

**INTERNET MARKETING AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN NAIROBI COUNTY**

**BY
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DECLARATION

This research project is my original work and has not been presented to any other university for an award of a degree.

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D61/73225/2012

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

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DEDICATION

This research is dedicated to the almighty God for giving me life, power, knowledge and wisdom and understanding to write it. I wish to express my gratitude to my parents Mr. Kithinji and my dearest mother Dr. Kithinji, for the encouragement and support throughout the course. To all my siblings, Victor, Beyonce Paz and Angel, colleagues and friends i express gratitude for your moral support throughout my course.

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ABSTRACT

The growth and spread of internet with an extraordinary pace over the last few decades has resulted in its increased use for marketing purpose; this is internet marketing. Internet as a marketing tool provides significant opportunities for companies to seek and adopt innovative practices in order to address the increasing demands of consumers. This study focused on internet marketing and performance of small and medium enterprises in Nairobi County. The study objectives were to establish the extent of internet marketing application by SMEs in Nairobi County, to determine the challenges faced in implementation of internet marketing by SMEs in Nairobi County and to determine the impact of internet marketing use on the performance of SMEs in Nairobi County. The research was a descriptive survey 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 analyzed using frequencies, percentages, means and standard deviation as well as factor and regression analysis. The study established that internet marketing was used at a moderate extent, and that certain challenges affected the SMEs ability to apply internet marketing. Most SMEs agreed that the greatest challenge in application of internet marketing was the fear of losing their current customers who were not able to access internet. The lack of finances to invest in internet marketing integration as well as lack of skilled IT personnel topped the challenges highlighted in the study. Internet marketing had a positive impact on the performance of SMEs. Social Media and websites were the most applied forms of internet marketing. There was increase in profitability, increased market share and an ability to expand their market growth. The firm's image was enhanced, an increased competitive advantage as well as more loyalty and access to new markets as impacts of using internet marketing by these SMEs.

DEFINITIONS AND SYNONYMS

GDP-Growth Domestic Product

GOK-Government of Kenya

ICPAK-Institute of Certified Public Accountants

ICT-Information and Communications Technology

IM-Internet Marketing

IT-Information Technology

SEO- Search engine optimization

SMEs –Small and Medium Enterprises

SMS-Short Messages

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter introduces the reader to the concepts of internet marketing and Small and medium enterprises (SMEs); it highlights the extent of internet marketing application by SMEs, the challenges faced in implementation of internet marketing and the impact of internet marketing use on the performance of SMEs in Nairobi County. The chapter also covers the study gap as well as the objectives and value of the study.

1.1.1 Internet Marketing

The fast paced growth in technology has allowed the development of the internet which has been geared towards creation of convenience for its users. The use of Internet has gained popularity in organizations globally; this has led to the creation of a new concept in marketing as "internet marketing" under relationship marketing. This has a philosophy to provide customers' needs as individual, creating value for customers and the development of communications network between the companies and individuals (Procter et al, 2013).

Burges and Bothma (2007) say that internet marketing is a business effort to inform, converse, promote and sell products and services over the internet, Thersthol and Lövgren (2007) view online marketing as a process for reaching out to many existing and potential customers as possible using the internet. Maguire and Magrys (2007) on the other hand noted that it involves finding the right online marketing mix of strategies that appeal to your target market and will actually translate into sales. The science of internet marketing is the research and analysis that goes into both choosing the internet marketing strategies to use and measuring the success of those internet marketing.

Mckintyrye (2002) noted that the use of internet by organizations has allowed cheaper marketing of its products, a greater customer base and a more personal interaction in the marketing. This has enabled a better research of the customer needs and has allowed the provision for these needs easier at a reduced cost. The evolution of internet marketing has led to better supply chain systems allowing the delivery of online goods to the customer allowing convenience to the customer while guaranteeing a sale for the firm. This system has allowed accountability to be more effective as compared to the traditional selling.

Firms that have embraced the use of internet marketing reap the benefits of ease of linking and communicating to clients and stakeholders for mutual benefit. Chaffey and Smith (2005) noted that firms have been able to increase their sales turnover and profitability and their market share from the adoption of internet marketing; this is due to the ease of access to information, reduced cost of economic interactions and improved communication with customers. He noted that internet marketing has facilitated to customer relations through activities that facilitate the exchange of ideas, products and services to satisfy the marketing goals of both parties.

Tiessen and Wright (2001) confirm that internet marketing has allowed firms the access of new market niches as well increase opportunities beyond geographical boundaries curbing international entry barriers. Early adopters of internet marketing have gained a competitive advantage and established customer loyalty programs that have enabled them retain and gain new clients (Sparkes and Thomas, 2001).

Businesses who have realized these benefits of an online presence have developed a company website as well as engaged in social media interactions for the growth and development of their firms (Kaye and Medoff, 2001). Email marketing is also a common source of internet

marketing; it is sometimes done by business people sending messages to the target population randomly to their phone numbers or email addresses (Shemi and Magambe, 2002).

1.1.2 Small and Medium Enterprises

Small and Medium Enterprises (SMEs) have been recognized as important contributors in the economy of many countries; with new opportunities opening for them in domestic and international markets. SMEs comprise of over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006). This gives a clear indication of their importance to the economy. In Africa the Entrepreneurship looks into the local resources hence playing a major role in their countries growth.

However it is important for an SME to grow in order to remain competitive in these competitive markets (Lloyd 2002). They are considered the lifeblood of modern economies creating as far more jobs than with large organizations. Etemad and Wright (2004) confirm the importance of SMEs for their potential for job creation and distribution of wealth which results in a multiplier effect in the social economic activities of a country. They at times act as subcontractors of the large organizations in an economy ultimately leading to equitable distribution of wealth.

According to a government publication; sessional paper no2 (2005) an SME is defined as an enterprise running with 1-50 employees The World Bank defines an SME as a formerly registered business with an annual turnover of between 1-100 Million Kenyan Shillings and with an asset base of at least 4 Million Kenya Shillings with 5-150 employees. The Institute of Certified Public Accountants (ICPAK) defines SMEs as entities that do not have public accountability. They are a major source of entrepreneurial skills, innovation and employment in both developed and developing countries.

Ghobakhloo et al (2011) indicate that SMEs are developers of entrepreneurial talent and a testing ground for new products. They are agents of change, widely facilitating innovation and competition within various national economies; they stimulation of competition bringing about a diversity of products and services.

The promotion of SMEs and, especially, of those in the informal sector is viewed as a viable approach to sustainable development of economies are the main source of employment in developed and developing countries alike. However SMEs face unique problems, which affect their growth and profitability, many of the problems have implications for technology choice. These problems include lack of access to credit, inadequate managerial and technical skills, and low levels of education, poor market information, inhibitive regulatory environments, and lack of access to technology (Elliot and Boshoff, 2007).

1.1.3 Small and Medium Enterprises in Nairobi County

It is estimated that 7.5 Million SMEs in Kenya provide employment and income generating opportunities in low income sectors of the economy. The sector has contributed to country's gross domestic product (GDP) with an increase from 13.8 % in 1993 to 40 % in 2008. They earn 14 % of the country's GDP (Mullei and Bokea, 2009). However not many SMEs grow into firms whose contribution is accredited to the economy as over 60% of small businesses are estimated to fail each year (Kenya Bureau of Statistics, 2007).

The researcher used population from Nairobi County. Nairobi is the capital city of Kenya, which is a country within the East African region; it presents an ideal case of a developing country. Nairobi is reported to be the most populous city in East Africa, with a 2011 estimated

population of about 5 million. The city is currently the 13 largest city in Africa, based on population and fourth largest in infrastructure development and size.

An important development in the industrial sector has been the growth of the informal manufacturing sub-sector, commonly known as Jua Kali, in response to the scarcity of formal wage employment. These are small manufacturing ventures that use very little capital in their production process and manufacture a wide range of products.

There are approximately 157,846 registered SMEs in Nairobi County (Gitau, 2011). The SMEs business categories consists of general trade, comprising wholesale and retail stores, transport communication and storage, accommodation and catering, professional and technical services, private education, health and entertainment and last but not least industrial factories and workshops (Bowen *et al.*, 2009). The researcher targeted population from Hurlingham who are within the Kilimani area with 3,760 SMEs. Out of these the accessible population was enumerated to approximately 900 SMEs within Hurlingham (Gitau, 2011). This population sufficiently provide a diverse collection of various business types in a moderately growing centre within Nairobi County.

1.2 Statement of the problem

Despite the fact that internet marketing has proven beneficial to Multinational companies like Coca cola or Safaricom that have gained a global outreach through the use of globalization in communication, SMEs are seen to take a slow pace in adopting it in their operations. Apple and Dell rank high as beneficiaries of Internet Marketing through which they have had increase in

revenue per annum; SMEs also can gain such advantages and also improve their chances for their survival through the embrace of internet marketing.

Studies conducted in Singapore and Taiwan show the importance of internet marketing to SMEs for their survival. However, it was noted that the knowledge of these benefits were not known to the SMEs hence the small numbers of adoption (Kendell et al, 2001).

Researchers in South Africa clearly highlight the impact played by SMEs to their economy with their contribution up to 16% of their national GDP (Burgess and Bothma, 2007). Highlights of barriers to internet marketing are discussed by studies in South Africa and Botswana where the developing countries are seen to be at a slower pace in adopting to the technologies due to financial and capacity constraints. It was recommended for state governments to support the development of ICT a factor of Internet Marketing. The Kenyan government has developed strategies in support for the IT development in Kenya in its Konza City Strategy (Vision 2030).

Studies in Kenya have been done on the use of Social Media as a strategy for entry of new markets (Gathoni, 2012) as well as its influence on customer service (Mwangi, 2012). Other Findings show that SMEs in their nature were constrained to adopt to technological advancements due to their environmental constraints which lead to their competitive disadvantage in comparison to large Institutions (Wamaitha, 2012).

Other studies have been relating to the impact of Internet marketing in performance of Large Enterprises like Safaricom and Large Supermarkets, with findings pointing to their

improvement in customer relations as well as sales and turnover rates (Ruth, 2012) However, the importance of Internet Marketing to the SMEs performance has not been fully explored.

In view of this therefore the study seeks to address the following questions; to establish the extent SMEs in Nairobi County use internet marketing in their businesses? To determine the challenges faced in implementation of internet marketing by SMEs in Nairobi County and determine the impact of internet marketing on performance of SMEs in Nairobi County.

