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Kimathi Doreen Kawira, Prof. Elegwa Mukulu & Prof. Romanus Odhiambo

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^{1*}Kimathi Doreen Kawira, ²Prof. Elegwa Mukulu & ³Prof. Romanus Odhiambo

¹Post Graduate Student: Jomo Kenyatta University of Agriculture and Technology

²Lecturer: Jomo Kenyatta University of Agriculture and Technology

³Lecturer: Jomo Kenyatta University of Agriculture and Technology

*Corresponding Author's Email: kawirad.kimathi@gmail.com

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Abstract

The main objective of the study was to examine the effect of digital marketing on the performance of MSMEs in Kenya. The study was guided by positivism research philosophy. It utilized a descriptive survey design. The study population included 8,526 licensed MSMEs in Tharaka-Nithi County. Stratified sampling and random sampling techniques were employed to arrive at the study sample. Data was collected using questionnaires. Quantitative data was analyzed using both the descriptive and inferential statistics. The descriptive statistics included frequency distributions, mean and measures of dispersion while the inferential statistics were t-test, multiple regression analysis, Karl-Pearson correlation coefficient and F-test. The findings of this study revealed that digital marketing accounted for 38.8% of the variation in performance of MSMEs. The study further showed a strong positive correlation between digital marketing and performance of MSMEs. The descriptive findings on digital marketing and performance of MSMEs ascertained that a majority of MSME's owners and managers that utilized digital marketing perceived the performance of their firms to be growing. The bivariate regression findings further revealed that digital marketing had a significant positive effect on the performance of MSMEs. This study recommends that owners/managers of MSMEs in Kenya should embrace digital marketing as a strategy towards improved performance. Embedded on the high mobile phone penetration and improved internet connectivity in Kenya, coupled with vibrant and easy to use social media platforms, entrepreneurs in Kenya should position such tools for marketing purposes.

Key Words: *Digital Marketing, Performance, MSMEs, Tharaka-Nithi County and Kenya*

1.1 Introduction

Micro, small and medium enterprises (MSMEs) play crucial roles in the economic well-being of a nation. They create diversified sources of national income, improves a nation's competitiveness and promotes economic development leading to flexibility and resilience of economies. Additionally, MSMEs play a pivotal role of improving social sectors through stimulating large scale employment, development of indigenous skills and technology, promoting entrepreneurship and innovativeness and building an industrial base at different scales (Kormawa, Wohlmuth & Devlin, 2011; Dzisi & Ofosu, 2014; Anyanga & Nyamita, 2016; KNBS, 2016; Miles, Lehman & Fillis, 2017).

Globally, their catalytic roles have been demonstrated in many countries as the biggest contributors to the gross domestic product. In countries like Japan and China, 60% of GDP comes from small and medium enterprises (SMEs). In the USA, that percentage goes up to 65%. In UAE, SMEs generates 52% of GDP. In countries with a lower income per capita, SMEs have a higher impact on the employment level of about 78% compared to countries with a larger income where the percentage goes down to 59% (The Steering group, 2011).

Regionally, SMEs are estimated to comprise over 90% of African business operations and contributing to over 50% of African employment and GDP (Chodokufa, 2009). In Ghana for instance, the sector accounts for about 70% of industrial employment and well over 50% of the country's GDP (Dzisi & Ofosu, 2014). In Nigeria, the importance and performance contributions of Small and medium scale business as a creator of employment is widely recognized. In 2002, 98% of all businesses in the manufacturing sector were SMEs, providing 76% of the workforce and 48% of all industrial output in terms of value added (Eniola & Entebang, 2015). In South Africa, SMEs are estimated to contribute 56% of private sector employment and 36% of GDP (Neneh & Zyl, 2012).

In Kenya, this sector is currently estimated to be employing 14.9 million people. The value of the MSME's output is estimated at Ksh 3,369.1 billion against a national output of Ksh 9,971.4 billion representing a contribution of 33.8% to GDP in 2015. In regard to gross value added, the MSME are estimated to have contributed 1,613.0 billion compared to Ksh 5,668.2 billion for the whole economy (KNBS, 2016). Additionally, the MSME sector is not only a provider of goods and services but also a driver in promoting competition and innovation while enhancing the enterprise culture which is vital for economic development, industrialization and modernization (KIPPRA, 2013; RoK, 2015). Furthermore, in Kenya, it is now widely recognized that the promotion of the performance of MSME sector is a viable and dynamic strategy for achieving national goals, including employment creation, poverty alleviation and balanced development across sectors and sub-sectors. According to Kiveu (2013), the SME sector in Kenya is critical and strategic in attaining vision 2030 and is central in national strategies for stimulating economic activity, reducing unemployment and poverty. KNBS (2016) underscored the important roles that MSMEs play in Kenya's development process, particularly in the context of generating employment and income opportunities for majority of the people. Indeed, the MSME sector provides employment for substantially more people than does the formal sector.

1.2 Statement of the Problem

Despite their fundamental roles, MSMEs in Kenya continue to suffer various setbacks of slowed growth and performance catapulted by unfavourable environmental conditions with an estimated 70% folding up by the third year of operation (WB, 2015). Such conditions include but not limited to competition, rapid technological changes, market liberalization, poor access to markets and capital (Kivevu, 2013; Mwangi & Ngugi, 2014). Additionally, MSMEs are constantly bedeviled by lack of or ineffective marketing with the 2016 micro, small and medium enterprise survey showing that among the licensed businesses, micro (58.3%), small (35.6%) and medium (33.5%) sized establishments do not market or advertise their products/services (KNBS,2016). In the foregoing, MSMEs must continuously seek out for new opportunities that enhance their competitiveness in the highly dynamic market place for superior performance and sustainability. Digital marketing has been touted before as a cardinal strategy towards enhanced firm competitiveness and hence performance due to its accessibility, ease of use and ability to reach a large target audience fast.

