

# SMALL AND MEDIUM ENTERPRISE (SME) INTERNET MARKETING CHALLENGES IN THE TSHWANE AREA, SOUTH AFRICA

*Louise van Scheers\*, Johan Botha\*, Jacques van Scheers\*\**

## Abstract

The aim of this paper is to establish Internet marketing challenges of SMEs in the Tshwane area. It seems that the benefits of Internet marketing seem to be ignored by most SMEs however but unfortunately, Internet marketing challenges prevent SME owners from using these tools effectively. A survey study method of research design has been selected for the research. The sample for the study comprised 200 SMEs in the Tshwane area. Internet marketing usage in SMEs and the impact thereof is viewed as an essential part of modern day organisational operations for SMEs to promote their business both domestically and globally. 'Unauthorised access to sensitive or proprietary information and limited verification of authorship of messages' is mentioned as the largest challenges. The conducted research recommends that Internet marketing can be cost effective if the SMEs make use of their social networks and use best practises that enable them to get their adverts or posts shared across social networks. The conducted research also recommends that SMEs with limited resources start with social media and YouTube as a marketing tool, as the learning curve is low and cost involved almost nil. This paper conclude that Tshwane SMEs are using both Internet marketing and traditional marketing to promote their businesses.

**Keywords:** SME Social Media Activities, Internet Marketing, Tshwane Area, Benefits of Social Media

*\*Marketing & Retail Department, University of South Africa*

*\*\*Milpark Business School*

## 1 Introduction

Secondary studies conducted by Ceglie & Dini (2005) and UN (2012) indicate that research of SMEs in the past has mainly focused on the funding challenges of SMEs. According to current research is clear that SMEs Internet marketing research is needed as they often fail to utilise marketing tools available for Internet marketing purposes. The affordability and research indicates that the benefits of Internet marketing seem to be ignored by most SMEs. It seems that Internet marketing challenges prevent SME owners from using these tools effectively. A SME survey conducted in 2012 (World Wide Worx: 2012) shows that 410 000 SMEs in South Africa have a website, representing only 63% of active and formal SMEs. Secondary research conducted by Ceglie & Dini (2005) and UN (2012) shows that SMEs with a website are likely to be more profitable than those without. The question to be asked is then why do SMEs not use Internet marketing to market their businesses.

It seems that there is a gap in the literature and therefore this research aims to establish SMEs Internet marketing challenges of the Tshwane SMEs. The motivation to use the Tshwane area is because it is the largest metropolitan municipality in South Africa, the

third-largest city in the world after New York and Tokyo (Tshwane, 2013) and it is an economical hub in South Africa. Following this introduction, section two of the paper considered the review of literature, section three discussed the methodology of the paper, and section four presented the analysis, results and discussion while the last section dwelled on the conclusion and recommendations.

## 2 Literature review

### 2.1 SMEs in the Tshwane area

The Tshwane municipal area had an impoverished population of around 1,2 million in 2007 (Tshwane, 2013) which grew to 1,7 million in 2014. SMEs operate within a complex and dynamic business environment in the Tshwane area, according to Van Scheers (2009). According to Van Scheers (2009), the small business failure rate is particularly high in the Tshwane area. This is in line with results from the 2012 SME Index study where 6% of the South African SME respondents reported that their survival was threatened, followed by 11% who felt their survival was not threatened. According to the results of the study, South Africa has become less accommodating to small and medium-sized business with nearly three-

quarters of the respondents (74%) agreeing that running an SME had become more difficult. Nineteen per cent of the SME respondents in South Africa felt that conditions had not changed, while a little over 6% felt that it was easier to operate an SME (Fritsch & Schroeter, 2013).

It can be said with some certainty that running a growing successful SME in the Tshwane area has always been a challenge, but even more so in the current environment. In the following sections, Internet marketing challenges will be discussed as well as the part it plays in the SME sector.

