	Between 3 and 6 years	79	41.6	71.6
	More than 6 years	54	28.4	100.0
	Total	190	100.0	

Source: Research data (2017)

The period in which the SMEs in Nairobi have been in operation was provided in Table 4.4 above. From the study findings, 30% (N=57) of the SMEs are young having been in operation for less than 3 years, 41.6% (N=79) of the SMEs have been in operation between 3 and 6 years, while 28.4% (N=54) of the SMEs have been in operation for more than 6 years.

v) Presence of a Formal Marketing Department

Table 4.5: Presence of Marketing Department

		Frequency	Percent	Cumulative Percent
Valid	No	158	83.2	83.2
	Yes	32	16.8	100.0
	Total	190	100.0	

Source: Research data (2017)

Table 4.5 above indicated whether the SMEs have a formal marketing department in their organization. The study results indicated that only16.8% (N=32) of the SMEs in Nairobi had a functional marketing department in their organization, while the other SMEs (83.2%) do not have a formal marketing department.

vi) Capacity for more Clients

The study also inquired from the SMEs whether they have capacity for growth for more clients. The study indicated that all the SMEs that were sampled indicated having the capacity to grow and have more clients if the situation arises.

4.3 Inferential Statistics

4.3.1 Extent of Digital Marketing Usage

i) Email Usage

Table 4.6: Extent of Email Usage

		Frequency	Percent	Cumulative Percent
Valid	No Extent	6	3.2	3.2
	Little Extent	20	10.5	13.7
	Moderate Extent	42	22.1	35.8
	Great Extent	97	51.1	86.8
	Very Great Extent	25	13.2	100.0
	Total	190	100.0	

	N	Mean score	Std. Deviation
Extent email usage in digital marketing	190	3.61	.952
Valid N (listwise)	190		

Source: Research data (2017)

The extent of email usage by SMEs in Nairobi, Kenya was provided in Table 4.6. From the table, 51.1% (N=97) of the respondents used email to a great extent as a way for digital marketing while 13.2% (N=25) of the SMEs used email to a very great extent. Only 22.1% (N=42) of the SMEs use email as a form of marketing tool to a moderate extent and 10.5% (N=20) used email marketing to a little extent. For the overall usage, the mean usage of email marketing by SMEs in Nairobi was 3.61 which implied that email marketing usage was done to a great extent by the SMEs.

ii) Mobile Marketing

Table 4.7: Extent of Mobile Marketing Usage

		Frequency	Percent	Cumulative Percent
Valid	No Extent	94	49.5	49.5
	Little Extent	48	25.3	74.8
	Moderate Extent	20	10.5	85.3
	Great Extent	24	12.6	97.9
	Very Great Extent	4	2.1	100.0
	Total	190	100.0	

	N	Mean score	Std. Deviation
Extent of mobile marketing usage	190	1.92	.862
Valid N (listwise)	190		

Source: Research data (2017)

Table 4.7 indicates the extent of mobile marketing by SMEs in Nairobi, Kenya. From the responses given, 49.5% (N=94) of the SMEs in Nairobi indicated that they do not use mobile marketing at all, 25.3% (N=48) of the SMEs use mobile marketing to a little extent, 10.5% (N=20) use mobile marketing to a moderate extent, while 12.6% (N=24) of SMEs in Nairobi use mobile marketing as a digital marketing technique. The overall mean of the responses indicated a mean of 1.92 which implied that SMEs in Nairobi use mobile marketing to a little extent as a form of marketing.

iii) Social Media

Table 4.8: Extent of Social Media Usage

		Frequency	Percent
Valid	No Extent	9	4.7
	Little Extent	20	10.5
	Moderate Extent	34	17.9
	Great Extent	82	43.2
	Very Great Extent	45	23.7
	Total	190	100.0

	N	Mean score	Std. Deviation
Extent of social media usage	190	3.71	1.087
Valid N (listwise)	190		

Source: Research data (2017)

The extent of social media usage as a form of digital marketing by SMEs in Nairobi was presented in Table 4.8. The study results indicated that 17.9% (N=34) of the SMEs in Nairobi use social media as a form of marketing to a moderate extent, 43.2% (N=82) of the SMEs use social media marketing to a great extent, and 23.7% (N=45) of them use social media marketing to a very great extent. From the mean calculation of the responses, the overall mean was 3.71 which implied that social media marketing is used by SMEs in Nairobi to a great extent.