1.3 Research Objectives

- a) To establish the extent of internet marketing application by SMEs in Nairobi County
- b) To determine the challenges faced in implementation of internet marketing by SMEs in Nairobi County
- c) To determine the impact of internet marketing use on the performance of SMEs in Nairobi County

1.4 Value of the Study

Technology has brought about change that allows benefits to be realized by States Institutions and also persons; their ability to adopt and utilize this technology bridges the difference between them and their counterparts who have not opted for the same. Use of internet for communication to the external brings about competitive advantage to firms who utilize it and hence impacts on their overall growth. Internet marketing which has created visibility of SMEs to global markets has enabled them reach out to untapped customers hence creating better chances for their growth and survival within their industries.

This study is important as it comes at a point in time when SME performance is of widespread concern in both developed and developing countries. A study of the current approaches to SME

performance is needed to establish the attention paid to the effectiveness and efficiency of SMEs. Unless sufficient attention is paid to SME performance, SMEs can fail to deliver their intended services and goods to the public. The study aims at benefiting the policy makers at both national and institutional levels through policy formulation and change of policies in regard to internet Marketing and its impact on SME performance.

The study serves to facilitate the development of small businesses through creating factual awareness of the benefits of proper implementation of Internet Marketing on SMEs. Likewise, the results of the study will be used as a basis for further research by other academicians in the field of SME performance. It is hoped that the study will make contributions and add useful information to that which already exists in regard to internet marketing and its impact on SME performance.

The researcher seeks to showcase these benefits and how they would improve the chances of the SMEs survival in Nairobi Kenya. In its review the possible challenges in its implementation shall be identified and highlighted for such SMEs to prepare and evade.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews internet marketing and its importance, the key ways of its application as well as the challenges to its implementation. Further review is done on the performance factors for SMEs and key theories which may be applied to the study and in the understanding of internet marketing for SMEs adaption.

2.2 Internet Marketing

The growth and spread of internet at an extraordinary pace over the last few decades has resulted in its increased use for marketing. Singh (2002) noted that it has taken approximately seven (7) years to reach a 25% market share from its inception, as opposed to the telephone that took 35 years and the television which took 26 years. The effectiveness and cost-friendly nature of internet marketing has allowed a platform for SMEs globally to benefit in marketing their products and reaching a wider range of clients at a reduced cost (Ashworth, et al 2006).

Internet Marketing is the art and science of selling products and (or) services over digital networks, such as the internet and cellular phone networks (Smith et al 2005). These are the strategies that are used to market a product or service online, communicate a company's message about itself, its products, or its services. It also entails conducting research on the nature (demographics, preferences, and needs) of existing and potential customers to enable them to sell goods, services or advertise over the internet.

Burges and Bothma (2007) say that internet marketing is a business effort to inform, converse, promote and sell products and services over the internet. While Thersthol and Lövgren (2007) view online marketing as a process for reaching out to many existing and potential customers as

possible using the internet. Maguire and Magrys (2007) on the other hand noted that it involves finding the right online marketing mix of strategies that appeal to your target market and will actually translate into sales. The science of online marketing is the research and analysis that goes into both choosing the online marketing strategies to use and measuring the success of those online marketing.

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Tiessen and Wright (2001) confirm that internet marketing has allowed firms the access of new market niches as well increase opportunities beyond geographical boundaries curbing international entry barriers. Early adopters of internet marketing have gained a competitive advantage and established customer loyalty programs that have enabled them retain and gain new clients (Sparkes and Thomas, 2001).

SMEs in their nature are limited from adapting to new technologies for environmental constrains. Chapman (2000) identified the financial constrain as a major barrier in the adoption of Internet Marketing. This has impeded organizational ability to invest in IT and exploit technological potential to a level where sustainability is being achieved and a positive impact on financial performance being generated. Ease of access to financial capital was identified by

Sharma and Aragón-Correa (2005) as another barrier for the financial policies favor large companies due to the lack of collateral, high transaction costs. SMEs have few non-skilled personnel and for the adoption of internet marketing; the use of an IT skilled personnel is key. Elliot et al (2007) noted that the adoption of internet marketing was barred due to their lack of user capability skills. The poor Infrastructure supporting the use of internet marketing was also a key barrier especially in developing countries (Molla and Licker, 2005).

Actions need to be done to curb these barriers including improved infrastructure, costs and IT training and in information relating to the business opportunities that Internet marketing can generate (Parker and Castleman, 2009). The Internet enhances a small firm's access to overseas markets and the ability of the firm to access information and knowledge while also expanding its networks (Etemad and Wright, 2004).

2.3 Forms of Internet Marketing

Organizations today have embraced the existence of global communities which have created a platform for internet marketing. The platform allows organizations to personalize their customer needs hence established loyalty which is crucial in today's competitive world. Firms can embrace the use of internet marketing using different channels which bring them closer to clients by offering a wider scope of clients with better communication (Cameron, 2009).

According to Teo and Pian (2003) internet adoption can enable a firm expand its markets and customer share; Internet Marketing adoption affects a firm's ability by increasing its scope and extending its core business through market penetration and product development.

The Ansoff growth strategies can be achieved easily through the application of internet marketing with its ability to enable firms increase their market share through penetration to new

markets (Ansoff, 1965). Use of the internet marketing has allowed businesses venture into new markets and gain new customers even with the existing products (Market Development). However the interactive nature of internet marketing has allowed organizations develop new products from the feedback relayed by the customers allowing for their diversification (Porter, 2001).

Businesses who have realized these benefits of an online presence have developed a company website as well as engaged in social media interactions for the growth and development of their firms (Kaye and Medoff, 2001). Email marketing is also a common source of internet marketing; it is sometimes done by business people sending messages to the target population randomly to their phone numbers or email addresses (Shemi and Magambe, 2002).

2.3.1 Websites

These are crucial to firms as they create an image for the clients who are able to learn of the firm with its products and services as well as their operations. Websites today allow control for the firms for their capability to compile statistics regarding how many people viewed each advertisement on an hourly, daily, and monthly basis, and for how long each viewer actually looked at an advertisement (exposure time). This helps companies track down the effectiveness of their advertisements in terms of the number of direct purchases a much more effective mechanism than the existing ones for magazine advertisements or television commercials (Porter, 2001).

Other functions like placing orders are also enabled in websites today; a client is able to choose the available product, place an order and track its progress to delivery. This has enabled the comfort of the client.

2.3.2 Social Media Marketing

Employment of social media marketing services is considered to be the most important and result-oriented marketing strategies for online businesses. These services give quick results and have profound effect on the overall functioning of a business. Social media marketing basically means promoting company or a website on different networking sites and popular media channels such as Twitter, LinkedIn, Facebook, Blogger etc. Promoting websites of businesses through social media marketing pricing ensure increased traffic, thereby resulting in good amount of profits.

Social Media has seen a great embrace worldwide and companies can take advantage of the network and links that can be gained from it. Use of social media does not require heavy investment, because making online company profiles on social networking sites is absolutely free. Having your business on social networking sites is an easy and simplest way to communicate and share your products with your target audience (Evans, 2008).

Bing Pan (2011) express the importance of strategies for application of social media to ensure the benefit to the institution with its branding and image as well as better communication to clients and other stakeholders. The use of social media has enabled clients associate with the firm and observe ratings and feedback for purchase decision making; this has allowed develop loyalty and an extensive customer base.

2.3.3 Mobile Advertising

Mobile phones are used in developing countries as much as developed. Kenya has reported the increased use of mobile phones to rural areas. This has created the ability to communicate to

masses with ease. SMEs can use the vast access of the telephone by a majority of persons in the country to communicate their products and services to the masses.

Ryssen (2004) explains the importance of mobile commerce through the use of Short Messages (SMS) to reach target clients who are in different geographical locations. This method was highlighted as a cheap means of communicating to the clients with the development of Bulk SMS services making it operational today.

2.3.4 Email Advertising

E-Mail marketing is one of the primary ways to strengthen the relationship with customer. It is important to enroll customers for newsletters so they can be repeatedly reminded about new products, launches, and other deals being offered by the company on a regular basis. E-mail marketing encourages customer loyalty, and can offer amazing benefits to customers.

Chaffey (2005) noted that emails were the main source of communication before the introduction of social media their improvement from the use of postage mails allowed communication between stakeholders and the firm to be shortened and allowed more accurate results.

2.3.5 Search Engine Marketing

Search engine optimization (SEO) has become a crucial part of web commerce. Without the right use of SEO techniques and strategies, a business or a website may not be able to acquire good ranking on popular search engines, particularly Google. Due to continuous manipulation of SEO techniques in the last few years, many online directories and search engines have made several modifications in their search algorithms to provide best results to users, looking for

relevant information for their query. The main focus of search engine marketing strategies is to place certain highly searched keywords in particular places of several web pages of a website. It aims at providing relevant and useful content to your target market, while improving the overall rank of the website on search engines.

2.3.6 Online Blogs and Articles

These are websites containing a writer's or group of writers' own experiences, observations, or opinions, and often having images and links to other websites. These blogs have helped individuals and companies market themselves at low costs. They give their target customers a feel of the company while allowing interaction between them and the company members. Blogs have also been able to drive traffic to a company's website allowing them visibility to visitors.

2.3.7 Online Markets

E-Commerce has become a growing phenomenon in the world today with companies providing platforms for the sale and interaction with clients. This is an online site where product and inventory information is provided by multiple third parties, whereas transactions are processed by the marketplace operator. Examples of online Market places include, eBay, Bid or Buy, OLX & Deal Fish. These markets allow convenience to the customer as well entices their decisions through discounts and free delivery services (Post sales services).

Online advertising is a large business and is growing rapidly. In 2011, internet advertising revenues in the United States surpassed those of cable television and nearly exceeded those of broadcast television. In 2012, Internet advertising revenues in the United States totaled \$36.57 billion, a 15.2% increase over the \$31.74 billion in revenues in 2011. U.S. internet ad revenue

hit a historic high of \$20.1 billion for the first half of 2013, up 18% over the same period in 2012. Online advertising is widely used across virtually all industry sectors.

2.4 Challenges of Internet Marketing Application

SMEs like large Companies face barriers towards their growth Companies fight for clients per industry and SMEs face the challenge of competing with large established companies who have established a relation with the customer. Despite the conditions these SMEs do find their way to success into large organizations with time and mastery of the conditions (Etemad and Wright, 2004).

A firm's ability to access financial capital for the business is a key determinant of the success of the business (Sharma and Aragón-Correa, 2005). Financial Policies favor large institutions from SMEs in accessing finance capital hence barring the SMEs development. This is due to the lack of collateral, high transaction costs and the inability to deal with complex financial institutions (Parker and Castleman, 2009). To any individual firm, competition poses a threat to survival and although competition is a threat to survival, it is the competition that that drives firms to improve productivity and therefore drives growth. However unfair competition within these competitors is considered as the main barrier to organizational performance. These include taxation, the informal economy and public services.