## **2.2 Internet marketing**

Online marketing, also referred to as online advertising, consists of activities using the Web or email to drive direct sales via electronic commerce, or creating sales leads from websites or email marketing (Dockel & Ligthelm, 2012). Internet marketing is a diverse area with many tools to bring customers to the SMEs' products and services. The main tools Internet marketers can use are:

- Search engine marketing (Google, Bing, Yahoo etc.)
- Directories and listings
- Email marketing
- Social media marketing
- Public relations
- Online advertising

## **2.3 Global SMEs Internet marketing usage**

Internet marketing usage (Ching & Ellis, 2004; Hoffman, Novak & Chatterjee, 1995; Nguyen & Barrett, 2006) has grown rapidly in relation to the increase in commercial websites. Nguyen and Barrett (2006) observe that this increase of Internet usage has also impacted upon the barriers to export entry and has provided hope and opportunities to millions of SMEs attempting to enter foreign markets, by allowing them to communicate globally as efficiently as any large business. Egan, Santos & Bloom (2003) observe that there has been an increase of Internet use in corporate environments, but the extent to which it is used by SMEs outnumbered it. SME marketing differs to marketing in the larger organisations and corporations. It is perceived to be more intuitive, innovative, competency based, and operating under financial and human resource/time constraints while making effective use of networking (Carson, Gilmore, Perry & Gronhaug, 2001). The ability to serve niche markets and develop strong relationships with customers has always been a strong point of SMEs. These days they are less effective by internet-enabled businesses of any size (Gilmore, Gallagher & Henry, 2007). Kula and Tatoglu (2003) indicate that SMEs can use the Internet for marketing products and services by providing online quotes, advertising in more markets with less

marketing expense, and using email as a marketing tool to enlarge their reach to potential markets. This approach decreases the costs of printing materials such as catalogues and glossy brochures, and delivery mechanisms such as postal services or courier services. Downie (2012) and Poon and Swatman (2007) have identified motivation drivers such as the opportunity to promote their company better; the chance to lower operating and marketing costs; enrich their overall marketing communications mix and sales funnel effectiveness, and increase sales and profits for SMEs.

A recent study conducted by Friedlein (2014) in Britain shows that 79% of the SME respondents felt it was critical to their marketing to have a website to represent their brand and showcase their products or services. The same study also highlighted the following:

- SME managers and owners are familiar with social media marketing, email marketing and SEO.
- Over 50% manage their digital activities are operated in-house and one-third have some sort of agency support.
- The least familiar online marketing tactics are content marketing, affiliate marketing and inbound marketing.

Summarising the research study findings, Friedlein (2014:21), founder and managing director at Browser Media, remarked:

"It's heartening to find that SMEs understand that their website can be a valuable business asset but equally concerning that only half invest in promoting it more broadly. It's a bit like setting up a new retail outlet and then only telling family and friends how to find you. In order to attract new customers and grow their businesses, these SMEs need to think like a big brand and make more noise online."

## **2.4 SME Internet usage in South Africa**

South Africa has one of the largest Internet economies in Africa. A report by Goldstuck (2012) shows that South Africa had approximately 8,5 million Internet users at the end of 2011. This represented a 25% increase over the 6,8 million recorded in 2010. This high growth rate is the result of the proliferation of 'Smartphones' in the South African market – making Internet available to more people without an ADSL or other physical connection. South African Internet penetration grew to approximately 17%. But it is by no means the biggest percentage of Internet penetration in the African continent. Nigeria, with its 45 million users, has a 29% penetration. Egypt has a user base of 21,6 million users with a 26% penetration, while Morocco's 15,6 million users represent a 49% penetration. Kenya has an estimated 10,4 million Internet users with a 25% penetration.

## 2.5 SME Internet marketing challenges

Several studies (Tan, Chong, Lin & Eze, 2010; MacGregor & Vrazalic 2005; Cavaye & van Akkeren, 2009) show that SMEs are not aware of the financial benefits that could result from using the Internet marketing. Challenges SMEs reported were that the start-up investment costs for Internet adoption were high, and that the return on investment was not clear. A second challenge mentioned is that SME owners did not believe that Internet adoption could result in lower operational costs. Singh, Garg and Deshmukh (2010) identified further challenges constraining SMEs' Internet usage for marketing and sales:

- Inadequate access and understanding of Internet technologies pertaining to web presence, marketing and sales channels,
- Ineffective Internet-related selling techniques, and
- Limited Internet market research.