Past studies on the on the role marketing on the performance of business enterprises focused on the 4Ps of marketing (Janet & Ngugi, 2014), ignoring the forms of marketing adopted by such enterprises. Other studies (Njau & Karugu, 2014; Njau & Njuga, 2015) focused on single industry or variables thus affecting the generalizability of the findings of such studies to other such MSMEs. Further, there has been limited research among the Kenyan MSMEs and more specifically within the rural context that has managed to address the effect of digital marketing on the performance of MSMEs. This study aimed to fill this missing knowledge gap by examining the effect of digital marketing on performance of MSMEs in Kenya.

1.3 Objective of the Study

The objective of the study was to examine the effect of digital marketing on the performance of MSMEs in Kenya.

2.0 Theoretical Review

This study was guided by the Dynamic Capabilities Theory. The theory relates to how business organizations adapt and create heterogeneous resource positions in dynamic operating environments. According to its proponents, current economies present more challenges than ever to efficient and effective management due to hypercompetitive environments characterized by major discrete environmental shifts in competitive, technological, social, and regulatory domains. Failure to address these major environmental changes can negatively affect firm's performance. Teece *et al.* (1997) proposed the dynamic capabilities approach as an extension of the resource based view (RBV) of the firm by Barney (1986; 1991). While the RBV tends to explain the conditions under which firms may achieve a sustained competitive advantage based on their bundles of resources and capabilities, it is however considered to be essentially static in nature and thus inadequate in explaining firms' competitive advantage in rapidly changing environments.

They categorized the nature of the concept as being ability (capacity), thus suggested a special kind of capability. Second, they specified the desired end (the role) of this special capability as

being to integrate, build, and reconfigure internal and external competences. Third, they focused on a particular type of external context, namely, rapidly changing environments. This was a natural consequence of their view of dynamic capabilities as an extension of the RBV toward regimes of rapid change, for which they undertook a more entrepreneurial perspective. Fourth, they assumed that dynamic capabilities are typically built rather than bought and that their creation and their evolution are embedded in organizational processes that are shaped by firms' asset positions and the evolutionary paths they have adopted in the past. Fifth, they emphasized that dynamic capabilities are heterogeneous across firms and finally, their approach explicitly stated sustained competitive advantage as a direct outcome of dynamic capabilities.

Thus, according to Teece (2007), dynamic capabilities can be disaggregated into the capacity to establish, develop and exploit three distinct capabilities necessary to maintaining a competitive advantage in high velocity business environments. These include the ability (a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets. Therefore, the dynamic capabilities theory articulates the current business operating environment characterized by hyper-competition. Such an environment rarely provides an equilibrium. This demands for continuous customer engagement as co-creators and development of key capabilities that contribute to a continuous superior performance. Based on this theoretical background, it is hypothesized that:

H_a: Digital marketing has a significant positive effect on performance of MSMEs in Kenya.

2.1 Conceptual Framework

In the recent times, the world has witnessed a rise in digital marketing buoyed by the explosion of information communication and technology (ICT). Digital marketing is a marketing strategy involving the deployment technology based tools such as the Internet (email, search engines and electronic commerce), mobile phones and social media platforms. Internet marketing aims to inform, converse, promote and sell products and services over the Internet (Kiveu & Ofafa, 2013; Njau & Karugu, 2014). It involves email marketing, search engines, online markets and online blogs with the aim to reaching out to existing and potential customers.

Mobile phone marketing involves the utilization of mobile telephony through short messages and dial ups to reach and service clientele. Mobile phones emerge as the preferred ICT tool to MSMEs due to affordability, ease of use, and reliable provider networks. In Kenya, most of the MSMEs owners own mobile phones with subscription reaching 38.3 million in March, 2016 and mobile penetration at 89.2% (CAK, 2016). They also offer various functionalities that can enhance marketing including communication, enabling market transactions, product promotion, customer relationship, market research and other Internet enabled services. Social media marketing basically means promoting a company through different networking sites and popular media channels such as twitter, linkedIn, facebook, Instagram and whatsapp (Thompson, Williama & Thomas 2013). For this study, digital marketing tools were operationalized to include mobile phone, social media sites and Internet. It was hypothesized that these tools significantly and positively affect the

performance of MSMEs in Kenya in terms of customer base, sales and profitability. Figure 1 shows the conceptual framework.