Despite the cost reduction of internet-based technology in developing countries, its implementation still represents a considerable and costly challenge for most SMEs (Wang 2004). Large corporations with more funding, more attainable skills, and with strengths in building solid business strategies, can afford internet marketing deployment. Most SMEs typically with less cash, a shortage of IT expertise, and necessary infrastructure, are not able to

afford internet marketing. Most of the SMEs have connected to the internet, but have simply opened a homepage and an e-mail address

The lack of skilled ICT personnel has been cited as a common problem that prevents SMEs from developing internet marketing in their firms (Mutula and Van Brakel, 2007). This puts pressure on SME managers who have to understand the ICT and the internet marketing opportunities that comes with it. Thus in many cases, the ICT personnel are usually in short supply or perhaps unavailable (Shemi and Magembe, 2002).

Lack of sufficient infrastructure for the adoption of internet marketing has led to its slow pace of adoption especially in developing countries. Lack of electricity by organizations or its clients could be a barrier to their deriving its benefits. Failure to access the internet has also barred the use of internet marketing as firms fear the loss of current customers with difficulty to access their products online (Martin,2005).

Another barrier in the adaptation of internet marketing in SMEs is the lack of awareness about internet marketing and internet marketing business models (Dlodlo and Dhurup, 2010). SMEs struggle to keep up to date with current developments or the role they could play in this new marketplace. The current customers of these SMEs may not easily access the internet hence bringing a barrier and lack of use for the internet marketing. Until sufficient numbers of their main local customers or suppliers participate in online commerce activities, there is little incentive for individual SMEs to become engaged in internet marketing themselves.

The prevailing business culture in the SME environment has been cited as crucial for the development of internet marketing (Shemi and Procter, 2013; Thong, 1999). This has been found to be different from country to country even amongst developed countries (Scupola,

2009). For example, most SME managers in Southern Africa and Botswana in particular, can be said to have lower uncertainty avoidance and lower individualism (Hofstede, 1994), meaning that people can easily interact and share ideas with friends, relatives without much consideration of losing individual identity. This inhibits internet marketing adoption to an extent as people are more prone to interact with ICT than in the traditional ways.

Other drawbacks to internet marketing adoption in SMEs relates to organization culture as it internet marketing activities. In their study in South African SMEs, Humphrey et al., (2003) found that SME managers were more interested in establishing face-to-face business meetings than the web-enabled business discussions.

Many of the SMEs owners do not have technical backgrounds, and can be difficult to convince that the technology standards such as encryption etc. exist to protect them. Security, legal, and liability issues were often identified as very important concerns of participating SMEs. Due to a lack of knowledge of e commerce technologies, there is an internal resistance to change, and skepticism of the benefits of internet marketing among SMEs. Internet marketing can demand fundamental shifts in business strategies, operations, and technologies.

Kshetri (2007) also highlights that conducting business through electronic networks raises numerous legal questions that include: the legal status and enforceability of electronic contracts; the legal jurisdiction of international internet marketing transactions; intellectual property rights and copyright protection for digital content; the privacy of personal data; and the validity of electronic “evidence” in legal disputes.

The attitude of consumers towards local products being associated with a lack of confidence in the quality of these products is a negative phenomenon in the development of these enterprises, making imported products to be much more desired which can be proven by the negative trade balance of developing countries. These barriers result in weaker competition, unfair competition and adversely affect investments (World Bank, 2010).

Challenges for SME internet marketing adoption in developing countries have been discovered to be similar to those of their counterparts in developed countries except that the magnitude of their difference weighs more negatively for developing country SMEs (Molla and Licker, 2005). Technological challenges are those that are obtained from the nature and characteristic of the ICT that the SME employs or intends to use for internet marketing adoption (Scupola, 2009). In most developing countries, the lack of Internet and slow speed of telecommunication networks has greatly contributed to delays in adopting internet marketing. This is more so in rural areas where such infrastructures are barely available and where their embrace takes longer (Oreku et al., 2009).

2.5 Performance of Small and Medium Enterprises

Firm performance is arguably the most important construct in management research. Barney, (2007) refers performance as how efficiently and effectively a firm utilizes its resources in generating economic outcomes. In the business strategy literature there are two major streams of thought on the determinants of firm performance. One is based on factors that exist in the firm's external environment, and the other is based on internal organizational factors. Performance can be determined in various ways. It might stand for financial performance, market performance, customer performance or overall performance (Smith et al, 2001).

Most firms measure performance based on monetary success which is measured by sales turn over and profitability. Hofstrand (2009) posit that profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. Businesses who gain profit are destined for success. The harsh environment however limits the ability of SMEs to constantly earn these profits hence the need to adjust to operations that allow them perform at a limited cost. The use of internet marketing allows them to maintain customer loyalty while expanding their niches hence improving their chances of sales turn over and profitability.

The firm's ability to gain profit is established after returns are made on investment. Return on Investment is important to firms for continuity for their ability to return that which was borrowed. Hofstrand (2009) explains expansion is subject to the firm's ability to sustain itself on initial capital; for expansion businesses require to borrow further and their ability to return previously acts as a guarantee to the financier.

Other measures are based on the market share established in an industry by these firms with market leaders gaining most favor from the shared clientele. A market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. The growth share matrix explains the market share and market growth rate of a firm where the Boston Consulting group (1970) analyzes a firm's business units, and their product lines. This helps the company allocate resources and is used as an analytical tool in brand management, product management, strategic management, and portfolio analysis.

Customer loyalty is a key contributor in ensuring success which is a measure of performance in SMEs. Loyalty guarantees sales for certain periods a concept that has allowed firms major on

loyalty schemes like in Supermarkets in Kenyan Markets. The loyalty business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be met or surpassed. A typical example of this type of model is: quality of product or service leads to customer satisfaction, which leads to customer loyalty, which leads to profitability.

Customers trust brands that have been established and are hesitant to venture into new ones; firms therefore invest highly on the establishment of its brand. Branding is defined by Porter (2001) as the process of creating a unique image for a product in consumers mind. The use of internet marketing has allowed firms ability to establish brands for cheaper. SMES serve to benefit from Internet marketing for the purposes of branding as it offers a cheap option with access to larger masses.

Increased number of accessed customers will increase the potential sales for the firm's hence better performance. Burke et al (2004) explains that the use of internet has allowed the globalization of economies which has lessened the geographical barriers previously experienced by firms. This also allowed an increased market niches for firms through internet marketing. Firms today are exposed to international standards so as to cater to all clientele across the world.

Performance is both measurable and perceptible which allows firms a competitive advantage over their counter parts in the industry. Use of Internet marketing by SMEs can enhance their performance for better branding and access to customers. This ensures more sales and loyalty by these firms.

2.6 Internet Marketing and Performance

The advent of Internet marketing offers SMEs a new frontier of opportunities and challenges. SMEs need to understand the drivers that influence the adoption of internet marketing to allow them create solutions and plans to attract consumers to their products and services, hence enable them gain a greater representation in the global industry market (Ghobakhloo *et al.*, 2011). Internet marketing therefore allows SMEs a fighting chance for success in the use of local and internal markets; however most SMEs face barriers to the adoption of Internet Marketing.

Internet as a marketing tool provides significant opportunities for companies to seek and adopt innovative practices in order to address the increasing demands of consumers (Sharma & Aragón-Correa, 2005). Better supply chain management has been achieved and a reduced cost of transaction. The internet allows for fewer data entry errors creating time savings and lower labor costs. This is an effective solution for SMEs who have minimal employees (Martin, 2005).

The key use of internet Marketing is its ability to enable the SMEs reach and interact with its current clients as well as potential. It does not need to be expensive to reach online customers effectively (Shane Mathews & Marilyn Healy, 2008). This also allows them improve their products and services from the feedback given. Performance of SMEs is paramount for their success today. Success of business is gained through increased sales and acquisition of a market share from other competing firms. Internet Marketing allows SMEs to formulate strategies that can enable them enhance their performance.

Branding is important in the adoption of internet for marketing purposes as well as the availability of adequate security procedures in one's site; this is because any online research and

purchasing decisions are made solely based on trust. Inadequate security measures, expertise and financial means to guard against un- authorized access to confidential information by employees and from outsiders and hackers pose a hindrance to Internet adoption (Khan, 2007).

The internet allowed organizations to have better control and feedback from their input as it brought about the capability to compile statistics regarding the viewing of the posted adverts on daily as well as hourly basis (Porter, 2001). It enables one to view the exposure time of the client on an advert hence track the effectiveness of the advert. Marketers today are able to identify and satisfy consumer needs and preferences through monitoring of websites visitations either on email, online surveys and chat rooms. Internet provides an opportunity to the businesses to get immediate and impulsive responses of the consumers through the marketing surveys and polls conducted online or via email.

Hamill (1997) explained that the internet was a powerful tool for SMEs as it reduced entry barriers that restrict internalization. Firms could overcome many operational barriers relating to paper work and export documentation. Businesses are able to expand into international markets due to the globalization of economies which has been spearheaded by the Internet marketing approaches. It has helped ease the red tape surrounding the prospect of doing business overseas, thus avoiding regulations and restrictions those companies must follow who are physically present in other countries. This is most beneficial to SMEs who are constrained financially to expand internationally as it allows them access of these markets at minimal costs (Hamill, 1997).

2.7 Theoretical Review

The research identified theories that explain the research objective through negation or in support. These theories express the adoption of innovative technologies like internet marketing,

its importance and ease of use for SMEs. They also look into dynamics considered in their adoption based on the SMEs ability and to afford and integrate them in their operations. These theories enhance the understanding of internet marketing as it is a feature of the internet. An understanding of the choices put across by firms prior to their adoption of internet marketing can be useful to SMEs for them to make such decisions.

2.7.1 Technology Acceptance Model

The Technology acceptance model explains the determinants of information technology end user's behavior towards information technology. Elliot and Boshoff (2007) say that it is designed to explain computer usage through two cognitions; perceived usefulness and perceived ease of use. Perceived usefulness is the extent to which a person believes that using a particular system will enhance his or her job performance. Studies show that users are driven to adopt a technology primarily because of functions it provides them and also for the easiness of benefiting from these functions. SMEs are like other firms likely to benefit from the adoption of internet marketing as it enhances their performance at a reduced cost. SMEs who have realized this have benefited (Sharma and Aragón-Correa, 2005).

