AN INVESTIGATION INTO THE BARRIERS EXPERIENCED BY SMALL AND MEDIUM ENTERPRISES (SMES) IN DURBAN WHEN ADOPTING DIGITAL MARKETING STRATEGIES

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Abstract
Small and Medium Enterprises (SMEs) play a vital role in the economic development of South Africa and in the creation of jobs. This research report aims at understanding why the barriers to adopting a digital marketing strategy exist and to suggest ways to initiate digital marketing to improve business opportunities. A qualitative methodology was used, and limitations are that the researcher only collected data from selected SMEs in the Durban area of KwaZulu-Natal. This involved the use of questionnaires and one-on-one interviews as the main method of data collection. The results confirm that the level of adoption of digital marketing strategies among SMEs is very low in KwaZulu-Natal. The reasons for the low level of adoption of digital marketing include factors such as poor website quality, limited technological skills and a general lack of knowledge about digital marketing and associated benefits.

The study provides useful suggestions for SMEs to help them initiate digital marketing into their businesses by using a simple model of how to develop greater awareness and understanding of the digital marketing benefits, tracking of marketing leads and the role of digital marketing agencies to get the process started. The benefits of digital marketing far exceed the barriers that this study has highlighted. Suggestions for future research studies include how to develop greater awareness and understanding of the digital marketing benefits, tracking of marketing leads and the role of digital marketing agencies to implement digital marketing strategies for SMEs.

Keywords: Digital marketing, e-Marketing, SMEs, digital networks, online marketing.

INTRODUCTION
Small and Medium Enterprises (SMEs) play a vital role in the development of the country and the creation of jobs (Jones, 2016:1). However, when it comes to marketing their businesses and communicating to the public, it seems that SMEs fall short as they still try to implement out-dated, traditional methods in marketing their product offerings. This study seeks to uncover and then understand the barriers to the adoption of a digital marketing strategy for SMEs in Durban, KwaZulu Natal. The research gathered from this study will help identify some of these barriers, why they exist for SMEs, in particular, and to provide workable solutions. This will enable a wider spectrum of SMEs access, possibly with support, into the new, more modern, world of digital marketing (Yasmin, Tasneem, and Fatema, 2015:69).

The SME sector in South Africa is growing rapidly and contributes significantly to the national Gross Domestic Product (GDP) of the country, as well as contributing to job creation (Bureau for Economic Research, 2016:5). However, in order for this growth to continue for SMEs, they need to remain up-to-date with the market trends and technologies in order to reach their customers.

In the fast-paced business world of today, the majority of business is conducted through digital networks that connect people with companies world-wide. This widespread use of the internet is proving to have a substantial impact on both buyers and marketers (Kotler and Armstrong, 2012:532). This has made digital marketing more popular, facilitating a more successful outcome than the traditional methods. In addition, digital marketing offers entrepreneurs an unbridled opportunity to market globally (Jones, Alford and Wolfenden, 2015:1).

Recent international and local studies have suggested that SMEs are generally at an early stage of adopting information and communication technology (ICT) into their marketing strategies (Modimogale and Kroeeze, 2009 and 2011; Demishkevich, 2015; Simpson and Docherty, 2004; Martin and Matlay, 2003; South African Business Integrator, 2015). While there seems to be a general consensus among most researchers that ICT solutions can improve the competitive advantage of a business enterprise, there are also clear indications that there are challenges faced by entrepreneurs, especially in developing economies (Afolayan, Plant, White, Jones and Beynon-Davies, 2015). These observations may be correlated with the size of the SME and their experience in the market.

Implementation problems of various forms have been identified by Taiminen and Karjaluoito (2015:1). They suggest that SMEs are restricted by human, financial and technological resources. Other researchers have specifically identified SMEs as having a lack of sufficient staff, finance, skills, tools and knowledge to adopt digital marketing strategies (Modimogale and Kroeeze, 2011; Dlodlo and Dhirup, 2010; Gilmore, Gallagher and Henry, 2007). This demonstrates a general consensus that there are barriers to the implementation of ICT for ‘e-marketing’. More recent studies have indicated that ‘e-marketing’ has progressed to be termed as ‘digital marketing’. It has become the answer to consumers who are turning their attention away from glossy magazines to smart phone screens (South African Business Integrator, 2015:1).