iv) Search Engine Optimization

Table 4.9: Extent of Search Engine Optimization Usage

		Frequency	Percent
Valid	No Extent	91	47.9
	Little Extent	45	23.7
	Moderate Extent	36	18.9
	Great Extent	16	8.4
	Very Great Extent	2	1.1
	Total	190	100.0

	N	Mean score	Std. Deviation
Extent of SEO usage	190	1.91	.916
Valid N (listwise)	190		

Source: Research data (2017)

Table 4.9 above provided the extent of search engine optimization (SEO) usage as a form of marketing was used by SMEs in Nairobi, Kenya. From the responses, the results indicated that 47.9% (N=91) of the SMEs in Nairobi do not use search engine optimization at all as a means of marketing, while 23.7% (N=45) of them indicated that they use SEO to a little extent. Another 18.9% (N=36) of the SMEs indicated that they use SEO to a moderate extent and 8.4% (N=16) of them use SEO to a great extent. The mean responses indicated a value of 1.91 which implied that SEO is used by SMEs in Nairobi to a little extent.

v) Pay per Click

Table 4.10: Extent of Pay per Click Usage

		Frequency	Percent
Valid	No Extent	76	40.0
	Little Extent	62	32.6
	Moderate Extent	29	15.3
	Great Extent	23	12.1
	Total	190	100.0

	N	Mean score	Std. Deviation
Extent of Pay per Click usage	190	1.99	1.000
Valid N (listwise)	190		

Source: Research data (2017)

Table 4.10 provides the extent of pay per click usage as a form of advertising by SMEs in Nairobi, Kenya. The study findings indicated that 40% (N=76) of the SMEs indicated that they do not use pay per click marketing at all as a digital marketing technique. Another 32.6% (N=62) of the SMEs indicated that they use pay per click as a marketing technique to a little extent, 15.3% (N=29) of them use pay per click to a moderate extent, while 12.1% (N=23) use pay per click as a digital marketing tool to a great extent. The mean responses indicated a value of 1.99 which implied that pay per click is used by SMEs in Nairobi to a little extent.

vi) Online Advertising

Table 4.11: Extent of Online Advertising Usage

		Frequency	Percent
Valid	No Extent	58	30.5
	Little Extent	63	33.2
	Moderate Extent	44	23.2
	Great Extent	25	13.2
	Total	190	100.0

	N	Mean score	Std. Deviation
Extent of online advertising usage	190	2.19	1.016
Valid N (listwise)	190		

Source: Research data (2017)

Online advertising was the last digital technique analysed by the study and the results were presented in Table 4.11. From the responses provided, the results indicated that 30.5% (N=58) did not use online advertising as a means of marketing, 33.2% (N=63) of the SMEs used online advertising to a little extent, 23.2 (N=44) of the SMEs use online advertising to a moderate extent, while 13.2% (N=25) of the SMEs use online advertisement as a way of marketing to a great extent. The mean responses calculated indicated a mean of 2.19 which implied that in general online advertising was used to a moderate extent by SMEs in Nairobi.

4.3.2 Impact of Digital Marketing on Sales

Table 4.12: Impact of digital marketing on sales

	N	Mean score	Std. Deviation	Coeff. of var. (CV%)
1. Email marketing has increased sales revenue in my business.	190	3.29	.877	26.65%
2. Mobile marketing has increased sales revenue in my business.	190	2.39	.958	40.08%
3. Social media marketing has increased sales revenue in my business.	190	3.67	1.008	27.46%
4. Search engine optimization has increased sales revenue in my business.	190	2.27	.953	41.98%
5. Pay-per-click has increased sales revenue in my business.	190	2.22	1.003	45.18%
6. Online advertising has increased sales revenue in my business.	190	2.35	1.121	45.70%

Source: Research data (2017)

The impact of digital marketing on sales growth in SMEs was done by analysing each digital channel and its impact on sales and results indicated in Table 4.12. The SMEs responded by indicating how each of the digital marketing technique impacts their sales and the responses averaged so as to infer to all the SMEs in Nairobi. The first digital marketing technique was email marketing which the study indicated a mean value of 3.29. This implied that email had an impact on increased sales to a great extent. Mobile marketing as a digital marketing technique had a mean of 2.39 which implied it increased sales for SMEs by a moderate extent. The study also indicated that social media had an effect on SMEs sales growth to a great extent with a mean of 3.67. The other digital marketing techniques, search engine optimization, pay-per-click, and online advertising all had a moderate effect on SMEs' sales growth with means of 2.27, 2.22 and 2.35 respectively.