SMEs may be aware of the importance of Internet marketing but are barred from their inability to apply this technology. This has been to be as a result of skilled IT personnel as well as lack of IT knowledge. The perceived ease of use of the technology also affects the adoption by firms; this is more so for SMEs. Etemad and Wright (2004) state that technology should be both easy to learn and easy to use; this implies that perceived ease of use is expected to have a positive influence on users' perception of credibility and intention of using internet marketing. Perceived credibility can be defined as the perception of one that the other has the required expertise to perform effectively and reliably. SMEs depend on the credibility of the internet marketing for

their success in performance for their adoption. Business owner's way these variables of its usefulness, credibility and ease of use before investing on technology like internet marketing.

2.7.2 Diffusion of Innovation Theory

This theory explains how potential adopters perceive an innovation in terms of its advantages or disadvantages (Rogers, 1995). The diffusion of innovation theory is important to our study as we understand the dynamics under which SMEs adopt the use of internet marketing. The theory explains that upon understanding of the risks and advantages of adoption to a certain innovation; firms make decisions on when to adopt and ways out ways the innovation is best suited to their firm (Etemad and Wright, 2004). Diffusion by SMEs is largely by way of interpersonal or inter-firm networks. Singh (2002) says that the internet has gained popularity at a fast pace compared to the telephone and television with only 7 years to attain 25 % adaptation while the telephone took 35 years and the television which took 26 years. The effectiveness and cost friendly nature of internet marketing has allowed a platform for SMEs globally to benefit in marketing their products and reaching a wider range of clients for lesser (Ashworth, et al 2006). SMEs should hence note that it's fast pace of popularity is due to its importance to their counterparts and the world hence the need for a fast paced adaptation for early benefits.

2.7.3 Resource-Based Theory

This theory emphasizes the internal resources of the firm as the source of performance and competitive advantage, rather than the external environment (Duhan et al, 2010). However, other studies show that the performance of a firm is affected by the external environments as much as it does the internal environment. Hence, in view ICT an external factor among others can be viewed as important for the success and growth of firms. SMEs should use the internal

resources to benefit from external based opportunities and also to curb the threats associated with the external environment.

SMEs ability to adapt to the use of Internet marketing is based on their capability through the availability of internal resources like finances. Business owners make decisions based on their resources and give priorities for the success of their businesses (Elliot and Boshoff, 2007).

2.7.4 Social Penetration Theory

Social penetration theory explains how human exchange forms relationships with a focus on individual influences for sharing on social media Altman and Taylor (1973) explain that individuals on these platforms are subjected to disclosure of self in the interactions hence creating the need to secure certain information that they deem private. It starts with public, visible, and superficial information, such as gender, clothing preferences, and ethnicity; slowly, as the relationship progresses, one starts to share feelings; at the deepest level, one will expose his or her goals, ambitions, and beliefs (Altman, Vinsel and Brown, 1981).

In the online social world, we may be able to design social networks in a way which separates these different layers of information. By default, certain information will be disclosed to the public, while private and semi-private information could be confidential. There might be ways to determine the levels of relationships from the mode and frequency of communications, which could easily be tracked online through social media sites. A recent privacy lawsuit against Facebook highlighted the importance of following the layered intimacy levels of social penetration when disclosing one's information (Gaudin, 2010).

SMEs need to maintain these standards to enable their clients the confidence to issue credible feedback that allows the communication to the externals world useful. By application the social

penetration theory allows SMEs learn the individual traits for them to meet their personalized needs hence creating better performance.

2.8 Summary

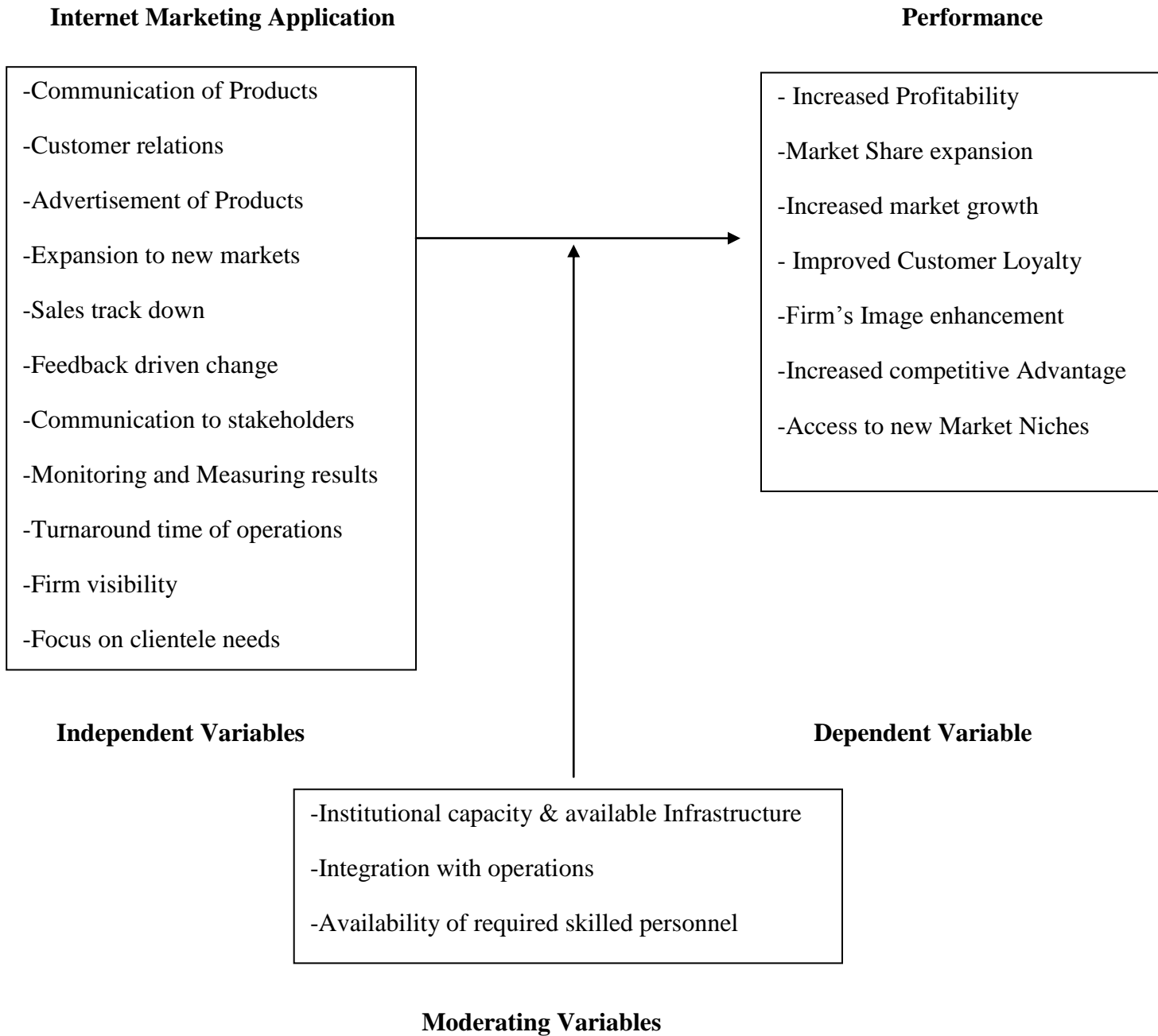
In view of the potential benefits due to be experienced by implementing Internet Marketing by SMEs in Kenya, it is important for all stakeholders to address the limitations and find solutions to their plight. According to Parker (2009), creating of policies and modifying already established ones in an aim to encourage and promote the development of local technologies, should be given priority. As SMEs are challenged due to their size and resource limitations, their potential to initiate minor technological innovations to suit their circumstances should be encouraged as a stepping stone, to advancing into more complex systems.

This chapter reviewed various sources of literature behind the need for implementing Internet Marketing within businesses, the challenges as well as risks faced. The chapter also highlighted and defined the various variables and their interaction as stated by various theories.

2.9 Conceptual Framework

The model shows the impact of internet marketing on performance of SMEs. The dependent variable is performance whose variables include Sales Turn over and Profitability, Market Share and market growth, level of Customer Loyalty, the SMEs' Corporate Image, its ease in access to new market niches and its ability to issue a competitive advantage to the SMEs. The Independent variables include the different ways of internet marketing application. However the performance is moderated by variables which include the Institutional capacity & available Infrastructure to use internet marketing, its ability to integrate internet marketing on its operations and the availability of required skilled personnel.

Conceptual Framework



Source: Author (2014)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology of this study which explains the research design, the target population from which the data comes from, the sampling design, the data collection method, and data analysis method. The study provided answers to questions relating to the extent SMEs in Nairobi County use internet marketing in their businesses, the challenges encountered in their implementation of internet marketing and the impact of internet marketing on performance of SMEs in Nairobi County.

3.2 Research Design

Research design brings out the plan of what the researcher intends to do and how to carry out the research. In short, research design can be summarized as the plan for the collection, measurement and analysis of data (Cooper & Schindler, 2003).

This researcher used the descriptive research design, which according to Emory (1985) has the objective of describing the characteristics of an event, situation, community or population. Cooper and Schindler (2003) argue that certain inquiries focus on questions that require answers in order to understand people, events and situations. This design method squarely fits the topic at hand by describing the impact of internet marketing on SMEs. The main purpose of the descriptive design method is to describe the state of affairs as it exists at the time (Chandran, 2004). In the case of this study, it was to facilitate a clear understanding of the impact of Internet Marketing to SMEs performance.

3.3 Population

Population is defined as the total collection of elements about which we wish to make inferences (Cooper & Schindler, 2003). In this study, the entire population comprised all SMEs

in Nairobi as summarized in Table 1 (see Appendix 2). Bowen *et al.* (2011) enumerated a total of approximately 157,846 SMEs licensed under the Nairobi City Council Department. The researcher targeted the Hurlingham part of the Nairobi County. Hurlingham is within the Kilimani ward area and has a population of approximately 3,760 SMEs. Out of this number, the accessible population was enumerated to approximately 900 SMEs within Hurlingham (Gitau, 2011). This population sufficiently provided a diverse collection of various business types in a moderately growing center within Nairobi city.

3.4 Sampling Design

Sampling is defined as the process of selecting a number of individuals for a study in such a way that they represent the larger group from which they are selected (Mugenda & Mugenda, 2003). For the study at hand, non-probability purposive sampling method was employed. This method allowed handpicking the cases to be included in the sample based on judgment. According to Chandran (2004), this method best serves to meet the set objectives as the units forming a sample have been purposely selected. Using purposive sampling intentionally skipped respondents who fell outside the intended area of interest, such as SME's with no interaction with Internet Marketing at all. The sample size under consideration was 90 respondents, which is in line with 10% of the accessible population of 900 SMEs (Mugenda & Mugenda, 2003).