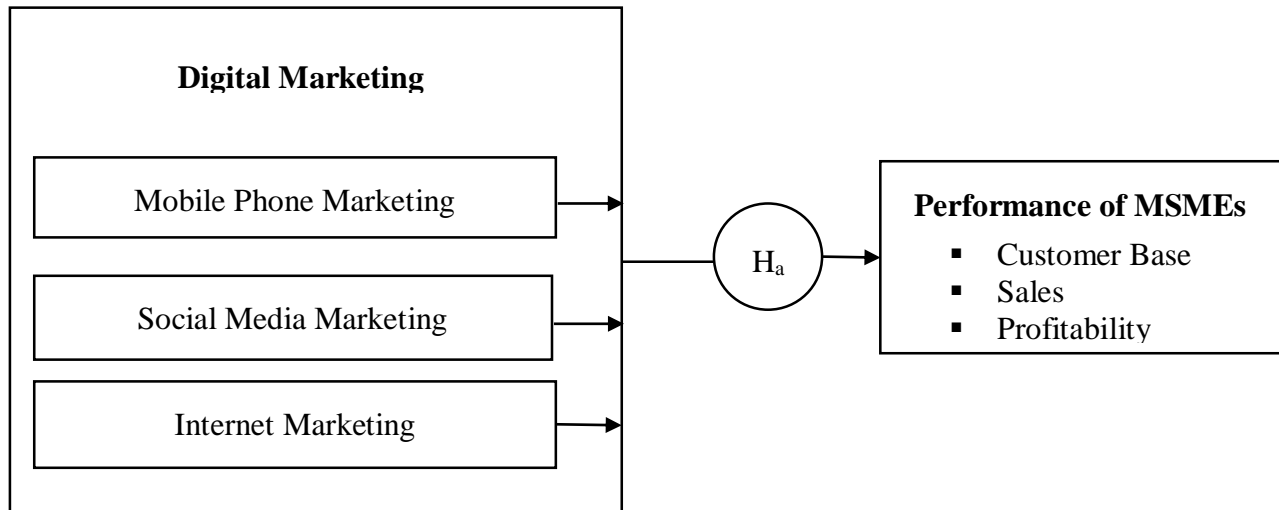


Figure 1: Conceptual Framework

2.2 Empirical Review

Njau and Karugu (2014) carried out a study titled; Influence of e-marketing on the performance of small and medium enterprises in Kenya: Survey of small and medium enterprises in the manufacturing industry in Kenya. The specific objectives of their study included determining how search engine marketing, email marketing, blog marketing, and online advertising, each influence the performance of SMEs in Kenya. The study utilized survey research design in collecting data from respondents and simple random sampling procedure to select the sample. The target population was 500 hundred SMEs in the manufacturing industry in Kenya. The findings showed a significant influence of search engine marketing, email marketing, blog marketing, and online advertising on business performance. The study also revealed that SMEs in Kenya who are keen on adopting e-marketing have achieved above average business performance as compared to their counterparts that failed to adopt the e-marketing strategy.

Njau and Njuga (2015) undertook a study titled; Mobile phones usage in micro enterprises in Tanzania and its impact on their performance: A case of micro enterprises in Moshi municipality, Tanzania. A descriptive research design was employed whereby a total of 70 micro entrepreneurs belonging to secondhand clothing, shoes and handbags, food vendors and saloon owners were randomly selected. Questionnaire and interview techniques were used as research tools in gathering quantitative and qualitative data. Findings showed that mobile phone services contribute positively to micro enterprises business performance with results showing that 87% of the respondents used mobile phones services mainly for business purposes. Furthermore, findings revealed that the more the use of mobile phone services by micro entrepreneurs the more the business succeeds. This is made possible by the virtue that mobile phones can be used anywhere

and anytime when need arises, it is more convenient, and is immediate if employed in business communication.

In addition, mobile phone reduces costs and saves time for micro entrepreneurs with limited economic resources. Mobile phones play a major role in maintaining customer relations through frequent communications and prompt problems solving, hence retaining their customers. Again, mobile phones have an ability to share business information with other micro entrepreneurs and provide basic information about products price, availability of products and services to customers (information dissemination). The study recommended that there is a need to have an awareness campaign on the uses of mobile phones in business activities at grassroots level.

Oztamura and Karakadilar (2014) explored the role of social media for SMEs as a new marketing strategy tool for the firm performance perspective. They observed that social-media is not only a communication tool for amusement, but it is also an important part of marketing strategies in business life. The researchers employed case study on four companies chosen randomly in USA and Turkey. They targeted the social media accounts of the selected companies between January and February 2014. They evaluated some aspects such as the number of likes, the frequency of update, richness and relativeness of the content, interaction of engagement, the use of language and punctuation or spelling mistakes. These were important points because especially SMEs may sustain their position and create loyal customers through the effective use of stated factors in social network marketing. The study analyzed the Facebook and Twitter accounts of randomly selected fashion retail chains and healthy bakery retail chains SMEs from USA and Turkey in order to make a comparison of each two companies which were performing in the same industry.

The research findings showed that American companies are more prone to apply the required strategies when compared to social media use of Turkish companies. Dynamic industries such as fashion-retail chains strive more than conventional industries such as bakery-retail chains on social media medium which in turn affects their amount of customer followers. The main suggestion of this research for SMEs was that they should spend time to create rich contents on their social media accounts to attract their target customers' attention. In addition, they should be more sincere while communicating with their target customers and should prefer to communicate in a more friendly style and to respond in a quick manner to all communication attempts of their customers. This enhances customer followership, retention and hence superior performance.

3.0 Methodology

The study was guided by positivism research philosophy. It utilized a descriptive survey design. This design was considered relevant for this study for it was seeking to depict the participants in an accurate way by finding out the 'what is 'the effect of digital marketing on the performance of MSMEs in Kenya. The study also drew quantitative data for analysis and interpretation. Descriptive survey design is also ideal when using a questionnaire for data collection. This is because they contain predetermined categories of responses that respondents can select from. This allows for statistically inferable data. The study population included 8,526 licensed MSMEs in Tharaka-Nithi County. Stratified sampling and random sampling techniques were employed to arrive at the study sample. The sample size was adopted from Krejcie and Morgan (1970) sample size table developed using the sample size formula for a finite population;

$$S = \frac{\chi^2 NP}{d^2(N-1) + \chi^2 P(1-P)}$$

S = required sample size, N = the population size.