The study also tested the effect of digital marketing on sales growth using Kruskall-Wallis test which analysed whether a unit ordinal change in extent of digital marketing adoption had an effect on sales.

i) Email Marketing

Table 4.13: Impact of email marketing on sales

	Email Marketing	N	Mean Rank
Annual Turnover	No Extent	6	10.00
	Little Extent	20	72.25
	Moderate Extent	42	80.36
	Great Extent	97	102.98
	Very Great Extent	25	124.30
	Total	190	

Test Statistics[a,b]

	Annual Turnover
Chi-Square	28.176
df	4
Asymp. Sig.	.002

a. Kruskal Wallis Test

b. Grouping Variable: Email Marketing

Source: Research data (2017)

Table 4.13 indicated the effect of email marketing technique on change in annual turnover with respect to the extent of its adoption. The Kruskal-Wallis test showed there is a statistically significant difference in annual turnover based on the extent of email marketing adoption by SMEs (χ^2=28.176, p=0.002). The mean ranks showed an increase in annual sales based on the extent of email marketing adoption.

ii) Mobile Marketing

Table 4.14: Impact of mobile marketing on sales

	Mobile Marketing	N	Mean Rank
Annual Turnover	No Extent	34	59.46
	Little Extent	108	89.48
	Moderate Extent	20	119.35
	Great Extent	24	143.13
	Very Great Extent	4	149.50
	Total	190	

Test Statistics[a,b]

	Annual Turnover
Chi-Square	37.199
df	4
Asymp. Sig.	.001

a. Kruskal Wallis Test

b. Grouping Variable: Mobile Marketing

Source: Research data (2017)

Table 4.14 provided the effect of mobile marketing on change in annual turnover with respect to the extent of its adoption. Kruskal-Wallis test indicated that there is a statistically significant difference in annual turnover based on the extent of email marketing adoption by SMEs (χ^2=37.199, p=0.001). The mean ranks showed an increase in annual turnover based on the extent of mobile marketing adoption.

iii) Social Media Marketing

Table 4.15: Impact of social media marketing on sales

	Social Media	N	Mean Rank
Annual Turnover	No Extent	9	23.17
	Little Extent	20	32.73
	Moderate Extent	34	56.79
	Great Extent	82	88.43
	Very Great Extent	45	106.66
	Total	190	

Test Statistics[a,b]

	Annual Turnover
Chi-Square	47.191
df	4
Asymp. Sig.	.000

a. Kruskal Wallis Test

b. Grouping Variable: Social Media

Source: Research data (2017)

The effect of social media marketing on annual turnover with respect to the extent of its adoption was provided in Table 4.15. The findings from Kruskal-Wallis test

indicated that there is a statistically significant difference in annual turnover based on the extent of social media marketing adoption by SMEs (χ^2=47.191, p=0.000). The mean ranks also showed an increase in annual turnover for the SMEs based on the extent of social media marketing adoption.

iv) Search Engine Optimization

Table 4.16: Impact of search engine optimization on sales

	Search Engine Optimization	N	Mean Rank
Annual Turnover	No Extent	45	68.70
	Little Extent	91	75.29
	Moderate Extent	36	94.56
	Great Extent	16	105.56
	Very Great Extent	2	109.50
	Total	190	

Test Statistics[a,b]

	Annual Turnover
Chi-Square	50.033
df	4
Asymp. Sig.	.006

a. Kruskal Wallis Test

b. Grouping Variable: Search Engine Optimization

Source: Research data (2017)

Table 4.16 provided the effect of SEO marketing on the annual turnover with respect to the extent of adoption. Kruskal-Wallis test indicated that there is a statistically significant difference in annual turnover based on the extent of SEO marketing adoption by SMEs (χ^2=50.033, p=0.006). The mean ranks showed an increase in annual turnover based on the extent of SEO marketing adoption.

v) Pay per Click

Table 4.17: Impact of pay per click on sales

	Pay per Click	N	Mean Rank
Annual Turnover	No Extent	56	64.24
	Little Extent	62	88.69
	Moderate Extent	49	117.17
	Great Extent	23	143.80
	Total	190	

Test Statistics^{a,b}

	Annual Turnover
Chi-Square	48.646
df	3
Asymp. Sig.	.000

a. Kruskal Wallis Test

b. Grouping Variable: Pay per Click

Source: Research data (2017)

