
The Relationship between the Adoption of Digital Marketing, Revenues, Costs, and Skills Gap among Marketing Professionals in the Small and Medium-sized Enterprises (SMEs).

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Abstract

Digitalization and mobile marketing innovations have increased rapidly in the last decades. The purpose of this study is to explore the relationship between the adoption of digital marketing and business revenues, costs, and the skills gaps for marketing professionals. Data published by the General Authority for Statistics (GASTAT) used in this study. The data collected from 15,000 firms that classified as small and medium-sized enterprises by the National Classification of Economic Activities (ISIC4), in 2020. The firms used in this study classified into 18 groups and distributed in 13 areas in K.S.A that contains 84% of all population (462,840 firms). The main objectives of this study are to explore the adoption level of digital marketing in Saudi Arabia's SMEs firms and test the main hypotheses of this study. The data analyzed statistically using SPSS to generate some correlations results. The main findings and discussions presented in this study.

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1. Introduction

Digital and mobile marketing are used by many organizations today. The notion of traditional business and marketing that delivered through direct contact with customers began to eliminate especially during the COVID-19 pandemic. The internet revolution and social media applications encourage organizations to adopt digital business to compete and survive. Digital marketing might help organizations to create good customer relationships, increase market share, increase the number of customers, increase customers' loyalty and financial performance. A study by (Taiminen & Karjaluoto, 2015) focusing on digital marketing in SMEs found that firms did not fully utilize digital marketing strategies. New marketing strategies and digitalization of marketing have help organizations to transform

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their traditional relationships with customers (Chaffey, 2019; Chaffey & Ellis-Chadwick, 2019).

Although there are potential risks and threats of digital business, organizations adopt digital marketing strategies especially during the pandemic of coronavirus. Government around the globe have encouraged business and non-business organization to use digital marketing to support social distancing and direct contact. Organizations should improve their employees' digital skills gaps, technical skills, and best practices in digital marketing by providing their marketing professionals with suitable training and learning opportunities (Royle & Laing, 2014).

This study tries to explore the relationships between the adoption of digital marketing, revenues, costs, and skills gap for marketing professionals- especially during this period of business lockdown. The majority of businesses around the world have adopted digital marketing partly or totally.

The study covers the SMEs in Saudi Arabia, a country with a high potential impact on international trade. In addition, this study is important as it covers a current and up-to-date issue that impacts social and economic life. Digital marketing and mobile marketing might reduce the probability of any risk related to the COVID-19 pandemic, as it offers an alternative for the traditional relationship between businesses and consumers.

1. Conceptual Background

1.1 Adoption of Digital Marketing

Studies in digital and mobile marketing effects linked to the emergence of the digitalization era. Digitalization is shaping the traditional ways in which consumers and businesses interact with each other (Taiminen & Karjaluo, 2015). Digital marketing has transformed the way in which businesses and consumers interacted and communicated (Chaffey & Ellis-Chadwick, 2019).

Researchers explored social media adoption as a new marketing strategy in different organizations (Ahmad, Bakar, & Ahmad, 2019; Dahnil, Marzuki, Langgat, & Fabeil, 2014; He, Wang, Chen, & Zha, 2017; Jones et al., 2013). They use it to explore how the adoption of digital marketing through social media tools affects business outcomes. Some of these organizations do not fully utilize the digital marketing benefits (Taiminen & Karjaluo, 2015).

To adopt marketing and business digitally, organizations should develop their websites, social media account, and digital technologies to compete and survive. Many organizations

have attracted computer specialists, network designers, and system designers to fill the knowledge gap and training needs.

The human resource department in many of these organizations has played a crucial role to implement the digital transformation of their business operations by investing in their people who assume the most valuable assets in the organizations (Hartline & Bejou, 2004; Järvinen & Karjaluoto, 2015).

The adoption of digital marketing requires huge investment in technologies, learning machines as well as employees' training. Organizations have developed their marketing communication device for creating long-term relations between marketers and potential consumers (Yoga, Korry, & Yulianti, 2019).

The digital marketing objectives will not attain unless the employees know how to use digital marketing tools. The role of HRM is to make sure that the digital marketing technologies installed and supported by the top management.

Customers in different business sectors start to understand the importance of mobile marketing. Today many business organizations like hotels, airlines, restaurants as examples started to contact their customers through internet applications and social media technologies like Twitter, Instagram, Facebook, etc.

1.2 Digital Marketing and Business's Revenues

The new digital marketing strategies are used by many organizations because they believe that digital technologies help the business to be more effective and improving their financial ratios (Martínez-López & D'Alessandro, 2020; Urban, 2003).

It is one of the marketing strategies adopted by many organizations whether they are small or big businesses (Baltes, 2015). Studies found that digital marketing improves the overall business's performance as well as business's value (Behera, Gunasekaran, Gupta, Kamboj, & Bala, 2020; De Pelsmacker, Van Tilburg, & Holthof, 2018; Li, He, & Zhang, 2020; Lin, Yip, Ho, & Sambasivan, 2020).