χ^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Thus, the required sample size (S) for this study was 368 MSMEs owners/managers based on the provided population size of $N=8526$, at confidence level of 95% and precision level of 5% with a response distribution of 50% (p and q). Data was collected using questionnaires. The study adopted the hand delivery and collection method. Aliyu and Rosli (2014) opines that the hand delivery and collection method saves time, ensure clarification of doubts and misunderstood concepts and produce a high response rate. Further, it is considered appropriate due to its outstanding benefits of the entire completed questionnaire can be collected within a short period of time, one can be on hand to give additional explanation on items that may require clarification by the respondents and lastly it creates an opportunity to persuade the respondents to take part in the survey and give their sincere opinions where resistance may be noticed in line with the submissions of Sekaran and Bougie (2010). To ensure reliability of the study, a pilot study was carried with 37 questionnaires followed by the computation of the Chronbach's alpha coefficient for each of the variables. The proposed pilot test falls within the rule of thumb as proposed by Mugenda and Mugenda (2003) that 10% of the sample should constitute the pilot test. For content validity, the researcher solicited for expert opinion from the university supervisors, peers and professionals in the industry.

3.1 Data processing and analysis

For completeness and consistency, the collected data was processed via editing and coding before presenting same for analysis. Qualitative data was analyzed using content analysis and interpreted through identification of main themes.

Quantitative data was analyzed using both the descriptive and inferential statistics. The descriptive statistics included frequency distributions mean and measures of dispersion while the inferential statistics were t-test, multiple regression analysis, Karl-Pearson correlation coefficient and F-test.

3.2 Statistical Model and Hypothesis Testing

To test the independent variable against the dependent variable (performance of MSMEs), t-test was used. For majority of business and management studies, researchers are satisfied to estimate the population's characteristics to be within plus or minus 3% to 5% of its true values (Saunders *et al.*, 2012). Accordingly, for this study, the desired level of precision was $\pm 5\%$ and a confidence level of 95%. The decision level was, reject null hypothesis if $P < 0.05$ and fail to reject if $P > 0.05$. Karl Person correlation coefficient was used to test the level and direction of correlation between the independent variable and dependent variable. A bivariate regression analysis model was applied to determine the effect of digital marketing (independent variable) on the performance of MSMEs (dependent variable) in Kenya. The regression model was conceptualized as follows:-

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Where: Y =MSMEs Performance

X_1 = Digital marketing

β_0 = Constant

β_1 = Regression coefficient

ε = Error term

3.3 Operationalization and Measurement of Variables

This study used perceptual measures of MSMEs' performance, with the conceptualized constructs being perceived increase in profitability, sales volume and customer base. This agrees with other numerous previous studies (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009; Kumar, & Singh, 2014; Mpunga, 2016). Perceptual measures are considered appropriate when, firms are reluctant or unable to give "hard" financial data and when objective financial data is not available for all the elements under study and or variations exist in accounting practices across the elements hindering the reconciliation of differences (Nauwelaerts, 2016). This correlates with a study by Gichuki *et al.* (2014) which ascertained that lack of proper records keeping is a key challenge facing MSMEs in Kenya. The independent variable was the digital marketing tools operationalized as mobile phones, social media and internet marketing.

4.0 Research Findings

4.1 Reliability and Validity Test Results Analysis

Before conducting any analysis, the data was measured for internal consistency (reliability) using Cronbach's alpha. The Cronbach's alpha is used when there are multiple Likert questions in a survey or questionnaire is used as the data collection tool as was the case for this study. Based on the reliability statistics, it was evident that the survey questions had excellent internal consistency for all the Likert questions with $\alpha > 0.7$. Results are presented in Table 1.

Table 1: Reliability test for Digital Marketing

Code		Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
DMS1	Adopting internet marketing allows firms to increase their sales volumes and profitability	.861	.975
DMS2	Use of internet marketing strategies enhances a firm's competitive advantage	.924	.973
DMS3	Marketing through the internet greatly promotes the ability of business firms to attract and retain customers	.885	.974
DMS4	A business firm can leverage the high mobile phone penetration in Kenya to significantly grow their sales volumes	.895	.974
DMS5	Mobile phones are key in promoting market penetration	.863	.975
DMS6	Many businesses have been able to increase their profitability through by marketing using the mobile phone	.886	.974
DMS7	It is possible to attract and retain customers by effectively utilizing the social media platforms	.867	.974
DM8S	Those firm that leverage the social media platforms such as facebook and whatsapp as marketing tools are more likely to achieve higher sales volumes	.891	.974
DMS9	Social media is an effective way for business firms to grow their profitability	.892	.974
DMS10	Digital marketing strategies overly positively and significantly increases clients' base, sales volumes, profitability and hence firm performance	.894	.974

4.2 Demographic Information

The highest number of respondents, 47.4% were from Meru South Sub County, followed by Maara 38.7%, Tharaka South 9.6% and Tharaka North 4.3%. These results tally with Tharaka-Nithi County Integrated Development Plan (2013) where the sub counties of Meru South and Maara are classified as the largest commercial sub-counties. Chuka town in Meru South is the largest with a projected population of 50,203 residents in 2017 followed by Chogoria town in Maara with a projected population of 36,521 in 2017. Marimanti, located in Tharaka South is the only urban centre in Tharaka with a projected population of 9,857 in 2017. All these towns serve as Sub County headquarters and this has immensely contributed to their fast growth. 53.3% of the

respondents were female while the male counterparts accounted for 46.7%. Approximately 15.2% of the respondents were between 18 and 25 years, 39.1% were between 26 and 35, 25.5% were aged between 36 and 45 while 20.2% were above 45 years. Further, 93.4% had attained some level of formal education. This information is summarized in Table 2.