Table 4.17 provided the effect of pay-per-click marketing on change in annual turnover with respect to the extent of its adoption. Kruskal-Wallis test indicated that there is a statistically significant difference in annual turnover based on the extent of pay-per-click marketing adoption by SMEs (χ^2=48.646, p=0.000). The mean ranks showed an increase in annual turnover based on the extent of adoption of pay-per-click.

vi) Online Advertising

Table 4.18: Impact of online advertising on sales

	Online Advertising	N	Mean Rank
Annual Turnover	No Extent	58	58.48
	Little Extent	63	89.81
	Moderate Extent	44	93.05
	Great Extent	25	107.24
	Total	190	

Test Statistics[a,b]

	Annual Turnover
Chi-Square	55.870
df	3
Asymp. Sig.	.002

a. Kruskal Wallis Test

b. Grouping Variable: Online Advertising

Source: Research data (2017)

Table 4.18 provided the effect of online advertising on annual turnover with respect to the extent of its adoption. Kruskal-Wallis test indicated that there is a statistically significant difference in annual turnover based on the extent of online advertising adoption by SMEs (χ^2=55.87, p=0.002). The mean ranks showed an increase in annual turnover based on the extent of online advertising adoption.

4.3.3 Correlation Test

Table 4.19: Correlation Test

		Annual Turnover	Email	Mobile market	Social media	SEO	Pay per click	Online advertise
Annual Turnover	Pearson Correlation	1	.419**	.484**	.616**	.492**	.510**	.586**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
Email	Pearson Correlation	.419**	1	.232**	.250**	.312**	.302**	.291**
	Sig. (2-tailed)	.000		.001	.001	.000	.000	.000
Mobile marketing	Pearson Correlation	.484**	.232**	1	.296**	.240**	.317**	.321**
	Sig. (2-tailed)	.000	.001		.000	.001	.000	.000
Social media	Pearson Correlation	.616**	.250**	.296**	1	.231**	.304**	.338**
	Sig. (2-tailed)	.000	.001	.000		.001	.000	.000
SEO	Pearson Correlation	.492**	.312**	.240**	.231**	1	.555**	.412**
	Sig. (2-tailed)	.000	.000	.001	.001		.000	.000
Pay per click	Pearson Correlation	.510**	.302**	.317**	.304**	.555**	1	.670**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
Online advertise	Pearson Correlation	.586**	.291**	.321**	.338**	.412**	.670**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research data (2017)

Pearson's correlation test was done on SMEs annual turnover and the extent of adoption of digital marketing techniques. From the tests that were done, the results indicate that there was a mild correlation between annual turnover and email marketing, mobile marketing, search engine optimization, pay-per-click, and online advertising. These digital techniques had correlation values of 0.419, 0.484, 0.492, 0.51, and 0.586 respectively. It was only social media marketing that had a moderately high correlation with annual turnover, with a value of 0.616 indicating a positive relationship between annual turnover and extent of social media adoption. The inter-relation tests indicated low correlation values which implied there was no multi-collinearity among the independent variables.

4.3.4 Challenges of Digital Marketing Adoption

4.3.4.1 Factors that affect Digital Marketing Adoption

Table 4.20: Digital marketing adoption challenges

	Responses		Percent of Cases
	N	Percent	
Lack of Finances	39	22.5%	25.0%
Lack of Digital Media Knowledge	55	31.8%	35.3%
Lack of Suitable Digital Marketing Techniques	50	28.9%	32.1%
Lack of Time for Planning and Implementation	20	11.6%	12.8%
Laws and Policies on Digital Marketing	7	4.0%	4.5%
Other Challenges	2	1.2%	1.3%
Total	173	100.0%	110.9%

a. Dichotomy group tabulated at value 1.
Source: Research data (2017)

The challenges that were encountered by SMEs that hindered digital marketing adoption were provided as shown in Table 4.20 above. The findings indicated that lack of digital media knowledge was the biggest challenge for SMEs to adopt digital marketing techniques. This was indicated with a 31.8% (N=55) of the responses. Lack of suitable digital marketing techniques was the other challenge that was experienced by SMEs in adoption of digital marketing technique. This meant that the digital marketing technique available was not suitable for their type of business. This was shown by 28.9% (N=50) of the SMEs that responded. Lack of finances was the third largest challenge experienced by SMEs to adopt digital marketing. This was shown by

a 22.5% (N=39) of the total responses, and would be because some of the businesses are still new and do not have the financial capacity to carry out the digital marketing. The fourth challenge that hinder digital marketing by SMEs in Nairobi is lack of time for planning and implementing the digital marketing strategy. This was presented by 11.6% (N=20) of the responses given by SMEs. Most of the SMEs do not have a formal marketing department and lack of time would therefore arise in the case where there are few staff with a lot to do.