3.5 Data Collection

The study relied on primary data which was collected using questionnaire. The questionnaire communicated to the respondents the intended and elicited responses in terms of empirical data necessary for analysis. The research objectives were translated into questions. The researcher administered the “drop and pick later” approach with a target of top management of these SMEs. The Questionnaire was categorized into four sections that meet the objectives of the study. The first section focused on the demographics factors of the respondent and the firm. The

second section focused on the uses and forms of internet marketing, the third section focused on the challenges of internet marketing implementation and the last section focused on the impact of its adoption to SMEs performance.

3.6 Data Analysis

The questionnaires were collected from the field and checked for completeness. The collected data was then be subjected to analysis using Statistical Package for Social Sciences (SPSS) for windows. Data collected on demographic information of the respondent and the firm was analyzed using frequencies and percentages. Data collected on the extent and forms of Internet marketing used by these SMEs was analyzed using mean and standard deviation analysis. The data collected on the challenges of internet marketing implementation was analyzed using mean and standard deviation analysis and factor analysis while the data collected on the impact of internet marketing on SMEs performance was analyzed using regression analysis.

Regression Model

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + b_{10}X_{10} + b_{11}X_{11} + \epsilon$$

Where:-

Y– Performance of SMEs	X ₇ – Communication to stakeholders
X ₁ – Communication of Products	X ₈ Monitoring and Measuring results
X ₂ – Customer relations	X ₉ Turnaround time of operations
X ₃ – Advertisement of Products	X ₁₀ Firm visibility
X ₄ – Expansion to new markets	X ₁₁ Focus on clientele needs
X ₅ – Sales track down	a – is the constant
X ₆ – Feedback driven change	ϵ- Error term

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1. Introduction

This chapter presents the results found from the data analysis. It therefore consists of the data analysis presentation and interpretation of findings. The objectives of this study were to determine the extent SMEs in Nairobi County use internet marketing in their businesses, the challenges encountered in their implementation of internet marketing and the impact of Internet Marketing on performance of SMEs in Nairobi County. Primary data that was used and was collected using questionnaires which were designed based on the variables of the study.

4.2. Demographic Factors of the Respondent

From the data collected, out of the 90 questionnaires administered, 80 were filled and returned. This represents a response rate of 88.89%. This response rate is considered satisfactory to make conclusions for the study. Several demographic factors were considered which were important in the interpretation of responses given. The factors included the age and sex of the respondent, their highest level of education as well as their position on these SMEs.

4.2.1 Gender of the respondent

Data was collected on the gender of the respondents. Analysis was done and the results shown in the Table 4.2.1.1.

Table 4.2.1.1 Gender of the Respondent

Gender of Respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
Female	46	57.5	57.5	57.5
Valid Male	34	42.5	42.5	100.0
Total	80	100.0	100.0	

From the data collected, 46 (57.5%) were female while 34 (42.5%) were male.

4.2.2 Age of the respondent

Respondents were asked on their age bracket and responses were as shown on the Table 4.2.2.1.

Table 4.2.2.1 Age of the Respondent

Age Bracket				
	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	5	6.3	6.3	6.3
26-30	30	37.5	37.5	43.8
Valid 31-35	25	31.3	31.3	75.0
36-40	15	18.8	18.8	93.8
Over 45	5	6.3	6.3	100.0
Total	80	100.0	100.0	

Most respondents had an age ranging from 26-30 years (37.5%); other respondents (31.25%) had ages between 31-35 Those in the age between 36-40 years were (18.75%) the rest between 18-25 years and over 45 years represented (6.3%) each.

4.2.3 Level of Education of the respondent

The research further sought the education level of the respondents. The Analysis is shown in Table 4.2.3.1.

Table 4.2.3.1 Level of Education of the respondent

		Level Education			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Masters Graduate	5	6.3	6.3	6.3
	Degree Graduate	25	31.3	31.3	37.5
	Diploma Graduate	27	33.8	33.8	71.3
	High School	4	5.0	5.0	76.3
	Any Other	19	23.8	23.8	100.0
	Total	80	100.0	100.0	

27 (33.75%) respondents were diploma graduates, 25 (31.25%) respondents were degree graduates while 5 (6.25%) were Masters Graduates and 4 (5%) were high school graduates. 12 (15%) respondents had a higher diploma while 7 (8.75%) were certificate holders. From these 30 (37.5%) respondents was the business owners, 25 (31.25%) of the respondents were from the middle management while 10 (12.5%) were at top management. 15 (18.75%) of the respondents were employees not in management positions.

4.2.4 Position of the respondent in the SME

The study focused on top management from the SMEs the responses were categorized as shown in Table 4.2.4.1.

Table 4.2.4.1 Position of the Respondent in the SME

		Position in the SME			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business Owner	30	37.5	37.5	37.5
	Top Management	10	12.5	12.5	50.0
	Middle Management	25	31.3	31.3	81.3
	Any Other	15	18.8	18.8	100.0
	Total	80	100.0	100.0	

Business owners were represented by 30 (37.5%) of the respondents, 25 (31.25%) of the respondents were from the middle management while 10 (12.5%) were at top management. 15 (18.75%) of the respondents were employees not in management positions.

4.3. Demographic Factors of the Firm

The study further sought to understand the demographic nature of the sample SMEs. The analysis is shown in Table 4.3.1.

Table 4.3.1 Demographic Factors of the Firm

Demographic Factor	Categories	Frequency	Percent	Cumulative Percent
Employee Number	1-10	43	53.8	53.8
	11-20	25	31.3	85.0
	21-30	12	15.0	100.0
Small or Medium enterprises	Small	43	53.8	53.8
	Medium	37	46.3	100.0
Type of Business	Manufacturing	2	2.5	2.5
	Trading	40	50.0	52.5
	Service	28	35.0	87.5
	Schools	10	12.5	100.0
Firm's years of operation	0-2	25	31.3	31.3
	3-5	43	53.8	85.0
	6-10	12	15.0	100.0
Turnover rate per annum	Below 2,500,000	44	55.0	55.0
	2,500,000-5,000,000	36	45.0	100.0

N=80

The respondents were mostly from small enterprises with 43 (53.75%) and 37(46.25%) as Medium enterprises. From these 40 (50%) were trading enterprises while 28 (35%) were service enterprises only 2 (2.5%) respondents were from the manufacturing industry while 10 (12.5%) of the respondents were from schools from within the sampled area. Most enterprises from the study have been in operation for 3-5 years with 43 (53.75%) respondents and 25 (31.25%) respondents being in operation for two years or less. Only 12 (15%) respondents have been in operation for 6-10 years.

Most firms in the study had less than 10 employees with 43 (53.75%) respondents, 25 (31.25%) respondents had 11-2- employees while 12 (15%) respondents had 21-30 employees From the sample, 44 (55%) firms had an annual turnover rate of 2.5 Million and below, the other 36 (45%) had an annual turnover rate of between 2,500,001-5,000,000.

4.4. Forms of Internet Marketing

The respondents were asked on the different forms through which they applied in their firms. Data analyzed and results reported on Table 4.4.1.

Table 4.4.1 Demographic factors of the Firm

Form of Internet Marketing	Categories	Frequency	Percent	Cumulative Percent
Social Media	Applied	61	76.3	76.3
	Never applied	19	23.7	100.0
Websites	Applied	40	50.0	50.0
	Never applied	40	50.0	100.0
Mobile Phone Adverts	Applied	14	17.5	17.5
	Never applied	66	82.5	100.0

Email Advertisements	Applied	26	32.5	32.5
	Never applied	54	67.5	100.0
Online Markets	Applied	34	42.5	42.5
	Never applied	46	57.5	100.0
Pop Ups	Applied	17	21.3	21.3
	Never applied	63	78.7	100.0

N=80

Social media was seen as the most used form of internet marketing with 76.3% of the respondents. 50% respondents had websites, 42.5% respondents used online markets to market their products while 32.5% used email advertising and only 17.5% respondents used mobile phone advertisements. Another 21.3% respondents used pop ups to advertise online as a means of internet marketing.

4.5. Applications of Internet Marketing

The researcher sought to find the extent of internet marketing application by SMEs in Nairobi County. The responses were on a 5 point likert scale with 5-Very great extent, 4-Great Extent, 3-Moderate, 2-Little Extent and 1-No extent. Table 4.5.1 shows the analysis on the applications of internet marketing.

Table 4.5.1 Internet Marketing Applications

Internet Marketing Application	No	Little	Moderate	Great	Very Great	Mean	Std Dev
-Communication of Products	-	-	20	-	60	3.75	.436
-Customer relations	10	15	-	39	16	3.45	1.340
-Advertisement of Products	16	6	26	21	11	3.06	1.306

- Expansion to new markets	30	30	10	10	-	2.00	1.006
-Sales track down	10	36	23	7	4	2.49	.994
-Feedback driven change	-	14	16	41	9	3.56	.912
-Communication to stakeholders	-	21	27	32	-	3.14	.807
-Monitoring &Measuring results	15	20	40	5	-	2.44	.869
-Turnaround time of operations	-	23	23	34	-	3.14	.838
-Firm visibility	-	10	10	16	44	4.18	1.077
-Focus on clientele needs	-	-	21	32	27	4.08	.776

N=80

Analysis from the study show that most firms applied internet marketing in increasing their visibility (mean of 4.18), internet marketing allowed firms focus on their clientele need this had a mean of 4.08. Firms also applied internet marketing in communication of their products with a mean of 3.75 from the sampled firms. Another application of internet marketing was in feedback driven change where they improved their products and services (Mean of 3.56). Firms with a mean of 3.45 said that they applied internet marketing in their customer relations. Other firms with a mean of 3.14 used internet marketing in communication to other stakeholders as well as in reducing the turnaround time of their operations. Firms with a mean of 3.06 used internet marketing in advertisement of their products; those with a mean of 2.49 applied it in tracking down of sales and firms with a mean of 2.44 for monitoring and measuring their results. Only firms with a mean of 2.00 applied internet marketing in expanding to new markets.

4.6. Challenges in Internet Marketing Application

Challenges faced by SMEs as they applied internet marketing were studied. The collected data were subjected to means and standard deviations as well as factor analysis.

4.6.1 Means and Standard Deviations-Challenges of Internet Marketing Application

The researcher sought to find the extent that different challenges affected the application of internet marketing by SMEs in Nairobi County. The responses were on a 5 point likert scale with 5-Very great extent, 4-Great Extent, 3-Moderate, 2-Little Extent and 1-No extent. Results are shown in Table 4.6.1.1.

