

ADOPTION OF E-MARKETING TOOLS BY SMALL AND MEDIUM ENTERPRISES (SMES) – FAD OR FUTURE TREND?

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Abstract

E-marketing is considered as one of the fastest growing fields in e-business, which has the potential to become a platform for SMEs to compete with larger enterprises even though they may not have adequate infrastructure and resources. Over the years SMEs have struggled to compete on some sort of equal footing with larger organisations and with the advent of technology and the growth in the use of e-marketing, the playing field is becoming more equal. The literature on the use of e-marketing tools by SMEs in South Africa, however, is limited. The purpose of this paper was therefore to investigate the extent to which South African SMEs utilise e-marketing tools. The author feels that the findings will be universally applicable to SMEs in most countries. Through providing a clearer understanding of e-marketing and its use, this paper may assist SMEs and entrepreneurs to improve their existing marketing strategies. The study followed a quantitative research approach, whereby a self-administered questionnaire was distributed to SME owners. The results indicate that SMEs utilise e-marketing tools moderately and that the utilisation will increase in the future.

Keywords: Marketing, E-Marketing, Internet, SMEs, South Africa, Tools

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1 Introduction

The growth in the use of the internet continues to rise all over the world. Since 1995, the global internet population has grown to approximately 3 billion, constituting 42.3% of the world's population (Internet World Stats, 2014). This figure is expected to reach 3.5 billion by 2017 (Miglani, 2012). The internet, web and associated information technologies have been proven transformational (Krishnamurthy & Singh, 2005:605) and have consolidated themselves as powerful platforms, which have influenced the way business is conducted and the way communication takes place (Internet World Stats, 2014). While such technologies have an impact on the organisation as a whole, the marketing function appears to have been the most affected, which has led to e-marketing being an essential part of every global organisation's marketing arsenal (Krishnamurthy & Singh, 2005:605).

The internet as a useful business tool has been widely accepted in the corporate environment, but the extent to which it is used by SMEs varies widely (Gilmore, Gallagher & Henry, 2007:235). It is thought that SMEs are using the internet extensively, but no real hard data is available to support this. Therefore, this paper aims to investigate the extent to which South African SMEs utilise e-marketing tools in their marketing actions. The following section briefly provides a background into the e-marketing field, followed by a discussion on SMEs and its importance

to the economy of a country, and lastly, the use of e-marketing tools by SMEs. Thereafter, the research methodology employed in this study is discussed followed by the findings and conclusions and recommendations.

2 Literature review

2.1 E-marketing perspectives

E-marketing involves the use of the internet and other interactive technologies to generate and mediate dialogue between the organisation and its customers (Brodie, Winklhofer, Coviello & Johnston, 2007:4). Chong, Shafaghi, Woollaston and Lui (2009:311) refer to e-marketing as the utilisation of electronic techniques and platforms to build upon and maintain relationships with customers. According to Dlodlo and Dhurup (2010:165) the e-Marketing Association defines e-marketing as "...the use of electronic data and applications for planning and executing the conception, distribution, promotion and pricing of ideas, goods and services to create exchanges that satisfy individual and organisational objectives". Although the definition of e-marketing may vary according to each researcher's point of view, it is clear that e-marketing involves the internet and electronic tactics that contribute to the achievement of an organisation's marketing goals and objectives.

Sullivan (2013) identifies four main types of e-marketing tools:

- *Content marketing.* This involves creating and sharing of media as well as publishing valuable and relevant content in order to attract customers.

- *Social media marketing.* This refers to the process of acquiring and increasing website traffic through social media sites such as LinkedIn, Facebook and Twitter.

- *Search engine marketing.* This involves promoting websites by improving their visibility in search engine results pages either through optimisation or paid inclusion.

- *E-mail marketing.* This involves direct communication to current and prospective customers through the use of e-mail messages.

An organisation's utilisation of e-marketing tools is becoming more and more significant as in today's day and age; the internet has become the universal source of information for millions of individuals (Internet World Stats, 2014). In fact, organisations around the world have come to realise, more than ever before, that incorporating e-marketing into existing strategies is vital for their survival and ability to thrive in an increasingly competitive environment (El-Ansary, 2010; Tiancheng, 2010:717). Moreover, e-marketing was found to be a key success factor, specifically for SMEs, enabling them to compete on a higher level with larger enterprises, despite inadequate infrastructure and resources (Johari, n.d.).