4.3.4.2 Extent of challenges on Adoption of Digital Marketing

Table 4.21: Extent of challenges on Adoption of Digital Marketing

	N	Mean	Std. Deviation
Lack of Finances	190	2.56	1.005
Lack of Digital Media Knowledge	190	3.12	.757
Lack of Suitable Digital Marketing Techniques	190	2.79	1.048
Lack of Time for Planning and Implementation	190	2.15	.893
Laws and Policies on Digital Marketing	190	1.88	.802

Source: Research data (2017)

Table 4.21 shows the extent to which the challenges affected the adoption of digital marketing. The results indicated that lack of digital media knowledge was a challenge to digital marketing adoption to a great extent with a mean of 3.12. This was followed by the lack of suitable digital marketing technique which indicated a mean of 2.79 implying that it was a challenge on digital adoption to a moderate extent. This challenge was followed by lack of finances which had a mean of 2.56 implying it was a challenge to digital adoption by SMEs to a moderate extent. Lack of time for planning and execution was another challenge that had a mean of 2.15 implying it was a challenge to digital adoption to a moderate extent. Finally, laws and policies on digital marketing had the least impact on digital marketing adoption with a mean of 1.88 which implied that it was a challenge to digital adoption by SMEs to a little extent.

4.4 Discussions

The objective of the study was to assess the impact of digital marketing on the sales of SMEs in Nairobi, Kenya. The study analysed the digital marketing techniques and how each of the techniques affects SMEs sales growth. The first digital marketing technique to be analysed was email marketing. From the results, email marketing

adoption is done to a great extent by SMEs in Nairobi and it has a positive impact on sales to a great extent. More companies have started using personalized emails and email signatures to reach to their current and potential clients. The results are consistent with that done by Onyango (2016) and that of Yasmin *et al*. (2015) who indicated a positive relationship and increase in sales as a result of digital marketing, email being one of them. The other digital marketing technique analysed was mobile marketing and its effect on SMEs' sales growth. The study findings indicated that mobile marketing is used to a little extent by SMEs in Nairobi and impacts sales growth to a moderate extent. The usage by SMEs may be low due to costs associated with mobile marketing where there is a cost per SMS sent to a potential customer. This makes it expensive compared to other digital marketing techniques.

Social media marketing as a digital marketing technique indicated a great usage by SMEs and also results indicated its impact on SMEs sales to a great extent. The adoption of social media is high because it is a cheap technique of digital marketing, and can also reach many potential customers who are in social media. The results are consistent with the studies done by Srinivasan *et al*. (2016), Adegbuyi *et al*. (2015), and Jagongo and Kinyua (2013) who indicated that social media creates brand awareness that results in strong influence on customer acquisition and retention. Search engine optimization as a digital marketing technique indicated usage to a little extent by SMEs and it affects sales of SMEs to a moderate extent. The extent of use may be low due to its technicality and lack of understanding by SMEs. The results findings are not consistent with that done by Yasmin et al. (2015) who indicated that digital marketing techniques have a great impact on sales.

The other digital marketing technique whose impact on sales growth was analysed in the study was pay-per-click. The study findings indicated that it is used by SMEs in Nairobi to a little extent and it has an impact on sales to a moderate extent. The usage may be low also due to its technicality and SMEs do not understand how it works. A study done by Taiminen and Heikki (2015) raised queries whether SMEs understand how digital marketing operates to bring about essential changes in communication. The final digital marketing technique used by SMEs was online advertising and the study findings indicated that it was used to a moderate extent by SMEs and it had an impact on sales to a moderate extent. The findings were similar to study findings by Njau and Karugu (2014), Yasmin *et al*. (2015) and also that done by Kithinji (2014).