Table 2: Descriptive Statistics on Respondents' Demographic Information

Main Factor	Factor Level	Frequency	Percent
Sub-County	Chuka	143	47.4
	Maara	117	38.7
	Tharaka -South	29	9.6
	Tharaka-North	13	4.3
Gender	Male	141	46.7
	Female	161	53.3
Age Bracket	18 to 25 years	46	15.2
	26 to 35 years	118	39.1
	36 to 45 years	77	25.5
	Above 45 years	61	20.2
Marital Status	Single	93	30.8
	Married	160	53.0
	Divorced	16	5.3
	Widowed	33	10.9
Level of Education	None	20	6.6
	Primary	65	21.5
	Secondary	108	35.8
	College/Tertiary	59	19.5
	University	50	16.6

4.3 Business Background Information

The business background information revealed that most of the respondents (42.4%) were engaged in wholesale/retail trade, 23.8% were in the service industry, 18.5% were in the restaurant/hotel business, 9.9% were involved in craft, 4.3% in education/training and the remaining 1% focused on agricultural activities (Figure 2). The results resonate with the national survey, KNBS (2016), which postulated that a majority of the Kenyan MSMEs are engaged in the wholesale/retail trade. Additionally, Tharaka-Nithi is a rural County and thus it is evident that agriculture is still practiced for subsistence purposes other than as enterprise.

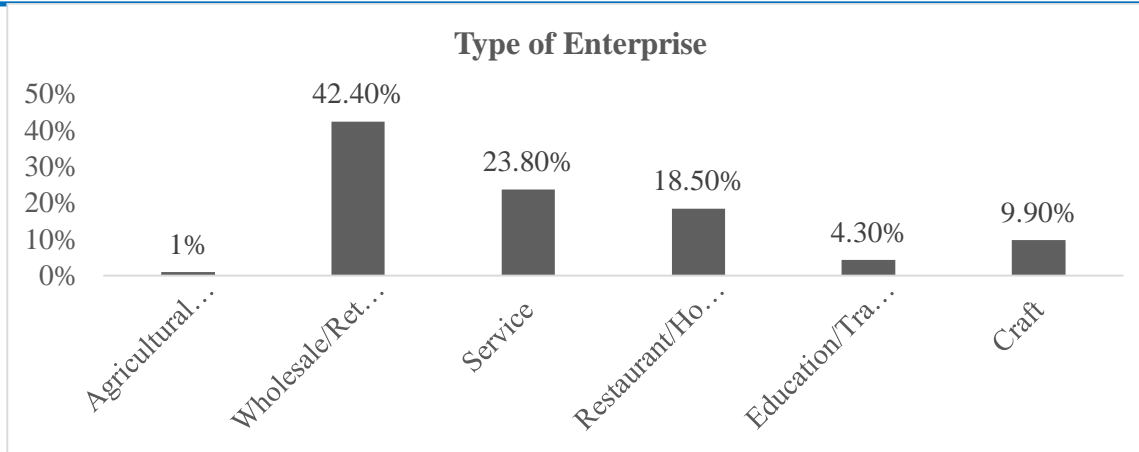


Figure 2: Type of Enterprise

Further, most of the participants (57%) were sole proprietors, while partnerships accounted for 38.1% of the sample population and only 5% claimed to have limited companies as depicted by Figure 3.

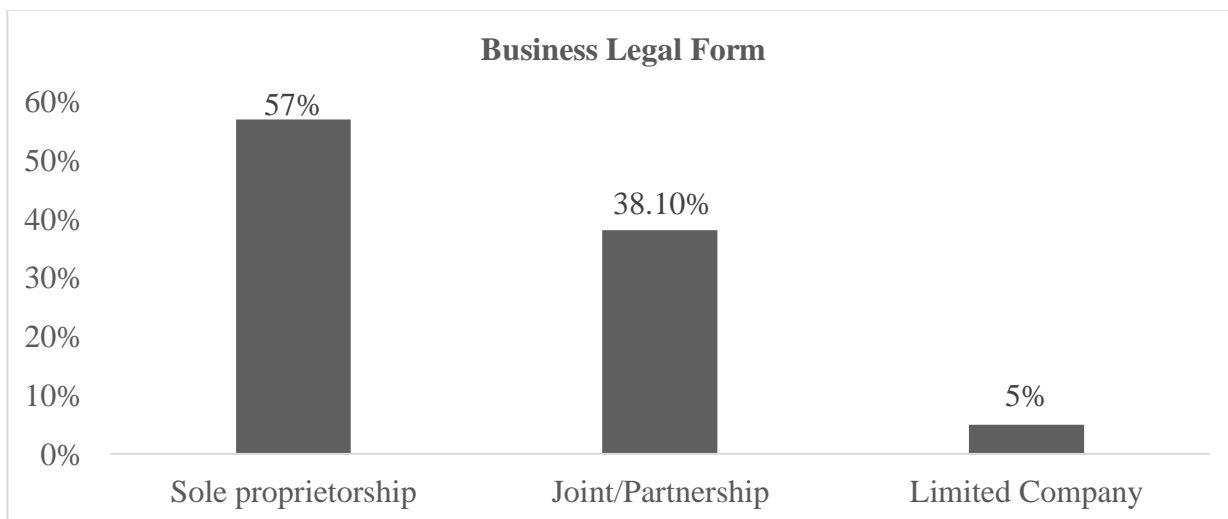


Figure 3: Business legal Form

Table 3 provides a detailed examination of the business background information. From the results, it is evident that most of the respondents had their business in operation between 1 and 5 years (53%), 28.1% for over 5 years and 18.9% for less than 1 year. The largest proportion of participants (70.2%) began the business themselves while the remaining 29.8% began with other employees. As at the time of the study, almost half of the participants (57%) worked alone in their business and 43% had other employees in the business, an indicator of business growth. Most of the daily sales of the sampled businesses ranged below Ksh 10,000 (40.1%), 30.5% between 10,000 and 20,000, 12.3% between 20,000 and 30,000 and 4.3% above 50,000. Majority of the businesses had a level of profitability below KSh 10,000 (67.2%) while very few made it above the KSh 50,000 mark (1.3%). Finally, most of the firms could be said to be experiencing a growth spurt as shown

by 70.9% of the respondents, 15.9% were breaking even and the remaining 13.2% perceived that the performance of their enterprises was declining.