Table 4.6.1.1 Challenges of Internet Marketing Application

Challenges of IM application	No	Little	Moderate	Great	Very Great	Mean	Std Dev
- Inadequate Finances	-	-	15	40	25	4.13	.700
- Access to internet	-	16	4	21	39	3.37	.891
- Integration with operations	-	12	36	22	-	3.35	.765
- Building a quality Website	-	14	24	42	-	4.04	1.163
- Limited Technological Infrastructure	12	-	27	33	8	3.31	1.154
- Lack of Skilled ICT Personnel	10	15	-	26	29	3.61	1.454
- Limited access to electricity	20	-	29	31	-	2.89	1.180
- In access by current customers	-	-	20	11	49	4.36	.860
Growing an online audience	10	-	22	18	30	3.72	1.312
- Security and Privacy of firm	20	43	17	-	-	1.96	.683
- Fear of change	-	10	10	27	33	4.04	1.024

N=80

Most firms with a mean of 4.36 agreed that their greatest challenge was the fear of losing their current customers who have in access by current customers; Inadequate Finances had a mean of 4.13, while access to internet and fear of change each had a mean of 4.04.

The respondents ability to grow an online audience faced a challenge with a mean of 3.72 The lack of Skilled ICT Personnel gained a mean of 3.61, Integration with operations 3.37 while building a quality Website 3.35. Another challenge was the limited technological infrastructure with a mean of 3.31 and the limited access to electricity 2.89with the Security and Privacy of firm at a mean of 1.96

4.6.2 Factor Analysis (Communalities)

Responses collected on the challenges in the implementation of Internet Marketing were further subjected to factor analysis. Factor analysis reduces data into key information by seeking unobservable (latent) variables that are reflected in the observed variables (manifest variables). Communality is the proportion of variance that each item has in common with other items. The proportion of variance that is unique to each item is then the respective item’s total variance minus the communality. The extraction method was the principle component analysis. Communalities are shown in the Table 4.6.2.1.

Table 4.6.2.1 Factor Analysis (Communalities)

Communalities		
	Initial	Extraction
Inadequate Finances	1.000	.785
Integration with operations	1.000	.807
Building a quality Website	1.000	.781
Access to internet	1.000	.825
Limited Technological Infrastructure	1.000	.696
Lack of Skilled ICT Personnel	1.000	.830

Limited access to electricity	1.000	.829
In access by current customers	1.000	.763
Growing an online audience	1.000	.873
Security and Privacy of firm	1.000	.876
Fear of change	1.000	.879

Extraction Method: Principal Component Analysis.

4.6.3 Factor Extraction

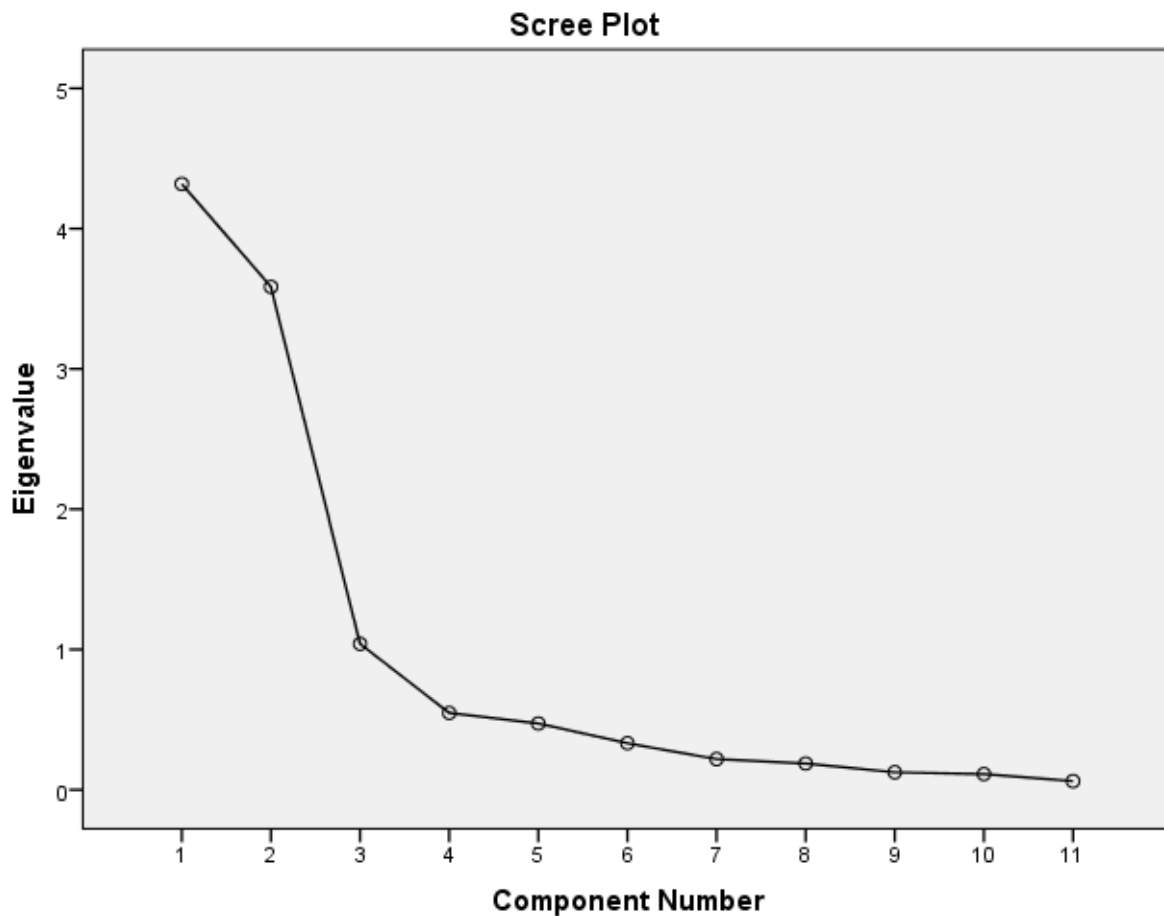
In the case of the challenges of implementing internet marketing, principle analysis component was used to extract 11 factors. Eigen values indicate the relative importance of each factor accounting for a particular set and hence those with small Eigen values were omitted. As depicted on Table 4.6.3.1, only 3 factors were significant for the analysis. The table shows that the significant variables are components 1, 2, and 3 as they have total Eigen values of value 1 and above with a variance percentage of 39.258%, 32.594% and 9.459% respectively.

Table 4.6.3.1: Factor Extraction (Total Variance)

Component	Total Variance Explained								
	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.318	39.258	39.258	4.318	39.258	39.258	3.918	35.621	35.621
2	3.585	32.594	71.852	3.585	32.594	71.852	3.627	32.969	68.590
3	1.040	9.459	81.311	1.040	9.459	81.311	1.399	12.721	81.311
4	.547	4.977	86.288						
5	.472	4.293	90.581						
6	.332	3.018	93.599						
7	.219	1.988	95.587						
8	.187	1.703	97.290						
9	.125	1.134	98.424						
10	.112	1.017	99.441						
11	.061	.559	100.000						

Extraction Method: Principal Component Analysis.

Figure 4.6.3.1 Scree Plot



The scree plot shows that the curve begins to flatten between factors 3 and 4. However factor 4 has an equivalence of less than 1, therefore only 3 factors have been retained.

4.6.4 Component Matrix

Component matrix contains the relative Eigen values in respect of each factor. Each factor belongs to one of the set of factors extracted and is determined by the Eigen values of the factors relative to each set. Table 4.6.4.1 shows which set each factor falls into.

Table 4.6.4.1 Component Matrix

Component Matrix^a

	Component		
	1	2	3
Inadequate Finances	.220	.854	-.087
Integration with operations	.705	-.378	-.410
Building a quality Website	.480	.732	.117
Access to internet	.565	-.215	.678
Limited Technological Infrastructure	.735	-.342	-.195
Lack of Skilled ICT Personnel	.886	-.184	.105
Limited access to electricity	.301	.844	-.161
In access by current customers	.353	.654	.459
Growing an online audience	.905	-.227	-.054
Security and Privacy of firm	.159	.872	-.302
Fear of change	.916	-.169	-.107

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Table 4.6.4.1 presents the factor analysis on the first objective of determining the challenges of internet marketing implementation using the extraction method: principal component analysis with 3 components extracted. Each component represents the correlation between item and the un-rotated factor (e.g. in the case of Limited technological infrastructure, the correlation between growing an online audience factor 1 is 0.735). These correlations help formulate an interpretation of the factors of components. This is done by looking for a common thread among the variables that have large loadings for a particular factor or components. The table shows that majority of the factors had high loadings.

4.6.5 Rotated Component Matrix

The rotated component matrix is used to reduce the number of factors on which the variables under investigation have high loadings so as to make interpretation easier. From the results in

Table 4.6.4, the variables of fear of change, growing an audience and integration with operations among others are highly correlated with this component 1.

Table 4.6.5.1: Rotated Component Matrix

	Component		
	1	2	3
Inadequate Finances	-.054	.884	-.012
Integration with operations	.880	-.097	-.153
Building a quality Website	.154	.828	.268
Access to internet	.361	-.101	.828
Limited Technological Infrastructure	.828	-.077	.061
Lack of Skilled ICT Personnel	.817	.087	.392
Limited access to electricity	.045	.907	-.055
In access by current customers	-.042	.679	.548
Growing an online audience	.898	.069	.249
Security and Privacy of firm	-.047	.905	-.235
Fear of change	.906	.133	.202

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

4.6.6 Factor Isolation

Factor Analysis involves isolating each of the variable factors and grouping them by the three extracted factors based on their factor loading on each set. Table 4.6.5 shows the summary of the factor isolation.

Table 4.6.6.1: Factor Isolation

Factor Isolation	
Factor Group	Variables
Factor 1	Integration with operations Limited Technological Infrastructure Lack of Skilled ICT Personnel Growing an online audience Fear of change
Factor 2	Inadequate Finances Building a quality Website Limited access to electricity In access by current customers Security and Privacy of firm
Factor 3	Access to internet In access by current customers

4.7. Internet Marketing and Performance

The researcher tested the different challenges faced by SMEs as they applied internet marketing. The researcher subjected the collected data to means and standard deviations as well as Factor Analysis.

4.7.1 Means and Standard Deviations-Internet Marketing and Performance

The researcher sought to find the impact of internet marketing on performance of SMEs in Nairobi County. The responses were on a 5 point likert scale with 5-Very great extent, 4-Great Extent, 3-Moderate, 2-Little Extent and 1-No extent. Results were shown in Table 4.7.1.1.