2.2 The SME sector and its importance

While there is no universally accepted definition of an SME (Gilmore *et al.*, 2007:234; Dlodlo & Dhurup, 2013:54), for the purposes of this paper an SME is defined as an enterprise that employs less than 50 employees (Dlodlo & Dhurup, 2013:54). SMEs are further characterised as having an annual turnover of approximately R5 million and the owners are directly involved in the daily management of the business (Dlodlo & Dhurup, 2013:54).

SMEs play a significant role in developing the world economy (Salehi, Mirzaei, Aghaei & Abyari, 2012:384). They are often considered as the "lifeblood of modern economies" due to their potential for job creation, innovation, stimulation of economic expansion and the alleviation of poverty in developing countries (Kongolo, 2010:2288; Dlodlo & Dhurup, 2010:164; Aris, 2007). In South Africa specifically, SMEs account for about 91% of formal businesses, contributing between 51-57% of the country's gross domestic product (GDP) and providing approximately 60% of employment (Kongolo, 2010:2288). It is evident that SMEs play a vital role in the economy. However, despite their creditable contribution, SMEs face a number of challenges relating to management skills, finance, access to markets and appropriate technology (Kongolo, 2010:2293) all of which may have contributed to high failure rates. According to Van

Scheers (2011:5048), 40% of new SMEs fail within their first year, 60% within their second year, and 90% within their first 10 years of operation. It is believed that the use of e-commerce and e-marketing may alleviate some of these challenges faced by SMEs, through the reduction of costs, increase in sales, ability to reach a global market and enabling SMEs to compete with larger organisations (Scupola, 2002; MacGregor & Vrazalic, 2004). Stansfield and Grant (2003:15) further state that the adoption of internet and electronic tools is vital in ensuring the stability and future existence of SMEs.

2.3 The use of e-marketing tools by SMEs

Many SMEs have enthusiastically embraced e-marketing, whereas others have chosen to portray a "wait and see" attitude (McClellan, Johnston & Wade, 2007:355). SMEs with a wait and see approach may need to rethink their strategies as such an attitude could disadvantage the success and survival of the organisation. According to Dlodlo and Dhurup (2010:164) SME e-marketing adoption has proven slow in the agricultural and manufacturing sectors, while there has been a robust interest within the services sector. Within South Africa, only 17% of SMEs are of the opinion that e-marketing is critical to their daily operations (Dlodlo & Dhurup, 2010:164), which is a significantly low percentage, compared to international statistics, whereby 62% of Canadian SMEs feel that e-commerce is an important part in their business and 75% are of the opinion that mobile and digital communications is significant in terms of future competitiveness. South Africa's low level of acceptance may be attributable to the fact that SMEs lack the knowledge and awareness of what e-marketing is capable of and the effect it may have on the marketing efforts of the organisation. Dlodlo and Dhurup (2010:170) found that 54% of SMEs do not know much about e-marketing or the value it can offer.

Approximately 63% of South African SMEs have reported that they own a website (World Wide Worx, 2012). While this figure may impact positively on SMEs, just over one-third of SMEs do not have an online presence and are in danger of losing out on a major channel of potential communication with their market. Globally, 82% of SMEs reported that they have a website as a means of online presence (VeriSign, 2013). More specifically, as illustrated in table 1, Germany has the highest rate of website usage (91%), followed by the United States of America and the United Kingdom (88%), China (81%), France (78%), Turkey (77%) and India (67%). As expected, a study conducted by Google revealed that two-thirds of SMEs in the Middle East do not have an online presence (Kan, 2013). The study found that only 18% of SMEs in the United Arab Emirates, 15% in Saudi Arabia and 7% in Egypt could be found on the Internet (Kan, 2013). This is most likely attributable

to the restrictions placed by government on the use of the internet. With continued acceleration of the public's access to the internet and increased online

commerce on a global scale, this highlights a need to provide SMEs with the necessary support and training to improve their online presence.