LITERATURE REVIEW
There is no universal definition of SMEs according to Stamatovic and Zakic (2010:152). However, classification by the number of employees, using the quantitative method, seems to be more frequently used due to simplicity and its ease of data collection (Desta, 2015:24).
SMEs outnumber large companies by a wide margin and thus, more people are employed by SMEs (Milea, Pascu and Nedea 2014:11). It is important to note that some reports use the term SMME when referring to Small Medium and Micro Enterprises (Bureau for Economic Research 2016:4).

The Department of Trade and Industry Report (DTI, 1995:11) indicates that SMEs provide personalised services and also make a positive contribution to wealth creation in the South African economy. SMEs play a significant part in modern economies as they provide products and services that support larger enterprises in the creation of their products and services. Entrepreneurs start SMEs and provide a valuable supporting role by helping to create employment opportunities. Qabaka (2016:14) speaks about entrepreneurial success in terms of the people who wake up every day to build the economy, create jobs and put food on many tables.

**SUPPORT AND CHALLENGES FOR SMES IN SOUTH AFRICA**

In 2004 the government of South Africa established the Small Enterprise Development Agency (SEDA) in terms of The National Small Business Act (No.85 of 1996) to provide support to this important and developing sector of the economy. It was mandated inter alia to implement government’s small business strategy and to design and implement a standard and common national delivery network for small enterprise development (Bureau for Economic Research, 2016:6).

The South African SME sector has many challenges with regards to business growth which are inter alia the following:

- Limited access to finance
- Lack of access to physical infrastructure
- Low levels of Research & Development
- Onerous labour laws that are found to be a regulatory obstacle
- High labour costs and difficulties when trying to lay off staff

(Bureau for Economic Research, 2016:7-8)

Meanwhile, the National Credit Regulator (2011:7) also reported that South African SMEs also suffer from poor management skills as a result of a lack of adequate training and education.

Another aspect for SME survival is to establish a competitive advantage over rival SMEs and corporate businesses by creating the ability to outperform these competitors (Kotler and Keller, 2012:150). SMEs will therefore, need to be conversant with digital marketing techniques in order to be able to track small competitive gains as they arise. However, there are also constraints for the South African consumer. The Independent Development Corporation (IDC) reports changes in South African household spending after a contraction of 1.3% for the first quarter of 2016 was noted. In addition, there were reports that South African consumers are battling with high levels of indebtedness. The report concludes that the pace of expansion should gain traction gradually in subsequent years (IDC Report, 2016:2). Strategic marketing plans, which could include digital marketing, may need to be considered to attract customers once the resurging market conditions become evident. By using out-dated marketing methods, SMEs will be at a competitive ‘disadvantage’ over those who make the change to digital marketing.

**Digital Marketing in South Africa**

The internet, together with other ICT’s, are not only driving financial global economies but are also transforming societies into knowledge-based economies around the world (Ahmed, Zairi and Alwabel, 2006:68). Traditionally, the marketing mix consisted of product, promotion, price and placement. With the tools available in the digital marketing environment, marketers have the opportunity to add a new ‘p’ to the mix: People. This opens two-way communication between the brand and the people engaging with it (South African Business Integrator, 2015:1).

The E-Marketing Association explains that e-marketing is “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” (Gohary, 2007:4). The adoption of e-marketing enables businesses to promote their products and services to the public through advertisements, banner advertisements, e-mails and mobile/smart phones (Chaffey and Smith, 2005:12).

Digital marketing is a relatively new concept that has brought about a new wave of communication through advertising and relationship building tools such as online advertising, video sharing tools, web apps and social networks (Kotler and Armstrong, 2012:50). Price WaterHouseCoopers (2013:17) has predicted that by 2017, South African consumers will be spending a total of R59.6 billion on internet access. This means that there is huge potential to target online shoppers by providing more personally relevant mobile experiences when adopting digital marketing strategies.

**RESEARCH METHODOLOGY**

As stated by Bhattacharyya (2004:17), research methodology is a scientific and systematic way to solve research problems. A researcher has to design their methodology by selecting the techniques they wish to use. Bradley (2010:49) suggests that the research methodology methods and techniques will offer research solutions that in turn, should supply the correct information to solve the marketing problem. Whether a quantitative or qualitative methodology is chosen, Cohen, Manion and Morrison (2007:501) advise that neither one is better than the other. Qualitative methods were used in order to gain access to more sensitive and contextual data to solve the research questions.

**RESEARCH PHILOSOPHY**

This study utilised the Phenomenological philosophy, which is consistent with qualitative research methodologywhere the researcher endeavours to explain how individuals make sense of the world around them(Bradley, 2010:230). It was necessary to gain a greater understanding of how SMEs feel about, and understand the digital marketing concept as applied in each of the selected SMEs. In addition, it allows the researcher to probe into
some of the ‘hidden’ barriers limiting adoption of digital marketing into their companies.

RESEARCH DESIGN

Research design is the conceptual structure or blueprint within which the research is collected, measured and analysed. This study utilised exploratory research which is defined by Kotler and Armstrong (2012:127) as marketing research that helps gather preliminary information and insights that assist with understanding and defining the problem. It is noted by Bhattacharyya (2004:38) that exploratory research is designed to explore a subject and is characterised by using a small sample size and non-probability sampling.

RESEARCH INSTRUMENT

In research, there are many ways to collect primary data through the use of various research instruments available to the researcher. Kotler and Armstrong (2012:131-141), describe the different types of research instruments available which include inter alia interviews, focus groups, questionnaires, observation and surveys.

The instrument for this research study was the compilation of pertinent questions set out in a questionnaire and administered at scheduled interviews with a sample of selected SMEs from the Durban area of KwaZulu Natal. A questionnaire, as discussed by Kotler and Armstrong (2012:141), is by far the most common instrument used as they are flexible and easy to administer in person while Valenzuela and Shrivastava (2002:3) advise that interviews are completed by the interviewer and based on what the respondent says. Interviews are therefore a more personal form of research than just using a questionnaire. The negative aspect of interviewing is that they are time consuming. Interviews may be structured, un-structured or semi structured.

The face-to-face interview was considered the most appropriate as it is conducted in synchronous communication time as the interviewer and interviewee can directly react to what the other says. This has the advantage of the interviewee being more spontaneous with his/her response as he/she does not deliberate too long (Opdenakker, 2006:1-4). Another advantage is that the risk of a poor return was avoided by personal administration of the questionnaire.

The researcher used a structured interview method to administer his interviews. This was chosen to ensure reliability as the same pre-determined questions were asked and discussed with all respondents. All interviewees were given time to express feelings and to explain in greater detail how digital marketing was either improving their business or their reasons as to why it had not been implemented as yet. A cell phone recording of each conversation was used to capture all the data so that the researcher could later transcribe what had been discussed by each interviewee.

The questionnaire consisted of questions critical to the research objectives of the study. The structured questions were used so that each respondent had a common basis from which to present their opinion. This ensured validity.

PROBLEM STATEMENT

SME business owners seem to not be practicing digital marketing to gain competitive advantage and that may be attributed to a variety of reasons. This study seeks to investigate the barriers experienced by small and medium enterprises (SMEs) in Durban, KwaZulu Natal, when adopting digital marketing strategies.

TARGET POPULATION

A population in research is the aggregate, group or entire set of all the elements or people, sharing the same characteristics for the purpose of the marketing research problem (Malhotra, 2005:314). This study targeted SMEs in Durban, KwaZulu Natal. According to the 2016 research report for the small, medium and micro enterprise sector of South Africa compiled by the Small Enterprise Development Agency (SEDA) (Bureau for Economic Research, 2016:13), there are 418,406 registered SMEs in KwaZulu Natal across all sectors of business. Since this population was too large to conduct personal interviews, a randomly selected sample of ten (10) SMEs was selected. As stated by Bradley (2010:153), a sample is a relatively small part of a population which can tell us about the whole population.

There are two broad methods of sampling known as probability sampling and non-probability sampling. The sample selected may be either convenience, judgement or referral (Krishnaswamy, Sivakumar and Mathirajan, 2006:283-284). Non-probability sampling was adopted as it is based on judgement of the research.

Four main sampling methods emerge for non-probability sampling known as judgement sampling, snowball sampling, quota sampling and convenience sampling (Bradley, 2010:161). Convenience sampling was chosen as the SMEs were firstly randomly selected from the Durban area and it was ensured that these SMEs were representative of different industries. The participants interviewed were both male and female respondents and consisted of a cross-section of business owners, managers or marketing teams.

LIMITATIONS AND FINDINGS

FINDINGS OF THE STUDY

Digital marketing is a relatively new application and is an extension of the earlier e-marketing concept. Entrepreneurs who adopt digital marketing strategies are now able to track their marketing efforts. That is, they have immediate results of who is viewing their advertisements and marketing campaign messages (Yasmin et al., 2015:73-74).

There is definitely an opportunity for SMEs to improve their understanding of digital marketing and engage in digital marketing for their businesses. Although many of these businesses are not able to employ a marketing employee or an agency to manage the process, there is definitely some opportunity to consider up-skilling a current employee or themselves to get their business on the digital route. This will definitely increase sales and essentially, the business revenue, allowing for more money to be invested into marketing efforts. This will have a positive impact on the Durban economy, and thus, the South African economy as a whole.

The SME representatives who were interviewed had very little understanding of digital marketing in terms of what it is, how it works and the benefits that it could have for their businesses. A common comment from the
LEVERAGE FOR DIGITAL MARKETING AGENCIES TO FILL THE GAP IN MARKET AND PROVIDE A DIGITAL SERVICE FOR THEM. THIS IS IN LINE WITH MODERN CONSUMER CONCEPTS OF DIGITAL MARKETING ARE RATIONALE AND USED FOR UNDERSTANDING OTHER MEANS OR CAN RELUCTANT TO INVEST IN ADVANCED TECHNIQUES. BY INTERACTING WITH CUSTOMER BASES ON ONLINE PAYMENT SYSTEMS AND DATA AVAILABLE ONLINE THROUGH THEIR WEBSITE WITH A SECURE  

RECOMMENDATIONS AND CONCLUSION

FROM THE RESEARCH AND RESULTANT FINDINGS, (SIX) RECOMMENDATIONS ARE PROPOSED FOR SMEs TO OVERCOME THE BARRIERS TO IMPLEMENTING A DIGITAL MARKETING STRATEGY.

RECOMMENDATION 1: SMEs SHOULD HAVE KNOWLEDGE OF THEIR CUSTOMER BASE AND THE EXPECTATIONS THEY HAVE IN TERMS OF INTERACTION AND COMMUNICATION. IN ADDITION, THERE SHOULD BE KNOWLEDGE OF THE PREFERRED MODE OF TECHNOLOGY IN ORDER TO LEVERAGE THIS COMMUNICATION.

THIS MEANS THAT IF THE PRODUCT OR SERVICE OFFERED BY THE SME TARGETS THE YOUNGER GENERATION, MORE MODERN MEANS OF MARKETING SHOULD BE IMPLEMENTED AND SOCIAL MEDIA SHOULD BE UTILISED TO COMMUNICATE THEIR PRODUCT OR SERVICES OPTIONS. IN ADDITION, THEY MAY OFFER ONLINE PURCHASES OF THEIR PRODUCTS AND/OR BOOKING A SERVICE TIME AND DATE AVAILABLE ONLINE THROUGH THEIR WEBSITE WITH A SECURE PAYMENT SYSTEM. THIS IS IN LINE WITH MODERN CONSUMER TECHNIQUES. BY INTERACTING WITH CUSTOMER BASES ON ONLINE PLATFORMS IN CONJUNCTION WITH SOUND KNOWLEDGE OF THE TARGET MARKET’S NEEDS AND WANTS, SMEs CAN LEVERAGE TECHNOLOGY TO INCREASE SALES AND BRAND AWARENESS ONLINE.

RECOMMENDATION 2: SMEs COULD MAKE BETTER USE OF TECHNOLOGY TO IMPROVE THEIR SERVICE LEVEL. MANY OF THE SMEs THAT WERE INTERVIEWED DID NOT HAVE A FUNCTIONAL WEBSITE. BY CREATING AN ATTRACTIVE AND INFORMATIVE WEBSITE, CUSTOMERS CAN FIRSTLY FIND THE SME ONLINE AS WELL AS HAVING INSTANT ACCESS TO ALL CONTACT DETAILS AND INFORMATION ABOUT THE BUSINESS. POTENTIAL CUSTOMERS CAN ALSO READ UP ON THE PRODUCTS OR SERVICES AVAILABLE WHICH FORM PART OF THEIR PERSONAL RESEARCH PHASE BEFORE SELECTING A SERVICE PROVIDER. OTHER EXAMPLES ARE SOFTWARE SOLUTIONS, LIKE CUSTOMER RELATIONSHIP TOOLS AND PAYMENT SYSTEMS TO FACILITATE CUSTOMERS, DATA ANALYSIS TO DETERMINE WHAT CUSTOMERS ARE LOOKING FOR AND WANTING TO BUY, AND MARKET ANALYSIS INFORMATION.

RECOMMENDATION 3: SMEs SHOULD GAIN AN UNDERSTANDING OF THE BENEFITS OF DIGITAL MARKETING AND IMPLEMENTING A SYSTEMATIC PHASED PLAN TO IMPLEMENT EACH ELEMENT OF THE DIGITAL MARKETING STRATEGY.

BECAUSE SMEs ARE UNABLE TO QUANTIFY THE IMPACT OF TRADITIONAL MARKETING METHODS, THEY ARE RELUCTANT TO INVEST IN A DIGITAL MARKETING STRATEGY. THIS CAN BE RECTIFIED BY A DIGITAL MARKETING AGENCY COMPILED A PLANNED STRATEGY SHOWING HOW DIGITAL MARKETING GOALS DRIVE SUCCESS, WHICH LEADS TO A POSITIVE RETURN-ON-INVESTMENT (ROI). ONCE OWNERS CAN SEE THAT THE BUSINESS HAS A POSITIVE ROI THEY ARE MORE LIKELY TO INVEST IN DIGITAL MARKETING AS THEY SEE IMPROVED RESULTS, REVENUES AND PROFIT.

THE ABOVE IS A LONG TERM SOLUTION AS OPPOSED TO A ‘QUICK FIX’. THE LACK OF EDUCATION ABOUT MODERN MARKETING TECHNIQUES IS POSSIBLY THE MOST IMPORTANT FINDING OF THIS RESEARCH STUDY. THEREFORE, INFORMING MANAGEMENT OR OWNERS OF SMEs ABOUT THE BENEFITS AND VALUE OF DIGITAL MARKETING IS PARAMOUNT. MANY OF THE SMEs INVESTED IN TRADITIONAL MARKETING ACTIVITIES (NEWSPAPER ADS, MAGAZINES, FLYERS, ETC.). THE IMPACT FROM WHICH WERE NOT ABLE TO BE MEASURED, BUT THEY REMAINED CONSISTENT IN THESE STRATEGIES BECAUSE OF THE LIMITED OR NO UNDERSTANDING OF DIGITAL MARKETING. SHOULD THE FUNDS SET ASIDE FOR MARKETING BE REINVESTED INTO A WELL-MANAGED AND TARGETED DIGITAL STRATEGY, THE FOLLOWING MAY BE EXPECTED:

- ADVERTISING RESULTS MAY BE QUANTIFIED,
- AN UNDERSTANDING OF THE PERFORMANCE OF THE MESSAGE COMMUNICATED MAY BE GAINED,
- MEASUREMENT OF THE ENGAGEMENT WITH CUSTOMERS AND A RETURN ON INVESTMENT MAY BE CALCULATED.

THIS WOULD PROVIDE A COMPETITIVE ADVANTAGE IN THEIR LOCAL INDUSTRY AS THE MAJORITY OF SMEs INTERVIEWED IN THIS STUDY, WERE CURRENTLY NOT IMPLEMENTING DIGITAL STRATEGIES.

RECOMMENDATION 4: PEOPLE BUY PRODUCTS OR SERVICES BASED ON THEIR EMOTIONS (MURRAY, 2013:1). SMEs NEED TO UNDERSTAND HOW TO LEVERAGE THESE EMOTIONAL CONNECTIONS WITH DIGITAL MARKETING BY CONNECTING WITH THEIR CUSTOMERS REGULARLY AND ON THE PLATFORMS THAT THEIR CUSTOMERS ARE UTILISING.

CUSTOMERS GENERALLY DO NOT MAKE DECISIONS BASED ON RATIONAL THOUGHT. INSTEAD, DECISIONS ARE MADE BASED ON WHAT PRODUCT OFFERINGS APPEAL TO THEIR SENSES AND EMOTIONS (DURETT, 2016:1-3). IN TODAY’S MARKET, THERE ARE MANY COMPANIES, WITHIN THE SAME INDUSTRY, SELLING THE SAME OR
similar products or services. Therefore, it is difficult for SMEs to make their product offering stand out from the rest. As a result, SMEs are required to build a personal connection and relationship with their customers. This can be done through social media and blogs which facilitate the development of customer loyalty through engagement on a deeper level. Thus, the SME is not simply advertising their product or service to make money. As stated by Morris (2016:1), it is six times more expensive to attract a new customer than it is to retain an existing one. This is the reason why connecting with customers and building and maintaining relationships is vital for SMEs.

**Recommendation 5**: SMEs are required to learn about and know how to use digital marketing. This requires the business to up-skill its employees or the owner.

Digital marketing and technology is progressing at a rapid rate and will continue to do so in the future. SMEs that ignore this development in marketing face a strong possibility of losing their current customer base as they are attracted to alternative product offerings. In addition, they will not have access to the new-age of digitally ‘savvy’ customers. However, SMEs who are willing to progress with technology may utilise the internet to gain information and educate themselves about digital marketing. An array of free online courses and material are available from online educational sites like ‘Alison.com’ and ‘Lynda.com’. These courses will enable SMEs to understand what options are available in modern marketing strategies and well-informed decisions can be made by taking their individual businesses strengths into account. Thus, SMEs will determine whether they are able to manage their digital portfolio internally, or require the services of a digital marketing agency.

**Recommendation 6**: SMEs are required to overcome the time gap by evaluating current marketing strategies and adding further value to it.

Given the time limit of every business day, SMEs are required to ensure that they are acquiring the most value out of the hours invested into the business. It is recommended that SMEs implement the four quadrant method of time management developed by Mueller (2015:1). This is based on the returns received from time invested and categorises tasks into four quadrants (Urgent / Not Urgent and Important / Not Important, activities). It enables better task management as the SME can distinguish between activities which generate the largest return with respect to time and those with minimal or no return of investment. Thereby, activities which are not producing value for the business, or customers, can be eliminated and more fruitful methods can be applied.

**CONCLUSION**

Three research objectives were set out to allow the researcher an opportunity to engage with a variety of SMEs on a relatively new marketing concept called digital marketing. The research showed that very little is known about digital marketing among SME owners, managers and employees and as a result the majority of SMEs are not in fact utilising digital marketing strategies in their business. The research provided various barriers that SMEs are facing and explained why they have not been able to implement digital marketing strategies. These included a lack of resource in terms of time, skill and finance as well as a lack of knowledge of digital marketing. Recommendations were made to assist SMEs in overcoming these barriers that exist as well as steps to implement digital marketing strategies which can be implemented by SMEs across all sectors of business.

SMEs have the potential to improve their business if they adopt a digital marketing strategy. To be competitive in the 21st century, SMEs must be more understanding of customer needs and how they can meet the needs of the modern “Millennial” generation. Greater use of websites, secure payment systems, digital marketing methods such as PPC (pay per click) and SEO (search engine optimisation) are likely to improve competitiveness of an SME if implemented. A phased approach to adoption is strongly recommended which will help SMEs bridge the gap from traditional marketing to digital marketing. The pro’s far outweigh the con’s so the sooner SMEs adopt digital marketing methods and techniques, the sooner they will be regarded as threats to other businesses within their industry.

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