Dholakia and Kshetri (2004); Johnson, Levine, Smith and Stone (2010:405–413); Poon and Swatman (2009), and Tan, *et al.* (2010) observe that a lack of managements' long-term vision on Internet marketing and sales opportunities results in inadequate support and encouragement to adopt Internet strategies. Resistance to facing a new learning curve (change) is another challenge to adoption of Internet and social media platforms, tools and strategies (Cavaye & van Akkeren, 1999; Johnson, *et al.* 2010; MacGregor & Vrazalic, 2005). Despite the high affordability of Internet networks, the low time-to-market factor and the low learning-curve in comparison to other Internet tools, it seems some SMEs are still not convinced of the value of the social media component. However, there is strong indication that more SME owners are starting to understand the value of Internet marketing in enhancing productivity and competitiveness (Bakeman & Hanson, 2012:107).

Perhaps the most important statistic to come out of the SME survey is that 63% of formal SMEs in South Africa have a website, which leaves more than a third of SMEs without an online presence (World Wide Worx, 2012). Next the methodology will be discussed.

## 3 Methodology

A survey research was designed and primary data were collected from SMEs in the city of Tshwane. The population of study was 200 SMEs in the city of Tshwane. In selecting the sample, simple random sampling techniques were adopted by using a list of registered SMEs from the Tshwane municipality. The questionnaire was developed based on existing literature and pretested with five small businesses to ensure clarity and comprehension, as well as to gauge average completion time. Minor revisions were made

in question wording and order as a result of the pretest. Because of careful monitoring, the total of 200 questionnaires were returned representing 100% response rate. To assess the internal consistency of the instrument, Cronbach's alpha was run and a reliability coefficient of 0.836 resulted. The instrument was validated through content validity. The instrument was structured and multi-chotomous in design covering demographic and research variable questions. Descriptive statistical analysis was employed to establish the SME Internet marketing challenges in the Tshwane area. The outcome of the determination was used to make decision.

## 4 Results, analysis and discussion

### 4.1 Characteristics of respondents

#### 4.1.1 Gender of the Tshwane SME

Women are increasingly joining the work force, but because of child-rearing duties lack formal education and work experience. They are also too busy with family duties, therefore most SMEs are owned by males. The study confirms that almost two-thirds (64,5%) of the respondents were male. Only 35,5% of the respondents were women, which validates the secondary research conducted.

#### 4.1.2 Education of the Tshwane SMEs

Education plays an important role in the success of an SME, as highlighted in the introduction. A multivariate analysis of comparing the education level of respondents and Internet usages are reflected in Table 1.

It seems that (Table 1) on average, educational level has an effect on how successful the respondents are to increase their sales, product awareness, consumer support and overall productivity through their Internet marketing communications. More specifically, the proportions of respondents that increase their sales, product awareness, consumer support and overall productivity by 40% or less, decrease as the level of education increases. The inverse is true for the respondents who increase their sales, product awareness, consumer support and overall productivity by more than 40%. In fact, none of the Grade 10 / Standard 8 respondents increased their sales, product awareness, consumer support and overall productivity by more than 40%.

#### 4.1.3 Internet activities – frequency

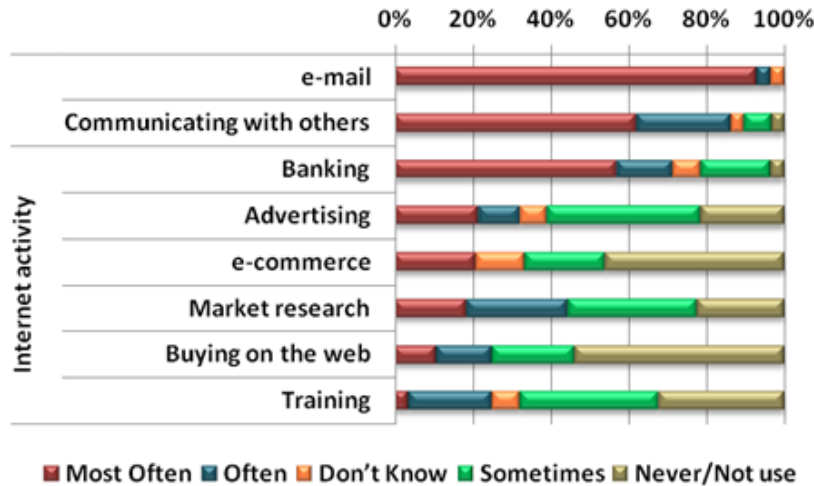
Question 11 inquiries into Internet activities, frequency and tools that Tshwane SMEs are using. The results are shown in Figure 2.