Table 3: Descriptive Statistics on Businesses' background Information

Main Factor	Factor Level	Frequency	Percent
Years in Operation	Less than 1 year	57	18.9
	1-5 years	160	53.0
	Over 5 years	85	28.1
Other Employees at Commencement	Myself only	212	70.2
	Other	90	29.8
Current Other Employees	Myself only	172	57.0
	Other	130	43.0
Estimated Daily Sales (Ksh)	Below 10,000	121	40.1
	10,001-20,000	92	30.5
	20,001-30,000	37	12.3
	30,001-40,000	18	6.0
	40,001-50,000	21	7.0
	Above 50,000	13	4.3
Estimated Daily profits (Ksh)	Below 10,000	203	67.2
	10,001-20,000	52	17.2
	20,001-30,000	18	6.0
	30,001-40,000	15	5.0
	40,001-50,000	10	3.3
	Above 50,000	4	1.3
Perceived Firm performance over the last 3 years	Growing	214	70.9
	Breaking-even	48	15.9
	Declining	40	13.2

4.4 Statistical Tests

4.4.1 Linearity Test

In this study, the linearity test was done both graphically by use of scatter plots and statistically by use of ANOVA output tables. As illustrated in Table 4, the linearity test results for digital marketing were significant F values ($F=167.267$, $P=0.000<0.05$). This means that there was a linear relationship between digital marketing and performance. The test for deviation from linearity (nonlinear) for digital marketing, was insignificant F values ($F=0.776$, $P=0.940>0.05$) an indication that there were no nonlinear relationships in addition to the linear components.

Table 4: ANOVA Results of the Linearity Test

			Sum of Squares	df	Mean Square	F	Sig.
(Combined)			218.864	163	1.343	1.797	0.000
Performance Digital Marketing	*	Between Groups	124.947	1	124.947	167.267	0.000
		Linearity Deviation from Linearity	93.917	162	0.58	0.776	0.940
		Within Groups	103.085	138	0.747		
Total			321.949	301			

Further, a visual examination of the scatter plots as shown in Figure 4 suggests a positive linear relationship between digital marketing and performance of the MSMEs. This implied that the higher the relationship marketing the higher the performance of the MSMEs. Therefore, the level of influence of the hypothesized digital marketing could statistically be determined by performing a linear regression analysis.



Figure 4: Linearity Test on Digital Marketing

4.5 Digital Marketing and Performance of MSMEs

The study sought to determine of the total respondents, how many specifically used digital marketing in their enterprises. From the results in Table 5, it is evident that more MSME owners/managers at 59.27 % utilized digital marketing as compared to 40.73% who did not.

Table 5: Frequency Distribution on Respondents' Use of Digital Marketing

	Do you deploy digital marketing in your business?			Total
	Yes	%	No	
Respondents	179	59.27%	123	302

Further, it was evident from the results (Table 6) that the mobile phone was used more as a digital marketing tool at 49.72% as compared to websites and social media platforms such as whatsapp, facebook and Emails. This can be attributed to the high mobile phone penetration in Kenya including to the rural areas. According to CAK (2016), Kenyans continue to embrace use of mobile services with the number of mobile subscribers increasing to 40.3 million, representing a penetration rate of 88.7 percent. The results of this study agrees with findings by Kiveu and Ofafa (2014) who while studying the role of ICT in enhancing market access in Kenyan SMEs, found out that the mobile phone is the most used ICT tool for it was rated most significantly in terms of desirability, accessibility and affordability. They established that Mobile phones emerged as the preferred ICT tool to SMEs due to affordability, ease of use, and a reliable network. They ascertained that more than 95% of SMEs owners/managers in Kenya owned mobile phones with subscription reaching 30.7 million in April, 2013.

Table 6: Frequently Used Digital Marketing Tools

Factor	Do you deploy digital marketing in your business?	
	Yes	%
Please indicate some of the digital marketing strategies adopted by your business to market its products /Services	Internet (Website)	38 21.23%
	Whatsup	41 22.91%
	Facebook	5 2.79%
	Mobile phone	89 49.72%
	Email	6 3.35%
Total	179	100.00%

On confirming the perceived effect of digital marketing on the performance of their enterprises in the last three years, 41.39% of the total respondents who adopted digital marketing perceived that their firms were growing against 8.61% and 9.27% who opined that their firms were either just breaking even or declining respectively as presented in Table 7.

Table 7: Use of Digital marketing and Perceived Firm Performance

The results agree with the findings of Waitthaka *et al.* (2014) who established that social media or internet marketing affect the growth of small businesses and that the more business used the social media, the more they were able to reach more customers. Leong *et al.* (2012) studying the factors affecting the performance of SMEs in Malaysia established that application of IT had a significant positive relationship with increased performance of SMEs in Malaysia. They argued that the

Factor		Do you deploy digital marketing strategies to your business?			
		Yes	%	No	Total
Which of the status below best describes your firm performance in the last three(3) years	Growing	125	41.39%	89	214
	Breaking - even	26	8.61%	22	48
	Declining	28	9.27%	12	40
Total		179	59.27%	123	302

adoption of ICT tools assists organizations in storing information as well as communicating with customer, suppliers and other business partners who facilitated business transactions. As a result, this led to better performance.