Table 1: Methods of online presence (by country)

	TOTAL	U.S.	U.K.	INDIA	CHINA	GERMANY	FRANCE	TURKEY
BASE	(n=1050)	(n=150)	(n=150)	(n=150)	(n=150)	(n=150)	(n=150)	(n=150)
A website	82%	88%	88%	67%	81%	91%	78%	77%
A social media site	49%	57%	45%	47%	63%	44%	41%	46%
An e-commerce site	19%	13%	12%	13%	42%	15%	15%	24%
A blog	18%	13%	13%	18%	51%	9%	12%	10%
A local review site	17%	25%	16%	23%	15%	12%	8%	17%
Other	3%	2%	1%	2%	5%	2%	7%	1%

Source: VeriSign, 2013

Table 1 further shows that a total of 49% of global SMEs are active on social media. SMEs in China however, appear to be at the forefront of online presence, being the active leader in social media (63%), e-commerce (42%) and blogging (51%). Statistics released by a United Kingdom-based digital marketing agency indicated that a large proportion of SMEs in South Africa have yet to join the social media revolution (SME South Africa, 2014). Only 20% of new South African SMEs are active on social media platforms such as Twitter, Facebook and LinkedIn (SME South Africa, 2014). This is considerably lower than the global figures.

It is evident that e-commerce and e-marketing are growing at a rate of around 30% a year, with no indication of deceleration (World Wide Worx, 2012). Therefore, an effective e-marketing strategy is a vital aspect of any successful organisation. This is also applicable to SMEs in South Africa and worldwide.

3 Aim and methodology

The purpose of this study was to explore the use of e-marketing tools by SMEs in South Africa.

Data collection was done by means of distributing self-administered questionnaires to SME owners. A total of 71 useful responses were received. The questionnaire contained a total of 8 closed-ended questions of which 2 were measured on a five-point Likert scale. The sampling methodology utilised was that of non-probability, convenience sampling, which enabled the researcher to collect data quickly and easily. The data was checked, coded, corrected and descriptive statistics (frequency counts) were used to describe the findings.

4 Findings

The findings' description takes into account the characteristics of the sample in terms of the number of employees, how frequently the marketing plan is updated, how much is spend on marketing actions per month and whether the respondents prefer to use traditional or modern e-marketing tools. Descriptive statistics are used to describe which marketing tools have been used previously, how often which marketing tools are used and how effective the tools are perceived to be.

4.1 The sample characteristics

Of the 71 businesses that were included in the survey, 67 provided information on the number of employees. A total of 55 (82.1%) of the businesses have less than 20 employees. The majority (50%) of the 66 businesses that provided information on the frequency of updating their marketing plan, updates their marketing plans once a year and 27.3% of them updates it once a month. The majority (51.5%) of the 68 businesses that provided information on their monthly expenses on marketing activities, spends less than R1000 per month with 38.2% of them spending between R1001 and R5000 (Table 2).

4.2 Descriptive analysis on the past use of marketing tools

On the use of different marketing tools respondents were asked to indicate which of the listed e-marketing tools they have used in the past to promote their businesses. The top marketing tools which were used by more than 50% the respondents are emails (68.4%), social media (59.6%) and websites (56.1%). Blogs have been used by only 21.1% (Figure 1).

Table 2. The sample characteristics

Number of Employees	Count(n)	%	Monthly Marketing Expenses	Count(n)	%
Less than 20	55	82.1	Less than R1000	35	51.5
21-40	7	10.4	R1001-R5000	26	38.2
41-60	1	1.5	R5001-R10 000	5	7.4
61-80	2	3.0	More than R10 000	2	2.9
More than 100	2	3.0	Total	68	100.0
Total	67	100.0			
Frequency of Updating Marketing Plan	Count(n)	%			
Once a week	3	4.5			
Once a month	18	27.3			
Once a year	33	50.0			
Once every 5 years	12	18.2			
Total	66	100.0			