**Table 1.** Multivariate analysis of comparing the education level of respondents and internet usages

	Grade 10/ Standard 8	Matric	Degree & higher	Total
What is the estimated percentage (%) 40 % or less Increase in sales	2	6	10	18
	100.0%	75.0%	66.7%	72.0%
More than 40 %	0	2	5	7
	0.0%	25.0%	33.3%	28.0%
<b>Total</b>	<b>2</b>	<b>8</b>	<b>15</b>	<b>25</b>
What is the estimated percentage (%) 40 % or less Increase in product awareness	1	6	7	14
	100.0%	85.7%	53.8%	66.7%
More than 40 %	0	1	6	7
	0.0%	14.3%	46.2%	33.3%
<b>Total</b>	<b>1</b>	<b>7</b>	<b>13</b>	<b>21</b>
What is the estimated percentage (%) 40 % or less Increase in customer support	1	6	6	13
	100.0%	75.0%	50.0%	61.9%
More than 40 %	0	2	6	8
	0.0%	25.0%	50.0%	38.1%
<b>Total</b>	<b>1</b>	<b>8</b>	<b>12</b>	<b>21</b>
What is the estimated percentage (%) 40 % or less Increase overall productivity of SME	1	5	6	12
	100.0%	62.5%	50.0%	57.1%
More than 40 %	0	3	6	9
	0.0%	37.5%	50.0%	42.9%
<b>Total</b>	<b>1</b>	<b>8</b>	<b>12</b>	<b>21</b>

Source: Question 10 of field report

**Figure 1.** Internet activities, frequency and tools



Source: Question 11 of field report

It is clear from Figure 1 that email is the activity most often used by almost all (92.9%, n=26) respondents, followed by communicating with others (62.1%, n=18) and banking (57.1%, n=16). Email is also the one activity for which none of the respondents reported that they never, or even sometimes, use. Although some respondents also engage in all the other activities most often, the proportions of those who do vary from 3,6% (n=1) for training to 21,4% (n=6) for advertising. The proportions of respondents who appear not to know enough of the Internet to know what they are doing are small, while for market research and buying on the web, nobody reported that they did not know. Buying on the web (53,6%, n=15)

and e-commerce (45,8%, n=11) are the activities for which the largest proportions of respondents reported that they never engage in them.

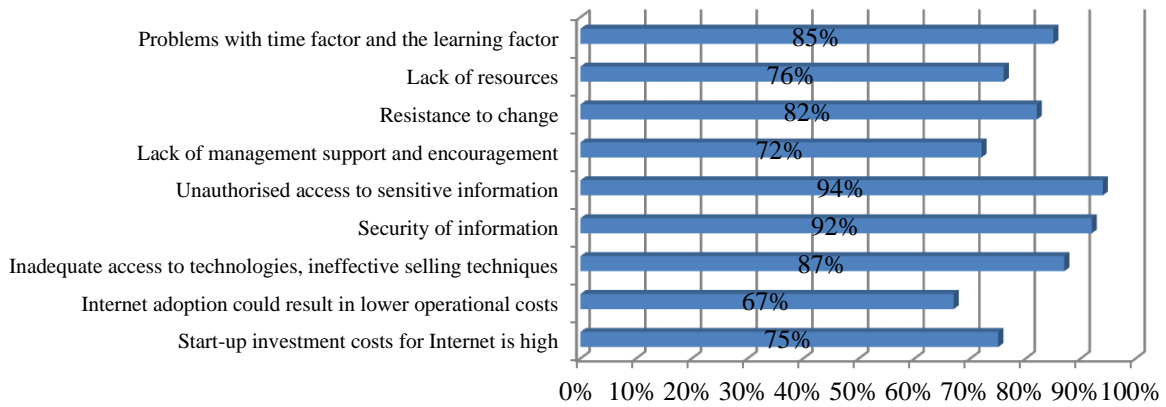
In both the Kolmogorov-Smirnov and the Shapiro-Wilk tests, the null hypothesis the distribution of the internet activity index conforms to a normal distribution. With the p-value (sig.) > .05, the null hypothesis cannot be rejected.

**4.2 Internet marketing challenges for SMEs**

Question 30 the field report asked the respondents to indicate the challenges they experience with using

Internet marketing. In the literature section, the SME social media challenges were described and the results of the Tshwane SME challenges are illustrated below in Figure 2.