Further, the respondents were asked to evaluate the effect digital marketing in relation to its effect on the performance of their firms using statements that were provided making use of the scale: 1=SD-Strongly Disagree, 2=D-Disagree, 3=N-Neutral, 4=A-Agree and 5=SA-Strongly Agree. Their responses were as shown in Table 8. All the resulting means of above 4.0 signified low variability in respondents' opinion in all the variables measuring digital marketing and performance of MSMEs. The resulting standard deviations of less than half the means ascertained that the differences of responses given was insignificant. The overall rating had a mean of 4.16 and standard deviation of 1.503 which indicates that majority of the respondents agreed or strongly agreed with the statements relating to effect of digital marketing on the performance of their firms.

According to the results of this study, 83.0% of the respondents felt that deploying internet marketing strategies grew firms' profitability and sales volume while 74.0% conjectured that such strategies contributed towards customer attraction and retention. Moreover, 70% opined that Internet marketing enhances firms' competitive advantage. Likewise, the respondents agreed that it is possible to leverage the high mobile phone penetration rate in Kenya to grow sales volume (81.0%), profitability (70.0%) and customer base (74.0%). Similarly, the results showed that utilizing social media platforms to market firms' products and services would improve their sales (70.0%), profitability (69.0%) and clients' retention (71.0%). Overall, 71.0% of the respondents agreed that adoption of digital marketing strategies significantly increases clients' base, sales volumes, profitability and hence firm performance.

Table 8: Digital Marketing and Performance of MSMEs

Code	Digital Marketing Strategy	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
DMS1	Adopting internet marketing allows firms to increase their sales volumes and profitability	3	4	10	57	26	4.42	1.712
DMS2	Use of internet marketing strategies enhances a firm's competitive advantage	4	10	16	45	25	4.24	1.128
DMS3	Marketing through the internet greatly promotes the ability of business firms to attract and retain customers	11	6	9	51	23	4.09	1.590
DMS4	A business firm can leverage the high mobile phone penetration in Kenya to significantly grow their sales volumes	4	6	9	54	27	4.11	1.753
DMS5	Mobile phones are key in promoting market penetration	8	8	10	44	30	4.19	1.459
DMS6	Many businesses have been able to increase their profitability through by marketing using the mobile phone	12	9	9	47	23	4.09	1.609
DMS7	It is possible to attract and retain customers by effectively utilizing the social media platforms	10	6	12	51	20	4.05	1.519
DMS8	Those firm that leverage the social media platforms such as facebook and whatsapp as marketing tools are more likely to achieve higher sales volumes	7	8	15	40	30	4.09	1.537
DMS9	Social media is an effective way for business firms to grow their profitability	12	9	9	29	40	4.16	1.575
DMS10	Digital marketing strategies overly positively and significantly increases clients' base, sales volumes, profitability and hence firm performance	12	10	8	44	27	4.12	1.149
							4.16	1.503
Overall								

4.5.1 Factor Analysis on Digital Marketing

Factor analysis is a requisite step in multiple regression analysis as it is used to create composite scores for each variable under study. Principal composite analysis was carried out on the data to describe variability among the observed and check for any correlated elements with the aim of

reducing data that was found redundant. Sample adequacy was determined by use of Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) per every independent variable with a decision level accept if $KMO > 0.7$ (Cerny & Kaiser, 1977).

Factor analysis carried out on digital marketing had all the indicators scoring factor loadings of more than 0.5 (Table 9) and were therefore retained for further analysis. The sample was also adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained was 0.959, above the threshold of 0.7. The digital marketing variable factor constructed was able to explain 82.540 % $> 70\%$ of the total variance in the digital marketing variable hence the variables exhaustively explained the variation in the factor.

Table 9: Factor Analysis on Digital Marketing

Digital Marketing Strategy	Factor Loading
Adopting internet marketing allows firms to increase their sales volumes and profitability	0.888
Use of internet marketing strategies enhances a firm’s competitive advantage	0.940
Marketing through the internet greatly promotes the ability of business firms to attract and retain customers	0.907
A business firm can leverage the high mobile phone penetration in Kenya to significantly grow their sales volumes	0.916
Mobile phones are key in promoting market penetration	0.889
Many businesses have been able to increase their profitability through by marketing using the mobile phone	0.909
It is possible to attract and retain customers by effectively utilizing the social media platforms	0.893
Those firm that leverage the social media platforms such as facebook and whatsapp as marketing tools are more likely to achieve higher sales volumes	0.912
Social media is an effective way for business firms to grow their profitability	0.914
Digital marketing strategies overly positively and significantly increases clients’ base, sales volumes, profitability and hence firm performance	0.916

KMO=0.959 ;Bartlett’s $p < 0.05$; Total variance extracted=82.540%

4.5.2 Hypothesis Testing

Pearson product moment correlation coefficient (r) was used to aid in establishing correlation between digital marketing and performance of MSMEs. Correlation coefficient shows the magnitude and direction of the relationship between study variables. The resulting correlation coefficient of 0.623 (Table 10) implied that that there is a moderately strong positive correlation between digital marketing and performance of MSMEs. The correlation was also significant at a p-value of 0.000, $\alpha = 0.05$. This inferred that an increase in digital marketing led to an increase in the performance of an enterprise.

Table 10: Pearson’s correlation Coefficient between Digital Marketing and Performance of MSMEs in Kenya

		Performance	Digital Marketing
Performance	Pearson Correlation	1.000	.623*
	Sig. (2-tailed)		.000
	N	302	302
Digital Marketing	Pearson Correlation	.623*	1.000
	Sig. (2-tailed)	.000	
	N	302	302

*Correlation is significant at the 0.05 level (2-tailed).

Moreover, the generated R square value of 0.388 as presented in Table 11 depicted that digital marketing accounted for 38.8% of the variation in performance leaving 61.2% unexplained (error term). Thus, it can be concluded that digital marketing had moderate positive effect on performance of MSMEs.