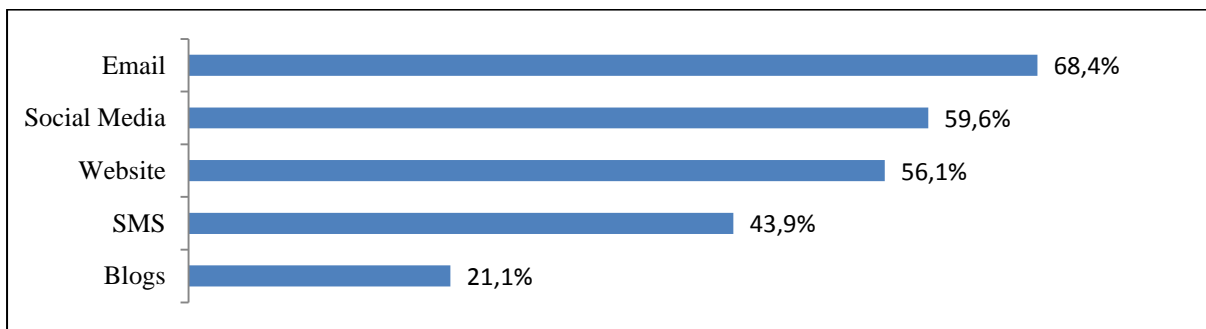


Figure 1. Percentage of respondents using e-marketing tools in the past

Other marketing tools used in the past were mentioned by a few of the respondents. These tools include: promotions, online advertisements, Google, YouTube, vehicle logos, trade shows and WhatsApp (Figure 2).

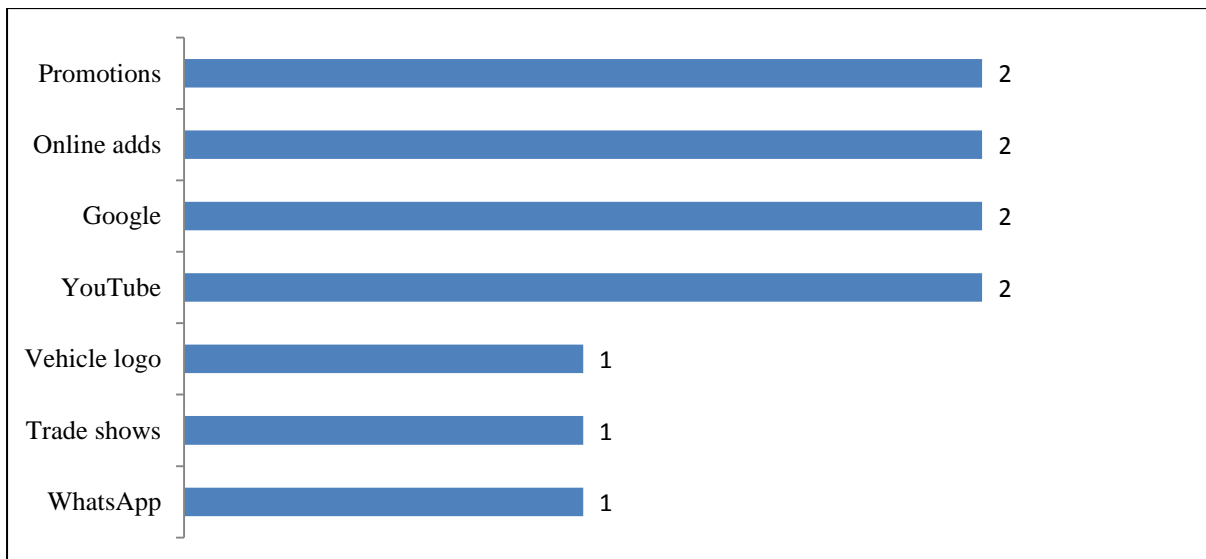


Figure 2. Number of respondents who used other marketing tools used in the past

4.3 Descriptive analysis on the frequency of using e-marketing tools

From the descriptive statistics for the questions on the frequency of use of the different e-marketing tools, it

is clear that the frequencies are non-normally distributed (Table 3).