Table 4.7.1.1 Internet Marketing and Performance

Internet Marketing and performance	No	Little	Moderate	Great	Very Great	Mean	Std Dev
- Increased Profitability	10	-	22	48	-	3.35	.995
- Market Share Expansion	20	18	32	10	-	2.40	1.001
- Increased Market growth	12	8	34	26	-	2.93	1.016
- Improved Customer Loyalty	5	15	19	41	-	3.20	.960
- Firm's Image enhancement	-	22	12	36	10	3.42	1.028
- Increased competitive advantage	10	-	30	40	-	3.25	.974
- Access to new market niches	10	18	-	26	26	3.50	1.458

N=80

Internet Marketing allowed the respondents access to new market niches with a mean of 3.50 as well as its ability to enhance its image (Mean of 3.42) and increased profitability with a mean of 3.35. Firms with a mean of 3.25 explained that they gained a competitive advantage in their industry from the application of internet marketing while those with a mean of 3.20 had an improvement in their customer's loyalty. Firms increased their market growth (mean of 2.93) and expanded their market share (mean of 2.40) on application of internet marketing.

4.7.2 Correlation Analysis

The correlation analysis was done for all the independent variables and the dependent variable in the study. The dependent variable was performance of SMEs while the independent variables were communication of products and customer relations, advertisement of Products, sales track down and feedback driven change. Communication to stakeholders, monitoring & measuring of results, reduced turnaround time of operations, firm visibility and focus on clientele needs

This analysis was carried out in order to determine whether there were serial correlations between the independent variables. As serial correlations are a problem when performing regression analysis, this preliminary test was carried out first.

Table 4.7.2.1 Correlation Matrix

		Performance	Communication of Products or Service	Customer relations	Advertisement of Products or Services	Expansion to new Market	Tracking down sales	Improving products or Services from client	Improved Communication to	Monitoring and Measuring of results	Turnaround time of Operations reduced	Gained better firm visibility	Focusing on target Customers
Pearson Correlation	Performance	1.000	-.049	-.226	-.019	.463	-.236	.726	.194	.584	.235	.838	.132
	Communication of Products or Service	-.049	1.000	.737	-.061	-.577	-.124	-.151	.135	-.042	.130	.094	.094
	Customer relations	-.226	.737	1.000	-.212	-.432	.042	-.127	.059	-.019	.057	-.213	.028
	Advertisement of Products or Services	-.019	-.061	-.212	1.000	-.087	-.102	-.072	-.056	-.024	.015	-.008	-.055
	Expansion to new Market	.463	-.577	-.432	-.087	1.000	-.063	.510	-.125	.260	-.120	.304	-.097
	Tracking down sales	-.236	-.124	.042	-.102	-.063	1.000	-.041	-.242	.160	-.234	-.175	-.212
	Improving products or Services from client feedback	.726	-.151	-.127	-.072	.510	-.041	1.000	.100	.564	.096	.775	.065
	Improved Communication to other stakeholders	.194	.135	.059	-.056	-.125	-.242	.100	1.000	-.087	.851	.161	.953
	Monitoring and Measuring of results	.584	-.042	-.019	-.024	.260	.160	.564	-.087	1.000	-.084	.526	-.143

Turnaround time of Operations reduced	.235	.130	.057	.015	-.120	-.234	.096	.851	-.084	1.000	.155	.802
Gained better firm visibility	.838	.094	-.213	-.008	.304	-.175	.775	.161	.526	.155	1.000	.105
Focusing on target Customers	.132	.094	.028	-.055	-.097	-.212	.065	.953	-.143	.802	.105	1.000

The table 4.7.2.1 shows that almost all the predictor variables were shown to have a positive association between them at a significant level of 0.05 and hence included in the analysis. There was strong positive relationship between Communication of Products or Service and Customer relations (correlation coefficient 0.737), Customer relations and Communication of Products or Service (correlation coefficient 0.737), Expansion to new Market and Improving products or Services from client feedback (correlation coefficient 0.510), Improving products or Services from client feedback and Performance (correlation coefficient 0.726) and Improving products or Services from client feedback and Expansion to new Market (correlation coefficient 0.510), Improving products or Services from client feedback and Monitoring and Measuring of results (correlation coefficient 0.564), Improving products or Services from client feedback and Gained better firm visibility (correlation coefficient 0.775). Improved Communication to other stakeholders and Turnaround time of Operations reduced (correlation coefficient 0.851), Improved Communication to other stakeholders and Focusing on target Customers (correlation coefficient 0.953). Monitoring and Measuring of results and performance (correlation coefficient 0.584), lastly between Monitoring and Measuring of results and Improved Communication to other stakeholders (correlation coefficient 0.564). Monitoring and Measuring of results and Gained better firm visibility (correlation coefficient 0.526), Turnaround time of Operations reduced and Improved Communication to other stakeholders (correlation coefficient 0.851).

Turnaround time of Operations reduced and Focusing on target Customers (correlation coefficient 0.802). Gained better firm visibility and Performance (correlation coefficient 0.851), Gained better firm visibility and Improving products or Services from client feedback (correlation coefficient 0.775). Gained better firm visibility and Monitoring and Measuring of results (correlation coefficient 0.526), Focusing on target Customers and Improved Communication to other stakeholders (correlation coefficient 0.953). lastly Focusing on target Customers and Turnaround time of Operations reduced (correlation coefficient 0.802).

4.7.3 Model Summary

Analysis in table above shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.813. The Analysis of Variance (ANOVA) was used to check how well the model fits the data. The results are presented in Table 4.7.3.1.

Table 4.7.3.1 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.902 ^a	.813	.801	.338

4.7.4 ANOVA (Analysis of Variance)

The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). Since the significance value of the F statistic is small (0.000 smaller than say 0.05) then the predictors variables i.e. the relationship between Communication of Products, Customer relations, Advertisement of Products, Expansion to new markets, Sales track down, Feedback driven change, Communication to stakeholders, Monitoring & Measuring results, Turnaround time of operations, Firm visibility and Focus on clientele needs explain the variation in the dependent variable which is Performance. Consequently, we accept the Hypothesis that all the

population values for the regression coefficients are not 0. Contrary, if the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable, and the null hypothesis that all the population values for the regression coefficients are 0 should have been accepted. The regression output of most interest is the following table of coefficients and associated output: associated output:

Table 4.7.4.1 ANOVA (Analysis of Variance)

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.748	5	7.350	64.508	.000 ^f
	Residual	8.431	74	.114		
	Total	45.180	79			

4.7.5 Regression Coefficients

Dependent variable: Performance

From the Regression results in table below, the multiple linear regression model finally appear as

$$Y=0.593x_1+0.232x_2+0.164x_3+0.244x_4+-$$

$$0.118x_5+0.945x_6+0.990x_7+0.960x_8+0.692x_9+0.455x_{10}+0.321x_{11}$$

The multiple linear regression models indicate that all the independent variables have positive coefficient. The regression results above reveal that there is a positive relationship between dependent variable (Performance)and independent variables (Communication of Products, Customer relations, Advertisement of Products, Expansion to new markets, Sales track down, Feedback driven change, Communication to stakeholders, Monitoring &Measuring results, Turnaround time of operations, Firm visibility and Focus on clientele needs).

Table 4.7.5.1: Regression Coefficients results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.304	.255		1.193	.237
	Gained better firm visibility	.417	.045	.593	9.194	.000
	Expansion to new Market	.174	.041	.232	4.295	.000
	Turnaround time of Operations reduced	.148	.048	.164	3.072	.003
	Monitoring and Measuring of results	.212	.055	.244	3.879	.000
	Tracking down sales	-.090	.041	-.118	-2.167	.033
	Communication of Products or Service	.005 ^f	.070	.945	.008	.572
	Customer relations	.001 ^f	.013	.990	.002	.776
	Advertisement of Products or Services	-.003 ^f	-.051	.960	-.006	.980
	Improving products or Services from client feedback	-.038 ^f	-.398	.692	-.047	.286
	Improved Communication to other stakeholders	-.073 ^f	-.751	.455	-.088	.271
	Focusing on target Customers	-.085 ^f	-.999	.321	-.116	.351

Source: Research Findings

From the findings, one unit change in Communication of Products results in 0.593 units increase in SME performance. One unit increase in Customer relations results in 0.232 units increase in SME performance. One unit change in the Advertisement of Products results in 0.164 increase in SME performance. One unit change in Expansion to new markets results in 0.244unit increases SME performance. One unit change in Sales track down results in 0.118 units increase in SME performance. One unit increase in Feedback driven change results in 0.945 units increase in SME performance. One unit change in the Communication to stakeholders results in 0.990 increase in

SME performance. One unit change in Monitoring & Measuring of results leads to 0.960 units increase in SME performance. One unit increase in Turnaround time of operations results in 0.692 units increase in SME performance. One unit change in the Firm visibility in 0.455 increase in SME performance. One unit change in Focus on clientele needs results in 0.321 unit increase in SME performance. The t statistics helps in determining the relative importance of each variable in the model. As a guide regarding useful predictors, we look for t values well below -0.5 or above +0.5. In this case, the most important variable was Communication of Products, Customer relations, Advertisement of Products, Expansion to new markets, Sales track down, Feedback driven change, Communication to stakeholders, Monitoring & Measuring results, Turnaround time of operations, Firm visibility and Focus on clientele needs.

4.8 Summary and Interpretation of the Findings

Internet Marketing has a positive impact on the performance of SMEs. Most respondents used social media as a form of internet marketing and had a website for their firm's content, advertisement and communication. It was noted that respondents used internet marketing for several processes in their operations as it provided an easier means of communication to their customers as well as expand new market niches. However there were several challenges faced by SMEs in their Internet Marketing application and these hindered the use of internet marketing to these firms.

The results show that internet marketing poses great benefits to SMEs, however for its implementation there needs to be consideration in curbing the different challenges presented in the findings.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATION

5.1 Introduction

The main objective of the study is to investigate the impact of internet marketing on the performance of SMEs. This chapter presents the summary of findings, conclusion, recommendations, and suggestions for further research.

5.2 Summary

The study's main objective was to determine the impact of internet marketing on performance of SMEs in Nairobi County. The study tested the impact internet marketing has on several performance indicators. On the firm's Profitability it was found that internet marketing impacted to a great extent with 60% of the respondents agreeing to this. Other variables included the firm's ability to increase its market share with 40% of the respondents indicating that its impact was moderate and 42.5% agreed that internet marketing increased their market growth rate at a moderate extent. The research also tested its impact on improving customer loyalty and 51.3% of the respondents agreed that it impacted to a great extent. 45% agreed that internet marketing played an impact on their firm's image enhancement to a great extent while 50% on their increase in competitive advantage on its industry. Internet marketing allowed firms access to new market niches with 65% of the respondents agreeing to this at a very great extent. The research indicated that internet marketing had a moderate impact on the SMEs' overall performance.

The study tested the different forms of internet marketing used by these SMEs and social Media was the most applied form of internet marketing with 76.3%. 50% of the respondents had a website and 42.5% used online markets. 32.5% applied email advertisements and only 17.5% used mobile phone advertisements, 21.3% applied online popups.

Most firms with a mean of 4.36 agreed that their greatest challenge was the fear of losing their current customers who have in access by current customers, Inadequate Finances had a mean of 4.13, while access to internet and fear of change each had a mean of 4.04. The respondents ability to grow an online audience faced a challenge with a mean of 3.72 The lack of Skilled ICT Personnel gained a mean of 3.61, Integration with operations 3.37 while building a quality Website 3.35. Another challenge was the limited technological infrastructure with a mean of 3.31 and the limited access to electricity 2.89 with the Security and Privacy of firm at a mean of 1.96

The study identified that 75% of the respondents used internet marketing to communicate their products or services. Most respondents agreed that internet marketing was applicable in improving their firm's visibility, it allowed them focus on specific needs of their target customers, helped them gain more customer loyalty and enabled them improve their products or services from the feedback. The use of internet marketing moderately impacted on their ability to monitor and measure results, there was better communication to other stakeholders and the turnaround time of operations was reduced. Internet marketing had a great impact on the firm's ability to advertise their products and services and allowed them to expand to new market niches as well as their ability to track down of sales.

5.3 Conclusion

The study found that the use of internet marketing allowed firms communication their products which had a positive impact on their performance. Firms were able to improve on their customer relations through the use of internet marketing as well as advertise their products and track down their sales with better ease. The firm's visibility increased, they were able to focus on client needs as well as improve the products and services from the feedback given. Internet marketing allowed firms better communication to their stakeholders as well as ability to easily monitor and

measure their results. There was a reduced turnaround time in their operations and it allowed them expand to new markets.

The study found that Internet Marketing had a positive impact on the performance of SMEs in Nairobi County. The study therefore concludes that the adaptation of internet marketing leads to improved performance of SMEs.

5.4 Recommendation

The study identified benefits derived from SMEs and therefore recommends policies that favor the growth of SMEs as they impact positively on the economy. Creation of awareness is recommended to SMEs and large enterprises on the use and impact of internet marketing. The researcher recommends that support on internet marketing initiatives be given by the state government for them to reap the benefits and enhance the economy. Actions need to be done to curb the challenges in internet marketing application so as to enable as many SMEs opportunities to implement it in their operations. The study recommends that SMEs integrate internet marketing in their operations for its positive impact on their performance.

5.5 Limitations of the Study

The researcher faced several limitations in the course of the study. First, the study was limited in terms of scope as it only focused on the impact internet marketing had on performance of SMEs in Nairobi. The researcher was limited on resources such as money and time available for research however the researcher managed to collect the research data on the scheduled time.

Some respondents were reluctant in giving information however the researcher had the introduction letter from the university which put the respondents at ease. Some questions were unfamiliar to some respondents especially those with lower levels of education; the researcher guided the respondents so as to collect unbiased results.

The study was also limited in terms of geographical area since it only focused on SMEs in Nairobi County. This was however overcome through the use of appropriate sampling methods which ensured that the results of the study could be generalized to the entire population

5.6 Suggestions for Further Study

There is need to focus on other benefits of internet marketing on firms in future studies this is due to the constant change which has seen improved technologies available for firms. Studies could be carried out to find out whether SMEs have knowledge of internet marketing and its uses.

Other studies could be done on ways to curb challenges that affect the SMEs ability to implement internet marketing. The study could also be replicated in rural areas in Kenya so as to test the impact of internet marketing under different environmental conditions. This study can also be replicated on large enterprises and outside Kenya to establish whether these variables influence their performance.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Internet Marketing and Performance of SMEs

The questionnaire seeks to identify the impact of internet marketing in SMEs performance, The Questionnaire has been distributed by an MBA student from the University of Nairobi. The Questionnaire answers shall be treated with confidentiality and shall not be used for other purpose apart from the research that is intended for.

INTRODUCTION

(Please provide the answers to all questions below. Tick (√) your appropriate answer inside the brackets provided). The extent is rated as (1-No extent, 2-Little Extent, 3-Moderate, 4-Great Extent, 5-Very great extent).

SECTION A.: DEMOGRAPHIC INFORMATION

Respondent Information

1. Please indicate your position in the SME

Business Owner..... []

Top Management..... []

Middle Management.....[]

Any Other Indicate _____

2. Gender of the respondent

Female..... []

Male.....[]

3. Please indicate your age bracket

18 -25 years []

26 -30 years []

31-35 years []

36 -40 years []

Over 45 years []

4. Tick against your highest level of Education

Masters Graduate.....[]

Degree Graduate.....[]

High School[]

Primary School[]

Any Other Indicate _____

Firm's Information

5. Indicate the name of your firm (Optional)

6. Is your firm a Small or Medium Enterprise?

Small Enterprise.....[]

Medium Enterprise.....[]

7. Indicate the type of business

Manufacturing.....[]

Trading.....[]

Service..... []

Any Other Indicate _____

8. Please indicate your firm's years of operation

0 -2years []

3 -5 years []

6-10 years []

11 -15years []

Over 15 Years []

9. The Number of Employees in your firm

1 -10 []

11 -20 []

21-30 []

31 -40 []

41 -50 []

51-60 []

61-70 []

71-80 []

Over 80 employees []

10. Kindly indicate your turnover rate per annum in KShs

≥ 2, 500,000 []

2,500,001-5,000,000 []

5,000,001-7,500,000 []

7,500,001-10,000,000 []

10,000,000-12,500,000 []

12,500,001-15,000,000 []

Over 15,000,000 []

SECTION 3: INTERNET MARKETING

11. Indicate the forms of Internet Marketing applied in your firm (You may tick more than one)

Social Media.....[]

Websites.....[]

Mobile Advertisement.....[]

Email Advertisement.....[]

Online Markets[]

Any Other Indicate _____

12. Indicate the extent to which you have applied each of the following Internet Marketing in your firm operations

Internet Marketing Application	No Extent	Little Extent	Moderate	Great Extent	Very Great Extent
1. Communication of products					
2. Customer Interaction and feedback (Customer relations)					
3. Advertisement of products or services					
4. Expansion to new markets					
5. Easy track down of sales of individual employees					
6. Improving products or					

Services using client feedback					
7. Improved Communication to other Stake holders					
8. Monitoring and Measuring of results					
9. Reducing the turnaround time of operations					
10. Gained better firm visibility					
11. Focusing on target Customers					
Other, Specify and Rate					

13. Indicate the extent to which your organization has faced each of the following challenges in the application of Internet Marketing

Challenges of IM application	No Extent	Little Extent	Moderate	Great Extent	Very Great Extent
1. Inadequate finances					
2. Integration with operations					
3. Building a quality website					
4. Lack of skilled ICT personnel					
5. Lack electricity					
6. Inadequate online security					
7. Lack of Internet					
8. Limited technological infrastructure					
9. In access to current customers					
10 Growing an online audience					
11 Other, Specify and Rate					

SECTION C: INTERNET MARKETING AND PERFORMANCE

14. Indicate the extent to which your firm has performed as a result of Internet marketing adoption for each of the following performance indicators

Internet Marketing and performance	No Extent	Little Extent	Moderate	Great Extent	Very Great Extent
1. Increased Profitability					
2. Market Share Expansion					
3. Increased Market growth					
4. Improved Customer Loyalty					
5. Firm's Image enhancement					
6. Increased competitive advantage					
7. Access to new market niches					
Other, Specify and Rate					

THANK YOU FOR YOUR PARTICIPATION!

APPENDIX 2: SME DESCRIPTIONS

SME descriptions in Nairobi County

No	Business Codes	Categories of business	Count
1	100	General Trade, Wholesale, Retail, stores, Shops Personal Services Such as Distributors, Wholesalers, Hypermarkets, Supermarkets, Show Rooms, Boutiques, Retail Shops and Stores, Chemists, Take away Butcheries, Personal Service Providers, Kiosks	77,312
2	200	Informal sector Including: Hawkers, street vendors & small traders and service providers operating on the street, veranda or temporary building.	18,599
3	300	Transport, Storage and Communication Such as: Maritime & Airlines, International Carriers, Transportation Cooperating Taxis, Matatu, Buses, Lorries, Planes, Boats, Driving schools, Tours/Safari Operators, Petrol Stations, Storage Facilities, Publishing Co-Newspapers, Books, Texts, Telephone Co, radio/TV Broadcaster internal Provider	11,322
4	400	Agriculture, Forestry & Natural Resource Extraction such as: Production of Coffee, Tea, Fruits, Flowers, Cereals, Vegetable and Horticultural Products, Grain Storage and Processing Mills and Posho Mills, Bakeries, Forestry and Timber Production, Sawmills, Coal Production, Animal Breeding, Dairy Products Processing, Slaughter Houses, Mining and Other Natural Resource Extraction Activities	2566
5	500	Accommodation & Catering Such as: International Hotels, tourist Camps, Lodging Houses, Restaurants, Bars, Eating Houses, Tea & Coffee Houses, Butcheries with Meat Roasting &/or Soup Kitchen Facilities. Membership Clubs, Night Clubs & Casinos	12,095
6	600	Professional & Technical Services Such as: Firm & Individual offering services on legal issues. Financial, Management, Engineering, Architecture, Valuing, Surveying, Accountancy, Secretarial Support, Data Processing e.t.c. Stock & Insurance Brokering, Security Protection, Customs Clearing. Forwarding Goods, Book making, Kenya Sweepstake Charity Included.	17,302

		Banks, Forex Bureaus, Money lenders, Hire Purchase company. Insurance Companies, Real estate, Developing-Finance Company.	
7	700	Private Higher Education Institution Any type of Private University, College or Higher Education Institution. Private Health Clinics and Doctor's Surgeries: Consulting Offices of Doctors, Dentists, Physiotherapists, Psychologists and other Health Professionals. Herbalists and Traditional Medicine Practitioners., Funeral Homes., Entertainment Facilities including Cinema Theatres, Video Show/Amusement Arcade, Juke Box Arcade, Games Machines Arcade/Sports Club, Gym	4,356
8	800	Industrial Plants, Factories, Workshops, Contractors Such as; Manufacture, Process and Assembly of Products, Vehicles, Machinery and Equipment and workshops Servicing and repairing Products, Vehicles, Machinery and equipment. Also including contractors of new buildings and old building restoration and Service Repair	14,294
TOTAL			157,846

Source: Nairobi City Council Licensing Department (2011).