Role of digital marketing strategies in success of small businesses in Pakistan

Humara Ahmad*, Khawaja Farouk Mazhar

Department of Business Management and Social Sciences, The Millennium Universal College, Faisalabad, Pakistan

*Corresponding Author email: humaira.ahmad1984@gmail.com

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ABSTRACT

This paper attempts to examine the effect that digital marketing has on small businesses in Pakistan. The current impact and use of digital marketing by small business enterprises will be examined. Digital marketing is the promotion of businesses and their products using digital channels such as the internet, television, and text to potential customers. This may also include social media, advertisements on televisions, emails, web advertising and other multimedia channels. It is defined as achieving marketing objectives through applying digital technologies.

Keywords: SMEs; Digital Marketing; Digital Technologies; Social Media

1. INTRODUCTION

Small and medium enterprises play a pivotal role in most economies, contributing to 90% of businesses globally. In Pakistan, 90% of entirely private businesses constitute of SMEs and 78% of the non-agricultural labor force is hired by these SMEs (PBS, 2019). This suggests that the significance and importance of SMEs on the economy is high. Marketing activities such as promotions, sales and offers are carried out using digital media. It also makes it easier to monitor and fulfill the needs of their customers. Customers find ease in attaining extensive information by simply browsing the internet and other using other forms of digital media. With the adoption of digital marketing techniques, SMEs can potentially revolutionize the nature of their business. The main aim of this study is to study the impact of digital marketing on the performance of small businesses. To study how much the target audience grows by spending on digital marketing services. By studying two different forms of digital media, social media and emails, and a non-digital form of marketing, namely magazines, we will attempt to determine which type of promotes business success and increases the target audience of the SMEs. According to Eida and El-Gohary (2013) Small business owners must make use of Internet marketing to compete with other businesses. A study by Zickuhr and Smith (2012) demonstrates 92% of adults use search engines to find information, 71% use the Internet for commercial purposes, 91% use e-mail, 64% use social media sites and 61% use online banking services. Despite these findings, many small businesses do not use digital marketing techniques to increase their target audience and risk losing potential business opportunities. Certain small businesses are not aware of the

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immense benefit that digital marketing techniques provide and lack knowledge on how to implement and develop digital marking strategies. In the United States 1 in 5 American adults do not use the internet and half of them don’t go online because they do not feel that the internet is relevant to them (Zickuhr & Smith, 2012).

1.2. Scope of the Study

The study targets 100 local businesses in Pakistan from various industries and their usage of digital marketing techniques. How much of an impact adoption of digital media has had on the growth of their business. This study will be derived from primary data attained by questionnaires given to individual business owners.

1.3. Questions

1. Does digital marketing increase sales?
2. Will certain forms of digital marketing increase customer outreach compared to others?
3. Are digital marketing techniques more effective than print marketing?

2. Literature Review

With the advent and growth of social media in the early 2000s, the interaction between people and organizations that shared mutual interests such as education, entertainment, games, etc changed. A distinction between social media and networking is drawn, where social media is mainly used to distribute and share information with an audience, whereas networking is primarily used to build relationships and communities with people with shared interests (Edosomwan et al., 2011). According to DiGrande et al. (2013), a lot of small businesses are not aware of the digital marketing opportunities available to them, and for those that are aware are unable to commence digital marketing activities due to limitations in their technological competence. For Dewhisrt and Davis (2005), the primary goal of businesses adopting digital marketing is to attract new customers while maintaining the old. In SMEs, marketing traditionally depends on word-of-mouth recommendations for increasing the customer base (Stokes & Lomax 2002). According to Moss et al. (2004), comparatively not much is known about SME marketing activities. “Functional specialization may rarely exist” (Moss et al 2004) for digital marketing activities in small businesses due to lack of knowledge and resources. Many small businesses do not have well developed or influential marketing functions compared to the larger businesses. The two main environmental factors that enable and facilitate a SMEs marketing influence within the company include the type of market and the firm orientation (Walsh & Lipinski, 2009).

2.1. Hypotheses Development

Three hypotheses will be tested in the study:

H₀: Digital Marketing does not effect sales.
H₁: Digital Marketing increases sales.
H₃: All forms of digital marketing increase customer outreach by the same amount.
H₁: Certain forms of digital marketing are more effective.
H₂: All forms of marketing are equally effective.
H₄: Digital marketing is more effective than print marketing.

3. RESEARCH METHOD

This study collects primary quantitative data from 100 respondents in Pakistan. These respondents own small businesses in different industries. Questionnaires were sent to the respondents and their results were gathered and tabulated. The questionnaire will cover questions such as sales before adopting digital marketing and after, industry the business belongs to, budget for spending on digital marketing and which form of digital marketing is the firm currently employing. For the study, the mode of sampling conducted in convenience sampling.

3.1. VARIABLES

Different independent variable will be defined and used for the analysis of the data. The dependent variable will be spending on digital marketing. The purpose of spending on marketing techniques is to expand the customer base primarily. Independent variables will include social media. Social media is currently one of the most popular forms of advertisements, with a variety of social media apps and websites such as Facebook and Instagram. Another independent variable will be budget of spending on emails. Though emails are not as popular a mode of communication as it is used to be, being replaced with social media and chat apps, it remains an effective and tried and true platform for digital marketing activities. The final independent variable will be a non-digital form of marketing which is magazines.