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The second objective of the study was to identify the digital marketing challenges experienced by SMEs in Nairobi, Kenya. From the study results, it was found that lack of digital media knowledge was the biggest challenge hindering SMEs to adopt digital marketing techniques. Many small enterprise are not aware of the digital marketing options and how they work, therefore limiting them on the usage. The other challenge faced by SMEs was lack of digital marketing techniques suitable for them. The SMEs may want to market using digital techniques, but they may not have the best technique that suits them. This challenge may also be as a result of lack of knowledge indicated earlier. Lack of finances was another challenge faced by SMEs to implement digital marketing techniques. This is especially for small enterprises who are starting and cannot afford some of the digital marketing techniques available. This challenge was followed by lack of time for planning and execution of the digital marketing. Small business do not have formal structures and relevant personnel for marketing and therefore may not have time to come up with a digital marketing strategy and execution since they also require time. Finally, the laws and policies on digital marketing had the least effect as a challenge on digital marketing adoption with a mean of 1.88. It was therefore not a major challenge to SMEs as there are no policies provided that hinder the use of digital marketing. The only issue may be certain lines of professions or businesses not allowed to market themselves in general.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This final chapter contains the summary and conclusion of the study with regards to the impact of digital marketing on sales growth of small and medium enterprises in Nairobi, Kenya. The chapter looked at the summary of the study in section 5.2 and presented the conclusion of the study in section 5.3 based on the results of the analysis. The study recommendations and limitations of the study were presented in section 5.4.

5.2 Summary

Marketing in an organization helps to create awareness of products and services by a business. One of the main reason companies create this awareness is to increase sales for both the short run and long run. Conventional marketing has been used by companies for many years and with the growth of technology, digital marketing channels have become greatly used by companies. As large companies have been able to adapt with the technological changes in marketing, the extent of adoption and impact of digital marketing in small and medium enterprises is not yet certain. The study therefore sought to determine the effect of digital marketing techniques on sales growth of SMEs, with the scope of the study being Nairobi, Kenya. The study also set to find out the challenges that SMEs encounter which hinder their digital marketing adoption.

With the objective, the study analysed theories relevant to the study and conducted a literature review of similar studies. The digital marketing techniques that were used to operationalize digital marketing were email marketing, mobile marketing, social media marketing, search engine optimization, pay-per-click marketing, and online marketing. These techniques were used to assess the extent to which digital marketing affects SMEs' sales growth in Nairobi, Kenya. The study conducted a descriptive cross-sectional research design by analysing different SMEs in Nairobi, Kenya at the same time. The target population size consisted of 699 small and medium enterprises in Nairobi, of which the sample size were 255 SMEs which were randomly selected. Primary data used was used for analysis purpose and was collected using a structured

questionnaire. The data was analysed using descriptive and univariate techniques which were Kruskal-Wallis test and Pearson's correlation test.

From the data analysis, it was found that email marketing had an impact on SMEs sales growth to a great extent. Mobile marketing as a digital marketing technique had an effect on SMEs' sales growth to a moderate extent. The findings also indicated social media marketing to have an effect on SMEs' sales growth to a great extent. Search engine optimization, pay-per-click, and online marketing all had an effect on SMEs' sales growth to a moderate extent. From the study's second objective, the study findings indicated that lack of digital media knowledge was the greatest challenge for SMEs in the adoption of digital marketing. This was followed by lack of suitable digital marketing techniques which was also a challenge experienced by SMEs in the adoption of digital marketing. The third challenge experienced by SMEs in the adoption of digital marketing was lack of finances, followed by the lack of time for planning and implementation.

5.3 Conclusion

From the study findings, conclusions were made in regards to digital marketing adoption by SMEs and its effect on sales growth. From the study results, it can be concluded that digital marketing has a positive effect on SMEs sales growth in Nairobi, Kenya. With regards to email marketing, the study indicated that it is used by SMEs to a great extent and the effect on sales was significant. The study therefore concludes that email marketing is important and should be used more by SMEs to improve their sales. More SMEs should start using personalized email which would be cheaper compared to niche marketing using traditional media. The study findings also indicated that mobile marketing is used to a little extent by SMEs and had a moderate effect on sales and the study concluded that it has not achieved greater sales for SMEs as would be expected.

The findings on social media marketing by SMEs indicated that it is significant factor to SMEs' sales growth that has been used to a great extent, and it has had a positive effect on sales to a great extent. The study therefore concluded that social media marketing technique is effective to SMEs in Nairobi as a means of marketing and helps to grow sales. Search engine optimization (SEO) as a digital marketing technique was found to be a significant factor on SMEs' sales growth and had an

effect on the sales to a moderate extent. The study therefore concluded that SEO as a digital marketing technique is important to sales growth even though its effect is moderate.