**Figure 2.** Challenges for SMEs to use Internet marketing



Source: Question 30 of field report

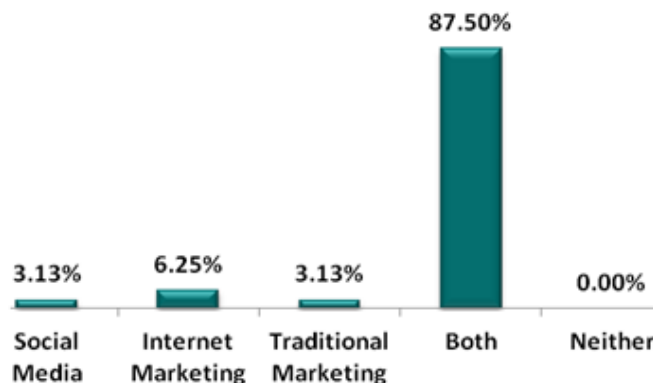
Figure 2 indicates that 94% of the respondents remarked that they consider ‘Unauthorised access to sensitive or proprietary information, and limited verification of authorship of messages’ as the largest challenge to using Internet marketing. This confirms that the Tshwane SME also experience the same challenges as indicated in the literature review. Figure 3 also shows that most respondents (92%) have problems with ‘security of information’; 87% of the respondents experienced inadequate access to technologies, ineffective selling techniques, and limited market research whereas 85% of the respondents mentioned that time and cost are challenges to using social media and Internet marketing. Figures for lack of resources (76%) and start-up investment costs (75%) point out that Tshwane SMEs also have challenges with funds. Of the respondents, 67% indicated that they are still not

convinced that Internet adoption could result in lower operational costs, while resistance to change as reason not to use Internet marketing was giving by 82% of the respondents. Lack of management support and encouragement were challenges mentioned by 72% of the respondents.

**4.3 Internet marketing or traditional marketing, or both**

The question was asked: Do you prefer internet marketing or traditional marketing, or both? The literature section shows that most SMEs use internet marketing and traditional marketing. This question was asked to establish whether Tshwane SMEs prefer Internet marketing or traditional marketing, or both. The results are indicated in Figure 3.

**Figure 3.** Internet marketing or traditional marketing, or both



Source: Question 28 of field study

Figure 3 shows that 87,50% of the respondents tend to favour both internet and traditional marketing. In the literature section it was mentioned that most SMEs use both Internet marketing and traditional

marketing to promote their businesses and this confirms that the Tshwane SMEs use the same reasoning as other SMEs.

## 5 Conclusion and recommendations

Based on the analysis and the findings thereof, this paper concludes that 94% of the respondents remarked that they consider 'Unauthorised access to sensitive or proprietary information, and limited verification of authorship of messages' as the largest challenge to using Internet marketing. This confirms that the Tshwane SMEs also experience the same challenges as indicated in the literature review section. Most respondents have problems with 'security of information'. The results confirm that 87% of the respondents experienced inadequate access to technologies, ineffective selling techniques, and limited market research, whereas 85% of the respondents mentioned that time and cost are challenges in using social media and Internet marketing. Figures for lack of resources (76%) and start-up investment costs (75%) point out that Tshwane SMEs also have challenges with funds.

Of the respondents, 67% indicated that they are still not convinced that Internet adoption could result in lower operational costs while resistance to change as reason not to use Internet marketing was given by 82% of the respondents. Lack of management support and encouragement were challenges mentioned by 72% of the respondents. The research shows 87% of respondents' referred to time and costs as challenges in using social media and Internet marketing.

The majority of the respondents of the Tshwane community reported that they do use Internet marketing for their businesses. The conducted results reflect that LinkedIn is the website known to the largest proportion (89,7%) of respondents, followed by Facebook, Twitter, Google+ and YouTube, with all of them known to more than 70% of the respondents. Digg is the social website that is known by the least number (6,9%) of respondents.

The conducted research recommends that Tshwane SME owners utilise YouTube channels to educate and train themselves on effective usage of Internet marketing instruments, specifically the marketing use of Facebook and YouTube, especially if they use social media for promoting their services and their products. Internet advertising instruments can be utilised effectively for marketing and customer interaction without spending large amounts of resources. Although, it seems that SMEs are using Internet marketing but most SMEs confirmed that they rely on both Internet marketing and traditional marketing methods to promote their businesses.