4. RESULTS AND DISCUSSION

The results of the study are based on the survey conducted on 100 small business owners in Pakistan. The summary statistics in the table below show the mean and median budgets of the companies on the different forms of media. The mean budget is the highest for social media forms of digital marketing. It has proven to be the most popular form of advertising platform, with magazines following with a mean 36.44 and lastly email, with the lowest average budget by SMEs with a mean of 27.95.

Table 1. Descriptive statistics

<table>
<thead>
<tr>
<th>Media</th>
<th>Mean</th>
<th>Standard Error</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Media</td>
<td>176.550</td>
<td>0.025</td>
<td>179.680</td>
</tr>
<tr>
<td>Email</td>
<td>27.950</td>
<td>0.046</td>
<td>27.480</td>
</tr>
<tr>
<td>Magazines</td>
<td>36.440</td>
<td>0.035</td>
<td>30.900</td>
</tr>
<tr>
<td>Sales</td>
<td>16.890</td>
<td>0.676</td>
<td>15.480</td>
</tr>
</tbody>
</table>
The sales data is plotted against the three different variables which are social media, email, and magazine. Social media spending has a strong positive correlation with sales. This suggests that an increase on spending on social media would result in an increase in the company’s sales. Social media has a sample correlation coefficient of 0.7822.

The budget for spending on email also has a strong positive correlation with sales. Increasing the budget for emails will also lead to an increase in sales. Email has a sample correlation coefficient of 0.5762.

4.1. REGRESSION ANALYSIS

Statistical software SPSS is used for the regression analysis of the data. A multiple regression analysis is run. Multiple regression analysis is used to determine the effect of the independent variables on the dependent variable. The table below shows that the sales are affected by spending on social media the most, followed by email and then lastly budget for magazines. The betas represent the coefficients of the independent variables. These represent how much effect each variable has on the dependent variable. An increase of
spending on social media by 1 increases sales by 0.789. Similarly email spending increases sales by 0.355 and magazine spending increases sales by 0.211.

The regression equation can be represented in the forms:

\[ y = 11.1567 + 0.789X_1 + 0.355X_2 + 0.211X_3 + \epsilon \]

Where \( X_1 = \) social media.
\( X_2 = \) Email
\( X_3 = \) Magazine
\( \epsilon = \) Residuals

**Table 2. Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1. Constant</td>
<td>11.1567</td>
<td>0.67548</td>
<td>0.789</td>
<td>16.542</td>
</tr>
<tr>
<td>Social Media</td>
<td>0.345</td>
<td>0.02454</td>
<td>0.789</td>
<td>9.921</td>
</tr>
<tr>
<td>Email</td>
<td>0.244</td>
<td>0.04478</td>
<td>0.355</td>
<td>7.445</td>
</tr>
<tr>
<td>Magazine</td>
<td>0.112</td>
<td>0.03354</td>
<td>0.211</td>
<td>4.778</td>
</tr>
</tbody>
</table>

The value of R Square is 0.577 which indicates that the dependent variables explain 57.7% of the variation. Increasing the number of predictors in the model will result in a higher value of R Squared.

**Table 3. Coefficient of variation**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.76</td>
<td>0.577</td>
<td>0.599</td>
<td>5.68097</td>
</tr>
</tbody>
</table>

An ANOVA is run on the variables with the null hypothesis that all the means are the same against the alternate hypothesis that at least one variable has a mean which is different. The F value of 32.393 is significant therefore we reject the null hypothesis.

**Table 4. ANOVA Table**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4196.489</td>
<td>4</td>
<td>1049.122</td>
<td>32.393</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>3076.787</td>
<td>95</td>
<td>32.387</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7273.274</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**5. DISCUSSION**

The finding from the research of the 100 businesses suggests that there is a strong positive correlation between spending on social media and sales. Of the different types of marketing techniques, it is determined that spending on social media is the strongest option for companies. It has the highest average spending by SMEs compared to all other marketing platforms. The spending on email advertisements also has a positive correlation with sales. Though not as strong as spending on social media, it is a much less demanding option for businesses that are not very tech savvy and remains a tried-and-true method. Is it very cost effective and not very time consuming, so it becomes a very feasible option.
Lastly, we examined the correlation between spending on magazine advertisements and sales and it did not have a sample correlation coefficient which was very far from 0. This indicates that increase in spending on print media may not yield higher sales. Due to print media become a less popular option and people instead choosing to engage in digital forms of media, spending on print media may be a less than optimal decision.

5.1. LIMITATIONS

The limitations of this study include a very limited and small size of the sample. The questionnaire was filled out by businessmen from various SMEs. Researcher bias may exist as well and to extrapolate the results to a larger sample size may not yield similar results to a study conducted on a large sample.

5.2. CONCLUSION

The results of the study conclude that spending on marketing activities increases the sales of the company. For SMEs, most of their marketing budgets are, on average, highest spend on social media, which in turn yields the highest sales. While email budget also yields a positive result on sales, both the digital marketing platforms are superior to the print form of advertising.

Reference:


