

INFLUENCE OF DIGITAL MARKETING ON ENHANCING SALES OF SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

Small and Medium-scale industries play a major role in both developed and developing countries. They contribute to the growth of the economy in various ways such as generating job opportunities, new venture development, and opening up new avenues for economic growth in a country. In Sri Lanka Small and Medium-sized Enterprises (SME) make up a large portion of the national economy, accounting for 80 percent of all businesses. Any business is involved in various promotional and marketing campaigns to improve the sales of their products or services. Digital marketing has gained a significant place among them. At present small and medium enterprises have tendency to resort to this form of digital marketing. Accordingly, the main purpose of this study is to explore the impact of Digital Marketing on sales improvement of small and medium- scale businesses. This study is based on small and medium scale enterprises in the Hambantota district of the Southern Province of Sri Lanka. 320 small and medium scale enterprises registered with the Hambantota branch of the Sri Lanka Chamber of Commerce were used as population. Selected 105 of SMEs among them with using simple random sampling method. The basic premise of this study is based on primary data. In obtaining the primary data, the questionnaire was presented to the selected sample. The aim is to analyze whether the use of digital marketing methods has impacted SMEs' sales improvement. For this, the Wilcoxon signed-rank test was performed. According to the data analysis, digital marketing positively impacted SMEs' sales improvement.

KEYWORDS

Digital marketing, small and medium, sales improvement, Impact

1. INTRODUCTION

The development in the ICT has brought a lot of new features and accelerated the current processes of doing business. Marketing strategies and improvements have progressed with it. Marketing is a social process by which individuals and groups receive what they need and want by creating, offering, and freely exchanging value-adding products and services with others (American marketing association, 2007). Digital marketing is widely used to promote products or services and reach consumers through digital channels. It extends beyond Internet marketing, including channels that do not require the use of the Internet. These include mobile applications browsing, social media marketing, display advertising, search engine marketing, and many other forms of digital media (Export.gov, 2018)

Day by day the internet is becoming more and more intertwined with people's lives (Raveendran & Arjun, 2015). This can be attributed to the improvement in internet facilities and the increase in the use of smartphones. In Sri Lanka, the internet is increasingly used for Information, entertainment, and communication. The demand for Internet services and smartphones is also increasing day by day and it is expected that internet usage will increase further in the future.

Therefore, moving to digital marketing using the internet would be a very timely and effective endeavor. Even small and medium scale businesses can easily apply this digital marketing method as it is less costly than traditional marketing methods like Television, radio, newspapers, etc. Digital marketing is quick and easy, and it introduces SMEs products and services to a large number of people by engaging in marketing methods themselves.

As a developing country, many enterprises are small and medium scales in Sri Lanka. SMEs have been identified as an important strategic sector for promoting the growth and economic development of Sri Lanka. Over the years SMEs have gained wide recognition as a major source for employment, income generation, poverty alleviation, and regional development (Ministry of industry commerce). Different countries use different definitions for SMEs based on their level of development (Ministry of industry and commerce). The commonly used yardsticks are the total number of employees, annual turnover, and total investment. In the Sri Lankan context, the SME policy framework defines SMEs based on the number of employees and annual turnover.

Table 1.1

Size	Criteria	Medium	Small	Micro
Sector	Annual Turnover	Rs. Mn. 251- 750	Rs. Mn. 16 – 250	Less than Rs. Mn 15
	No. of Employees	51 - 300	11 – 50	Less than 10
Sector	Annual	Rs. Mn. 251 – 750	Rs. Mn. 16 – 250	Less than Rs. Mn.15
	No.of Employees	51 - 200	11 – 50	Less than 10

National Policy Framework for SME Development

According to table 1.1, the category of Small and Medium-sized Enterprises (SMEs) is made up of enterprises that employ less than 300 employees and which have an annual turnover not exceeding Rs.750 million. The SMEs cover broad areas of economic activities such as agriculture, manufacturing, mining, construction, and service sector industries. (Vijayakumar et al., 2012) Therefore, developing small and medium enterprises in Sri Lanka can bring huge benefits to the country and accelerate the economic growth of the country. To do so, they need to increase their sales by promoting those businesses. Different methods can be used to increase sales, but with the use of the most popular digital marketing methods available today, marketing can be done more easily with less cost. The costs of ICT products are declining day by day enabling smaller firms even to reap the benefits of the new technology and to move on to improved internet platforms (Alberto & Fernando, 2007).

1.1. Research Problem

Small and Medium-scale industries play a major role in both developed and developing countries. SMEs help to absorb productive resources at all levels of the economy (Hobohm, 2001). They contribute to the growth of the economy in various ways such as generating job opportunities, new venture development, and opening up new avenues for economic growth in a country (Abeygunasekera & Fonseka, 2012). In Sri Lanka Small and Medium-sized Enterprises (SME) make up a large portion of the national economy, accounting for 80 percent of all businesses. It is noted that 20 percent of industrial establishments fall into the SME group. In the service sector SMEs cover over 90 percent, and also SMEs are an essential source of employment opportunities in Sri Lanka. It is estimated to contribute about 35 percent of labour force participation. SMEs provide employment for persons with different skills (Secretariat, 2012).

Any business is involved in various promotional and marketing campaigns to improve the sales of their products or services. Digital marketing has gained a significant place among them (Nuseir & Ain, 2018). According to Nathan Research, (2016) digital marketing is marketing that makes use of electronic devices such as personal computers, smartphones, cellphones, tablets, and game consoles to engage with stakeholders. Digital marketing applies technologies or platforms such as websites, email, apps (classic and mobile), and social networks. Social Media Marketing is a component of digital marketing. Digital marketing can also be used to promote small and medium enterprises that contribute significantly to the economy in Sri Lanka. At present small and medium enterprises have tendency to resort to this form of digital marketing. Accordingly, the main purpose of this study is to explore the impact of Digital Marketing on sales improvement of small and medium-scale businesses.

In the literature survey related to this research field, similar studies were found in Kenya and Nigeria. Omondi, (2017) has paid attention to the impact of digital marketing on sales growth of small and medium enterprises in Kenya while (Ishaq, 2019) investigated the digital marketing and sales improvement in small and medium enterprises in Nigeria. Further, Eida and Gohary, (2013) have investigated the impact of E-marketing use on small business enterprises' marketing success in the United Kingdom. There have been several types of research on Digital marketing related to small and medium enterprises in Sri Lanka. A conceptual framework has been developed to study the impact of internet use on the performance of small and medium enterprises in Sri Lanka (Suriyapperuma et al., 2015). The impact of social media on business performance an empirical study on apparel and fashion brand retailers in Sri Lanka has been conducted by (Samarasinghe et al., 2016).

Although these studies have focused on various aspects of digital marketing related to small and medium enterprises in Sri Lanka. As a whole, these studies can be identified as areas of focused impact of internet use on the performance of SME, impact of social media on business.

performance, social media adoption by SME, relationship between firm based characteristics and the adoption e-commerce and investigated the factors affect for the Creating a Conducive Environment for SMEs in Sri Lanka. But there was huge knowledge gap. Because past studies have not studied impact of digital marketing on sales improvement of small and medium businesses in Sri Lanka. Accordingly this study is expected to fill the existing knowledge gap in some extent by exploring the impact of digital marketing on improving sales in small and medium enterprises in Sri Lanka.

1.2. Objectives

The core objective of the study was to investigate the impact of digital marketing on the sales improvement of small and medium enterprises in Sri Lanka with reference to Hambantota District, Sri Lanka.

2. LITERATURE REVIEW

Small and medium enterprises are a major contributor to the Sri Lankan economy. SMEs make up a large part of Sri Lanka's economy, accounting for 80 per cent of all businesses (Secretariat 2012). By developing Small and medium enterprises, Sri Lanka will be able to achieve rapid economic growth. SME is said to be the backbone of all developed and developing nations. So, the development of this sector is important for any country irrespective of their level of development (Gamage, 2003). In order to develop Small and medium businesses, those businesses

need to be promoted among the people. Today's most popular digital marketing methods can be used in the promotion strategies. Whatever the marketing method is used, the ultimate goal is to increase sales of businesses. Number of research studies have been done in other countries as well as in Sri Lanka on how digital marketing can be applied to Small and medium enterprises (Omondi, 2017), (Ishaq, 2019), (Eida and Gohary, 2011), (Suriyapperuma et al., 2015), (Samarasinghe et al., 2016), (Pemarathna, 2019)

The research article captioned as 'Factors Determining Social Media Marketing Adoption of Micro, Small and Medium Enterprises (MSMEs) in the Northern Province, Sri Lanka' by Heshika, K.A.D. & Jeewandarage P. (2022) aims at identifying factors that help to explain the extent to which social media marketing is adopted by the micro, small and medium enterprises in the Northern Province of Sri Lanka. The study's findings reveal four key factors; relative advantage, measure of perceived ease of use, measure of perceived compatibility of technology refer to the ability, convenience and practicability of the platforms in the small businesses. This paper finds that social media marketing has a positive influence on increasing customer interaction, brand recognition, and sales promotion. However, challenges like DIGITAL DIVIDE and Infrastructure constraints have to be overcome in order to achieve these benefits optimally for MSMEs in this area.

Omondi, (2017) has paid attention to Impact of digital marketing on sales growth of small and medium enterprises in Kenya. This study used a descriptive cross sectional research design to do the analysis of small and medium enterprises in Kenya. Target population was 699 small and medium enterprises registered in Nairobi. Researcher randomly selected 255 small and medium enterprises for the sample. Mobile marketing, search engine optimization, pay-per-click and online marketing had a significant effect on small and medium enterprises' sales growth and to a moderate extent. The study findings indicated that lack of digital media knowledge was the greatest challenge for small and medium enterprises in the adoption of digital marketing, followed by lack of suitable digital marketing techniques and the lack of finances.

Further, Ishaq, (2019) has examined the effect of digital marketing adoption on sales improvement of small and medium enterprises in Nigeria. Primary data were collected through structured questionnaire. A total of 387 respondents were randomly sampled from registered small and medium business in Lagos State, Nigeria. The data were analyzed using percentages, frequency counts and regression analysis. The findings of the study showed that digital marketing has positive impact on sales improvement of SMEs in Nigeria. And also concluded as the impact of digital marketing options on sales improvement is more positive through e-mails, search engine optimization, and pay per click

Suriyapperuma et al., (2015) investigated the impact of internet adoption on SME performance in Sri Lanka: development of a conceptual framework. The purpose of this research paper was to investigate the impact of internet adoption on SME performance in Sri Lanka with a view of developing a conceptual framework. Based on empirical evidence, this study was capturing significant variables that influence internet adoption by SME in a Sri Lankan context. The variables used in this study are benefits of internet, complexity, business orientation, new work practice adoptability and ICT costs which are identified as major drives that influence the internet usage in SME sector and their impact on SME performances. Reviewing applicable literatures were used to examine SME performances on the given variables. The study is expected to enrich the existing body of knowledge on internet adoption by SMEs and its impact on SME performance. The model is yet to be tested empirically.

Samarasinghe et al., (2016) has investigated the Impact of Social Media on Business Performance: Empirical Study on Apparel Fashion Brand Retailers in Sri Lanka. Main objective of this study

was to measure the effect of social media marketing on business performance in the apparel fashion brand retailer industry in Sri Lanka. According institute of textile and apparel, out of 668 industries in the western province of Sri Lanka, that are registered for selling textile and apparel, 120 retail outlets were listed as using social media marketing. Out of this, 80 outlets listed in Colombo were selected as the sample for the study considering the five major fashion brand categories of clothing, jewelries, shoes, wedding wear and cosmetics. Analysis was conducted using a primary data collection through questionnaires. Data analysis revealed all four variables has a correlation towards Business performance while the social media awareness has made a significant impact on business performance.

Pemathna, (2019) has investigated, towards new marketing era: social media marketing adoption by SMEs. In particular, it was measured the impact of top management perception, ease of use, facilitating conditions and social influence towards on social media marketing adoption by SMEs. The stratified sampling method was used to select the sample from 81,531 population. To test the proposed research hypothesis, it was administered a structured questionnaire to 150 SME managers. Results of the study concluded as top management perception, ease of use and social influence significantly impact towards social media marketing adoption by SMEs. Multiple regression was the method used to analyze the data. The study concluded that all the dimensions of social media marketing adoption namely top management perception, social influence, facilitating conditions and ease of use have significantly correlated with the social media marketing adoption by SMEs in Sri Lanka.

Srinivasan et.al.,(2016) study to understand social media marketing concept Stroll in the micro small and medium enterprises sector the study used exploratory research to identify the social media marketing techniques used to acquire the retail customer. Judgmental sampling was used to collect data from 50 micro small and medium enterprises. The study results indicated that participation in social media creates a strong impact on brand awareness and brand trust, which results in a strong influence on customer acquisition and retention. This study also indicated a positive relationship between the time spent on social media and amount of sales made. It is concluded by start in that social media marketing strategies have a positive impact on customer acquisition and retention which research to market share increase.

3. METHODOLOGY

The purposes of this study are to study the impact of digital marketing methods on sales improvement in small and medium enterprises. The level of education of the business owner, the nature of the business, the nature of the business ownership, the number of employees, the use of digital marketing methods, and whether the business has a formal marketing division are the variables consider in this study. Those variables are analyzed using basic statistical methods.

Here the difference between the two population means are checked. It seeks to analyze whether digital marketing methods have affected the growth of sales in small and medium-sized businesses. This examines whether there has been a change in the annual revenue of small and medium enterprises before and after the use of digital marketing methods. In order to perform the Wilcoxon signed-rank test for this, the following assumptions must be satisfied.