Table 3. Descriptive statistics for the questions on the frequency of use of e-marketing tools

	N		Mean	Median	Mode	Standard Deviation	Skewness	Standard Error of Skewness	Kurtosis	Standard Error of Kurtosis
	Valid	Missing								
Frequency of Use of Social media	59	12	3.15	4.00	1	1.720	-.266	.311	-1.713	.613
Frequency of Use of SMS	55	16	3.00	3.00	1 ^a	1.453	-.226	.322	-1.307	.634
Frequency of Use of Website	64	7	3.33	4.00	5	1.662	-.480	.299	-1.465	.590
Frequency of Use of Blogs	46	25	1.91	1.00	1	1.503	1.222	.350	-.267	.688
Frequency of Use of Email	65	6	4.00	5.00	5	1.447	-1.309	.297	.244	.586

a. Multiple modes exist. The smallest value is shown

With the exploratory and descriptive nature of this study, the data was analysed using descriptive statistics. Because of the sample size of this survey, it was necessary to minimise the Likert scale to a three-point scale. This was achieved by combining the two lowest frequency scales to a single negative scale and the two highest frequency scales to a single positive scale. The neutral or don't know view remained unchanged.

Figure 3 reports on the frequency of using e-marketing tools, more than 50% of the respondents are using emails, websites and social media either always or often. Blogs are never used by more than 50% of the respondents. The frequency of the use of SMSs are in between the most popular and least popular tools with 32.7% using it rarely and not at all and 43.6% using it either always or often.

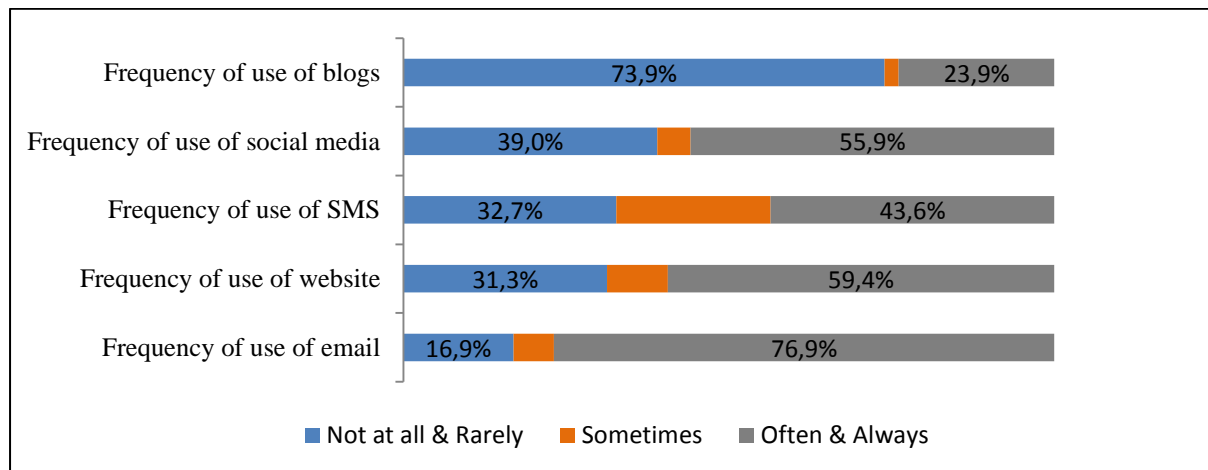


Figure 3. Frequency analysis of the frequency of using e-marketing tools

Treating the variable as continuous, and keeping in mind that higher values correspond with higher levels of agreement with a statement, one can see from the means that the most frequently used e-

marketing tool is email (Mean = 4.0) (Figure 4). This is followed by websites, social media and SMSs, all with means higher or equal than 3 which is the middle value of the scale.