## References

1. Accenture. 2003. eGovernment leadership: Engaging the customer. Accenture report. [Online]. Available from: [http://nstore.accenture.com/acn\\_com/PDF/Engaging\\_the\\_Customer.pdf](http://nstore.accenture.com/acn_com/PDF/Engaging_the_Customer.pdf). [Accessed: 2014-02-23].
2. Ary, D., Jacobs, L.C., Sorensen, C.K. & Walker, D. 2013. Introduction to research in education. 9th ed. Belmont: Cengage Learning.

3. Babbie, E.R. & Rubin, A. 2013. Research methods for social work. 8th ed. Belmont: Cengage Learning.
4. Bakeman, M.M. & Hanson, L. 2012. Bringing social media to small business: A role for employees and students in technology diffusion. *Business Education Innovation Journal*, 4(2):106.
5. Bowler, A., Dawood, M.S. & Page, S. 2007. *Entrepreneurship and small business management*. Pretoria: Juta.
6. Bryman, A. 2011. *Social research methods*. Oxford: Oxford University Press.
7. Bryman, A. & Bell, E. 2011. *Business research methods*. Oxford: Oxford University Press.
8. Dockel, J. A. & Ligthelm, A. A. 2012. *Factors that contribute to small business survival*. Pretoria: Unisa.
9. Lunsche, E. & Barron, M. 2010. *Marketing Management*. In Kotler, P. & Armstrong, G: *Marketing: An introduction*. London: Pearson Prentice-Hall.
10. Murphy, M. 2006. *Small business management*. London: Financial Times and Pitman Publishing.
11. Lacho, K. J. & Marinello, C. 2010. Overcoming social media barriers to small business. *The Entrepreneurial Executive*, 15:127–133. [Online]. Available from: [http://issuu.com/hofstra/docs/hofhrz\\_spring13/7](http://issuu.com/hofstra/docs/hofhrz_spring13/7) [Accessed: 2014-09-01].
12. South Africa. 1996. National Small Business Act no. 102 of 1996. Pretoria: Government Printer.
13. Strydom, J. W. 2013. Retail patronage of Sowetan consumers after 1994. *African Journal of Business Management*, 7(29): 2863–2871. [Online]. Available from: [http://www.academicjournals.org/article/article1380631730\\_Strydom.pdf](http://www.academicjournals.org/article/article1380631730_Strydom.pdf). [Accessed: 2014-02-14].
14. Tan, K., Chong, S.C., Lin, B. & Eze, U. C. 2010. Internet-based ICT adoption among SMEs demographic versus benefits, barriers, and adoption intention. *Journal of Enterprise Information Management*, 23(1):27–55.
15. Tan, M. & Teo, T.S.H. 2000. Factors influencing the adaptation of Internet banking. *Journal of the AIS*, 1(1). [Online]. Available from: <http://dl.acm.org/citation.cfm?id=374134>. [Accessed: 2014-05-12].
16. Theunissen, S. 2012. *Social Media: Unlocking new opportunities for SMEs*. Property Points South Africa. [Online]. Available from: <https://propertypointsouthafrica.wordpress.com/2012/08/29/social-media-unlocking-new-opportunities-for-smes/#more-68>. [Accessed: 2014-04-12].
17. Tshwane. 2013: 1–101. Sandspruit works association. Annual report 2013–2014 [http://www.tshwane.gov.za/sites/about\\_tshwane/CityManagement/Office%20Of%20The%20City%20Manager/Pages/Annual-Report-2013-14.aspx](http://www.tshwane.gov.za/sites/about_tshwane/CityManagement/Office%20Of%20The%20City%20Manager/Pages/Annual-Report-2013-14.aspx). [Accessed: 2014-03-12].
18. Van Scheers, L. 2011. SME marketing skills challenges in South Africa. *African Journal of Business Management*, 2011-07.
19. Witzig, L., Spencer, M. & Galvin, D. 2012b. A profile of social media use by fortune 500 and Inc. 500 corporations. in [www.actacommerci.co.za/index](http://www.actacommerci.co.za/index). [Accessed: 2014-02-02].
20. World Wide Worx. 2012. Broadband in SA doubles in two years. [Online]. Available from: <http://www.worldwideworx.com/broadband201/>. [Accessed: 2014-02-02].