1. The dependent variable is continuous or ordinal data.
2. The independent variable is related and matched pairs.
3. Two samples are not normally distributed, and samples include outliers or heavy tails.

$$W = \sum_{i=1}^{N_r} [sgn(x_{2,i} - x_{1,i}) \cdot R_i]$$

W= test statistics

N_r = sample size, excluding pairs where $x_1 = x_2$

Sgn= sign function

x_{1i}, x_{2i} = corresponding ranked pairs from two distributions

R_i = rank i

Hypothesis Test

H_0 : There is no difference between the annual turnover of SME, before and after the use of digital marketing methods

H_1 : There is a difference between the annual turnover of SME, before and after the use of digital marketing methods

4. RESULTS AND DISCUSSIONS

To examine whether the use of digital marketing methods had an impact on the sales improvement of SMEs the Wilcoxon sign rank test was conducted. This examines whether there is a difference between the annual sales revenue of SMEs before and after the use of digital marketing methods.

Table 4.1: Summary results of Wilcoxon sign rank test

		N	Mean ranks	Sum of ranks
Annual turnover before digital adoption – Annual turnover after digital adoption	Negative ranks	0	0	0
	Positive ranks	81	41.00	3321.00
	Ties	24		
	Total	105		
	Annual turnover before digital adoption – Annual turnover after digital adoption			
Z			-8.756	
Asymp.sig. (2-tailed)			0.00	

This indicates that the result is statistically significant. As the significant value is less than the alpha value we can reject the null hypothesis ($p\text{-value} < \alpha = 0.05$) that there is no difference between annual turnover before digital adoption and annual turnover after digital adoption. Therefore, it can be concluded that the use of digital marketing methods has an impact on the sales improvement of SMEs. The Z value or the standardized test statistic shows a negative value which indicates the direction of change. This represents that there is a significant increase in annual turnover after digital adoption with compared to before and the digital adoption looks to have had a positive influence of digital marketing on sales of SMEs.

The main objective of the study was to assess the impact of digital marketing on the sales of SMEs in the Hambantota district. The study analyzed whether there is a difference between the annual sales revenue of SMEs before and after the use of digital marketing methods. To examine whether the use of digital marketing methods has had an impact on the sales improvement of SMEs the Wilcoxon sign rank test was conducted. According to the results, there was a significant difference between those two groups and results shown there was a positive impact of digital marketing on sales of SMEs.

5. CONCLUSION

Marketing is important to make consumers aware of the goods or services of a company or business. This awareness is aimed at enhancing the marketing of the business. Conventional marketing has been used by companies for many years and with the growth of technology, digital marketing channels have become greatly used by companies. With the advancement of technology, large-scale businesses have adopted various technologies for their marketing, but small and medium scale industries are finding it difficult to use such large technologies. But many of the most popular digital marketing methods today have the potential to be used by small and medium enterprises. Accordingly, this study was conducted to examine the impact of digital marketing methods on increasing sales in small and medium enterprises. And finally according to the conclusions drawn from the study, also aims to make some important proposals in policy making regarding the use of digital marketing methods to enhance marketing in small and medium enterprises.

With the objectives, the study analyzed theories relevant to the study and conducted a literature review of similar studies. The digital marketing techniques that were used to operationalize digital marketing were email marketing, mobile marketing, social media marketing, search engine optimization, pay-per-click advertisement, and online advertisements. These techniques were used to assess the extent to which digital marketing method affects SMEs' sales grow in Hambantota. The study conducted a descriptive cross-sectional research design by analyzing different SMEs in Hambantota. From the study findings, conclusions were made in regards to digital marketing adoption by SMEs and its effect on sales growth. From the study results, it can be concluded that digital marketing has a positive effect on SMEs' sales growth in Hambantota District Sri Lanka.

6. RECOMMENDATIONS AND SUGGESTIONS

Based on the findings of this study, I would like to offer some suggestions on how to improve the use of digital marketing to increase sales in small and medium enterprises. The first one is to provide small and medium-scale entrepreneurs with proper training in digital marketing. This is because compared with traditional marketing methods, digital marketing methods allow to market cheaply and easily. But it turned out that many small and medium scale entrepreneurs do not have a systematic knowledge of many digital marketing methods. Therefore, small and medium-scale entrepreneurs should be given systematic knowledge and training on

digital marketing methods. Government agencies such as the Ministry of Industry and the chamber of commerce should take the lead in this. It should also provide the tools needed to access digital marketing methods. To this end, interest-free easy loan schemes should be provided to small and medium scale entrepreneurs or should provide digital tools under state sponsorship. Also, propose to provide an internet package at affordable prices to small and medium scale industrialists with government intervention as a timely action. According to the findings of this study, able propose these policy guidelines for enhancing digital marketing among SMEs.

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