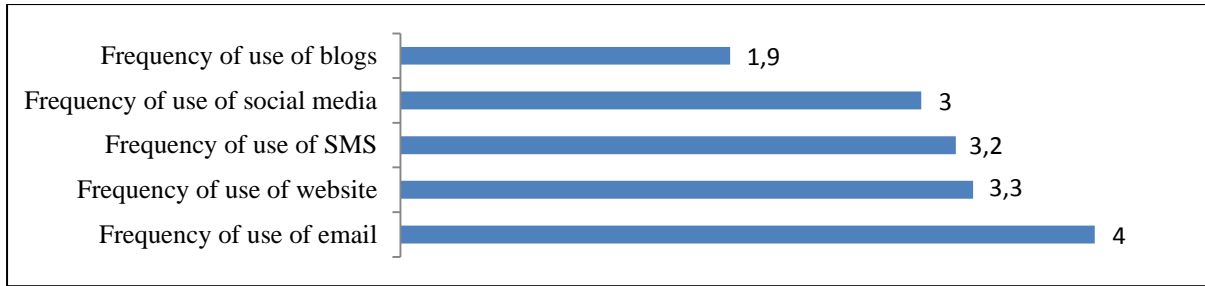


Figure 4. Mean values of the ratings of the frequency of using e-marketing tools

4.4 Descriptive analysis on the effectiveness of the use of e-marketing tools

From the descriptive statistics for the questions on the effectiveness of use of the different e-marketing tools, it is clear that the frequencies are non-normally distributed (Table 4).

Table 4. Descriptive statistics for the questions on the effectiveness of use of e-marketing tools

	N		Mean	Median	Mode	Standard Deviation	Skewness	Standard Error of Skewness	Kurtosis	Standard Error of Kurtosis
	Valid	Missing								
Effectiveness of Social media	59	12	3.63	4.00	5	1.530	-.772	.311	-.851	.613
Effectiveness of SMS	57	14	3.54	4.00	5	1.390	-.694	.316	-.657	.623
Effectiveness of Website	62	9	4.06	4.00	5	1.172	-1.456	.304	1.545	.599
Effectiveness of Blogs	51	20	3.14	3.00	1 ^a	1.523	-.276	.333	-1.390	.656
Effectiveness of Email	61	10	4.00	4.00	5	1.155	-1.142	.306	.533	.604

a. Multiple modes exist. The smallest value is shown

All of the e-marketing tools are rated as either very effective or effective by most of the respondents (more than 50%), except magazines (49%) (Figure 5).

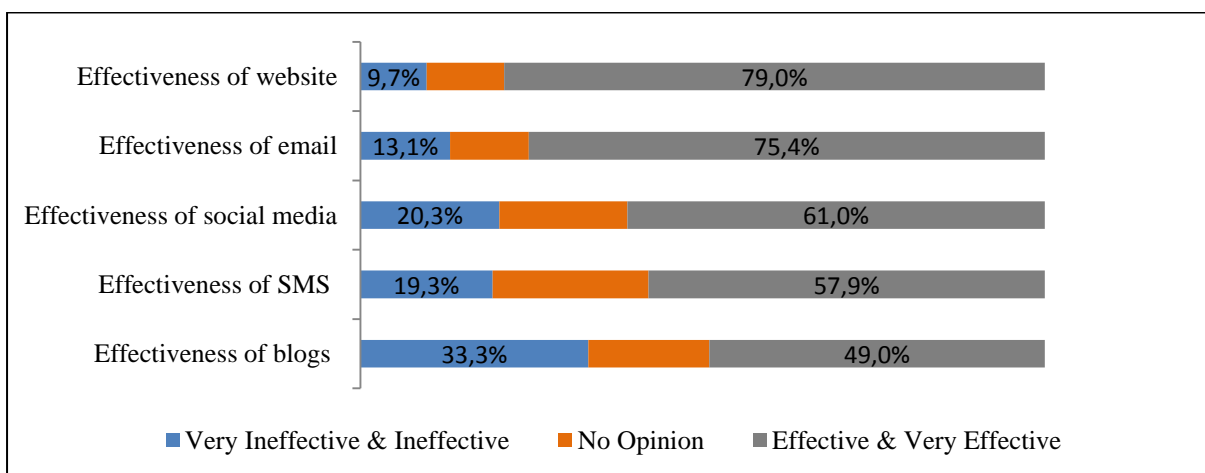


Figure 5. Frequency analysis of the effectiveness of using e-marketing tools

Treating the variable as continuous, and keeping in mind that higher values correspond with higher ratings of effectiveness, one can see that the most

effective e-marketing tools are websites (Mean = 4.1) and email (Mean = 4.0) (Figure 6).