Table 11: Digital Marketing Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623 ^a	.388	.386	.81035372

a. Predictors: (Constant), Digital Marketing

Further, the ANOVA test results in Table 12 showed a p-value of 0.000 which was less than 0.05. Thus, the model of digital marketing and performance of MSMEs was overall significant.

Table 12: ANOVA Regression Results between Digital Marketing and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.947	1	124.947	190.273	.000 ^b
	Residual	197.002	300	.657		
	Total	321.949	301			

a. Dependent Variable: Performance

b. Predictors: (Constant), Digital Marketing

The results as presented in Table 12 show that the regression weight for digital marketing was positive and significant ($\beta_1 = 0.612$, $p < .05$, Sig 0.000) with the model summarized as $Y = 0.227 + 0.612X_1$. Since $\beta_1 = 0.612$, it can be concluded that one unit increase in digital marketing increased performance by 0.612 units other factors held constant. In addition, the p-value at $0.000 < 0.05$ signified that digital marketing individually had a significant positive effect on performance of MSMEs in Kenya.

Table 12: Coefficients of Digital Marketing and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.227	.048		4.735	.000
	Digital Marketing	.612	.044	.623	13.794	.000

a. Dependent Variable :Performance

4.6 Discussion of Findings on the Effect of Digital Marketing on Performance of MSMEs

The regression analysis on Table 12 revealed that digital marketing has a positive effect on the performance of MSMEs in Kenya. For every unit increase in digital marketing, performance increases by 0.612 units other factors held constant. The Pearson product moment correlation coefficient also established a positive correlation between digital marketing and performance of MSMEs ($r = 0.623$, $p\text{-value} = 0.000$) at 0.05 level of significance. Thus, the study failed to reject the statistical hypothesis, H_{a1} : Digital marketing has a significant positive effect on performance of MSMEs in Kenya.

The results of this study are consistent with findings of other previous studies that investigated the role of various digital marketing strategies on firm performance. A study by Njau and Karugu (2014), examining the influence of e-marketing on the performance of small and medium enterprises in Kenya found a significant positive influence of search engine marketing, email marketing, blog marketing, and online advertising on business performance. The study also revealed that SMEs in Kenya who are keen on adopting e-marketing had achieved above average business performance as compared to their counterparts that failed to adopt the e-marketing strategy.

The study findings also concur with that Njau and Njuga (2015) who while studying Mobile phones usage in micro enterprises in Tanzania, and its impact on their performance found out that the more the use of mobile phone services by micro entrepreneurs, the more the business succeeded. This was made possible by the virtue that mobile phones can be used anywhere and anytime when need arises, it is more convenient, and is immediate if employed in business communication.

The results also supports the work of Oztamur and Karakadilar (2015) who explored the role of social media for SMEs as a new marketing strategy tool from a firm performance perspective, and established that social media affects the amount of customer followers to SMES and also provides a quick manner to respond to all communication attempts by their customers. This enhances customer followership, retention and hence superior business performance. The results are also consistent with findings of Leong *et al.* (2012) who while studying the factors affecting the performance of SMEs in Malaysia established that application of IT had a significant positive relationship with performance of SMEs.

The findings of this study are in addition in agreement with dynamic capabilities theory as articulated by Teece *et al.* (1997) who argued that current business environments present more challenges than ever to efficient and effective management. This is due to hypercompetitive environments characterized by major discrete environmental shifts in competitive, technological, social and regulatory domains. Such an environment rarely provides equilibrium. This demand for continuous customer engagement as co-creators and development of key capabilities that contribute to a continuous superior performance. Thus, business enterprises that are able to configure their capabilities towards adoption of the technological tools presented within the highly dynamic operating environment are more likely to achieve superior performance as compared to those who did not.

5.0 Summary, Conclusion and Recommendations

5.1 Summary of Findings

The findings of this study revealed that digital marketing accounted for 38.8% of the variation in performance of MSMEs. The study further showed a strong positive correlation between digital marketing and performance of MSMEs. The descriptive findings on digital marketing and performance of MSMEs ascertained that a majority of MSME's owners and managers that utilized digital marketing perceived the performance of their firms to be growing. The bivariate regression findings further revealed that digital marketing had a significant and positive effect on the performance of MSMEs.

5.2 Conclusion

The study concluded that digital marketing yields superior performance for MSMEs. The digital marketing tools of mobile phones, Internet and social media sites play significant roles in attracting/reaching and retaining customers hence resulting to improved sales volumes and profitability. Further, the digital marketing tools also avail an easily accessible and cheap means through which entrepreneurs reach the targeted consumers as compared to other traditional and equally expensive approaches such as print media. Consequently, MSMEs targeting to achieve and sustain a competitive edge over their competitors for superior performance must endeavor to adopt and deploy digital technology in their marketing functions.

5.3 Recommendation

This study recommends that owners/managers of MSMEs in Kenya should embrace digital marketing as a strategy towards improved performance. Embedded on the high mobile phone penetration and improved internet connectivity in Kenya, coupled with vibrant and easy to use social media platforms, entrepreneurs in Kenya should position such tools for marketing purposes.

5.4 Areas for Further Research

As described in the methodology section, this study only focused on Tharaka Nithi County. However, there are many MSMEs in other counties in Kenya which could be facing similar challenges like those faced by the MSMEs in Tharaka Nithi County. Therefore, future researchers could focus on other Counties in Kenya.

Secondly, the study adopted cross-sectional research design approach which was limited to point-in-time assessment. Therefore, future research could be conducted using longitudinal research

approach so as to identify the most effective digital marketing strategy in promoting the performance of MSMEs in Kenya.

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