The study findings with regards to pay-per-click as a digital marketing tool indicated that it was significant on SMEs sales with a moderate extent. The study findings led to the conclusion that pay-per-click is significant to SMEs' sales growth but to a moderate extent. The last digital technique to be analysed as a digital marketing tool was online marketing whose results indicated that it was significant on SMEs sales but also to a moderate extent. The study findings led to the conclusion that online marketing is significant to SMEs' sales growth but to a moderate extent.

The challenges experienced by SMEs with regards to the implementation of digital marketing were analysed and rated on the extent to which they affect adoption. From the study findings, the study concluded that lack of digital media knowledge, lack of suitable digital marketing techniques, lack of finances and lack of time for planning and implementation were the biggest challenges that should be focused on so as to improve digital marketing adoption.

5.4 Recommendations

From the research findings and conclusions, the study made recommendations on the way forward on digital marketing adoption by SMEs. The first recommendation is that there should be proper sensitization and training to SMEs on available digital marketing options and how it can be done. The government and institutions such as KEPSA should come up with programs to help grow SMEs which would help the economy grow.

5.5 Suggestion for Further Research

From the study findings, one of the recommendations for further research is of more research should be done for other counties outside Nairobi as this would provide comparison and reinforcement or disapproval of this study's findings with regards to digital marketing. The organization should also look at how digital marketing affect other aspects of a business such as brand loyalty and customer relationship management since the organization is more than sales and profits. Also, other factors that affect sales growth and profitability of SMEs should also be analysed since it is

known that sales are not affected only by marketing or digital marketing, but a combination of both internal and external factors to an organization. The government should also come up with favourable policies to digital marketing so as not to restrict them when they use them. Finally, other analytical techniques apart from that used by the study should be done by researchers to determine how digital marketing affect sales growth in an organization.

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APPENDICES
APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Type of business	Sole proprietorship	☐
	Partnership	☐
	Limited liability company	☐
Number of employees	Less than 5	☐
	Between 5 and 20	☐
	Between 21 and 50	☐
	More than 50	☐
Annual turnover before digital adoption	Less than 1 million	☐
	Between 1 million and 3 million	☐
	Between 3 million and 5 million	☐
	More than 5 million	☐
Annual turnover after digital adoption	Less than 1 million	☐
	Between 1 million and 3 million	☐
	More than 3 million	☐
	More than 5 million	☐
How long has your business been in operation?	Less than 1 year	☐
	Between 1 to 5 years	☐
	More than 5 years	☐
Does your business/company have a formal marketing section?	Yes	☐
	No	☐
Does your business have the capacity or resources to serve more clients/customers than the existing ones?	Yes	☐
	No	☐

SECTION B: EXTENT OF DIGITAL MARKETING TOOLS USAGE

With a scale of 1 to 5, with 1 = '**No Extent**' and 5 = '**Very Great Extent**', indicate to what extent your business/company uses the following **digital marketing techniques** to market their business/companies:

	1	2	3	4	5
Emails					
Mobile marketing					
Social media marketing					
Search engine optimization (SEO)					
Pay-per-click (PPC)					
Online advertising (*websites, blogs e.t.c*)					

SECTION C: IMPACT OF DIGITAL MARKETING ON SALES

To what extent do the following digital marketing techniques have on the sales in your business?

Email marketing has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐
Mobile marketing has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐
Social media marketing has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐
Search engine optimization has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐
Pay-per-click has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐
Online advertising has increased sales revenue in my business.	No extent	☐
	Little extent	☐
	Moderate extent	☐
	Great extent	☐
	Very great extent	☐

SECTION D: CHALLENGES OF DIGITAL MARKETING ADOPTION

i) What are the factors that hinder adoption of digital marketing by SMEs in Kenya? (*Tick all that apply*)

Lack of finances ☐

Lack of digital media knowledge ☐

Lack of relevant digital marketing technique for business ☐

Lack of time for planning and implementation ☐

Legislative framework ☐

Other _____

ii) With a scale of 1 to 5, with 1 = '**No Extent**' and 5 = '**Very Great Extent**', to what extent do the following challenges hinder your adoption of digital media marketing?

	1	2	3	4	5
Lack of finances					
Lack of digital media knowledge					
Lack of relevant digital marketing technique for business					
Lack of time for planning and implementation					
Laws and policies regarding digital marketing					