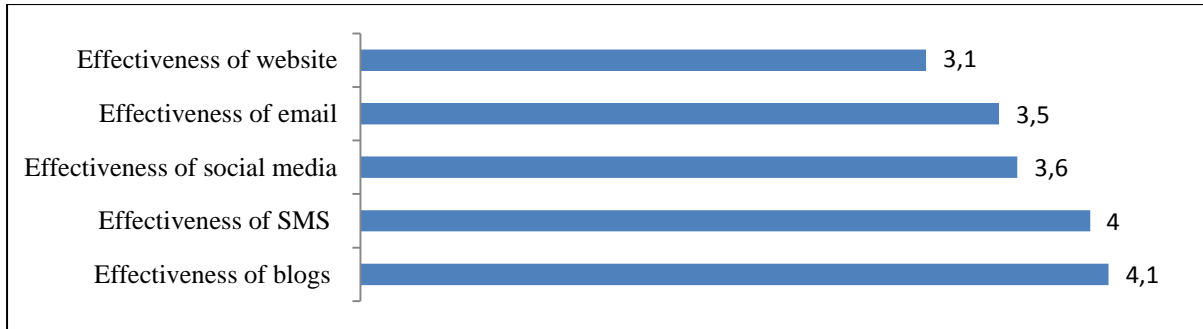


Figure 6. Mean values of the effectiveness ratings of using e-marketing tools

4.5 Descriptive analysis on the preference of the type of marketing tools

The respondents were asked which type of marketing tool they prefer to use. Most of the respondents (77.1%) prefer to use both traditional and e-marketing

tools (Figure 7). The preference of the respondents was non-normally distributed, with skewness of -1.743 (SE = 0.287) and kurtosis of 1.531 (SE = 0.566).

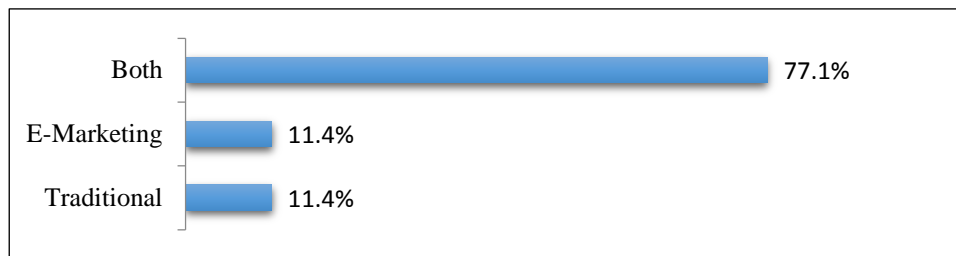


Figure 7. Preference of the type of marketing tools to use (Percentage of respondents)

5 Conclusion and recommendations

E-marketing refers to the use of the internet and digital media capabilities for marketing purposes such as websites, emails, blogs, social media and SMS/text messaging. The utilisation of e-marketing tools can create many opportunities for SMEs but also eliminate threats and enable them to compete on a higher level with larger enterprises. E-marketing can play a vital role in conducting marketing activities and enhances the enterprise's ability to thrive in an increasingly competitive environment, regardless of its type or size. Gilmore *et al.* (2007) mentions that SMEs can greatly benefit from implementing the internet into their marketing strategy; marketing products/services by providing online quotes, advertising in more markets using email as a marketing tool and decreasing the costs of printing materials like catalogues and brochures. They could also improve the enterprise's credibility by creating a professional and efficient website. SMEs need to weigh up the value of exploiting the technology and further employ time and resources to gain return on their investment and generate sales via e-marketing.

The study aimed to explore the use of e-marketing tools by SMEs in South Africa. The study revealed that the top e-marketing tools, which were used in the past were: emails, social media and websites. Other marketing tools used in the past which

was not listed in the questionnaire were: online advertisements, Google, YouTube and WhatsApp. Currently, the top e-marketing tools are still emails, social media and websites, as used in the past and are rated as the most effective. It also appears that SME owners prefer to use a combination of traditional and e-marketing tools in their marketing endeavours.

The incorporation of e-marketing holds several benefits for SMEs inter alia wider reach, cost benefits, 24/7 and inbound marketing, opportunities and measurable results. E-marketing also holds risks such as fraud, security, startup costs, decrease in consumer satisfaction that can harm a SME. The SME owner needs to be positive and stay focussed on the potential benefits that e-marketing holds. Therefore, it is recommended that SME owners ensure that training in e-marketing and implementing e-marketing programmes takes place within the SME or that the SME acquire the services of experts in the field of e-marketing.

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