Through digital marketing, organizations can easily increase the number of customers, total sales, operating revenues, and costs (Chaffey, Smith, & Smith, 2013). All these help businesses to compete and survive.

Business leaders have strategically started to adopt a digitalized business to create an advanced relationship with their business's stakeholders (Hanlon, 2019). Digital marketing helps organizations to easily communicate, update, and selling their new products or

services, innovations, networks, etc.(Corniani, 2006; Hofacker, Golgeci, Pillai, & Gligor, 2020; Kim, Kang, & Lee, 2019).

Hypothesis(1): Digital marketing adoption increases the organization's operating revenues.

1.3 Digital Marketing and Operating Costs

The cost considered as one of the important reasons for adopting digital marketing for both business and consumer. A study found that digital practices in marketing cut the operating costs by 30 percent(D. C. Edelman, 2010). Digital marketing allows the business to reach customers through mobile marketing devices. This leads to improving the operating efficiency by lowering the transaction costs(Domazet & Neogradi, 2019).

Lowering costs and attaining a competitive advantage through traditional marketing is no longer exist(Zhu & Gao, 2019). A study found that the adoption of digital marketing reduced the operating costs as well as improving the marketing return on investment by more than 20 percent(D. Edelman & Heller, 2015).

A study has found that the adoption of electronic and digital marketing helps organizations to improve their operation's efficiency by reducing the operating costs which include the decision information costs, quality costs, and factor costs(Kalaignanam, Kushwaha, & Varadarajan, 2008). The adoption of digital marketing helps the organization to gain a cost advantage and competitive advantage for its businesses through the distinctive features of this strategy(Özoğlu & Topal, 2020).

Hypothesis(2): Digital marketing adoption decreases the organization's operating costs.

1.4 Digital Marketing and Skills Gaps of Marketers

The full utilization of digital marketing innovations required special knowledge, skills, and competencies. Studies found digital marketing skills gaps among marketing professionals. The main areas that need developing are the technical skills, best practices guidance, and technological update (Ghotbifar, Marjani, & Ramazani, 2017; Royle & Laing, 2014; Saura, Palos-Sánchez, & Cerdá Suárez, 2017).

Professional markers should fill these gaps in digital marketing skills by developing their technical, communications, and applications competencies. Study proposed skillset required of marketing professionals in the future including digital marketing skills(Di Gregorio, Maggioni, Mauri, & Mazzucchelli, 2019; Veer & Dobebe, 2018).

Without good training related to digital marketing skills, the professionals in marketing might face difficulties to meet the standards and best practices in digital marketing.

Besides, organizations faced with different challenges related to recruitment and selection of talent markers who possess the right skills. Study shows that filling talent gaps is one of the biggest improvement opportunities for companies across sectors (Leeflang, Verhoef, Dahlström, & Freundt, 2014).

Hypothesis(3): The Narrower the Gaps in Skills, the Wider the Adoption of Digital marketing

2. Method and Data

This study is a quantitative cross-sectional study. It uses quantitative data provided annually by the General Authority for Statistics in K.S.A (GASTAT), covering the period (2016-2020).

The data used in this study collected from 15,000 firms classified as small and medium-sized enterprises by the National Classification of Economic Activities (ISIC4). The firms distributed in 13 areas in K.S.A that contains 84% of the total population (462,840 firms).

The main variables of this study are the digital marketing utilization percent as an independent variable, the operating costs, operating revenues, and training needs percentage as dependent variables.

The collected data arranged and analyzed statistically using SPSS to generate some correlations results. The study uses Pearson correlation to test the main hypotheses and understand the relationship and the association between the main variables of the study. Table (1) describes the total population as well as sample characteristics of the data used in this study that contains 18 categories according to the National Classification of Economic Activities (ISIC4)

Table (1): Firms' Label, Industry, Adoption of Digital Marketing and Total number of employees

Firms' Label	Economic Activity of the Firms	Adoption of Digital Marketing (%)	Adoption of Traditional Marketing (%)	
A	Agriculture, forestry, and fishing	17%	83%	
B	Mining and quarrying	27%	73%	
C	Manufacturing	34%	66%	
D	Electricity, gas, steam, and air conditioning supply	57%	43%	
E	Water supply; sewerage, waste management, and remediation activities	47%	53%	
F	Construction	21%	79%	
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	23%	77%	
H	Transportation and storage	31%	69%	
I	Accommodation and food service activities	43%	57%	
J	Information and communication	59%	41%	
K	Financial and insurance activities	60%	40%	
L	Real estate activities	28%	72%	
M	Professional, scientific, and technical activities	41%	59%	
N	Administrative and support service activities	31%	69%	
O	Education	47%	53%	
P	Human health and social work activities	39%	61%	
Q	Arts, entertainment, and recreation	43%	57%	
R	Other service activities	58%	42%	
Establishment Size	Number of Employees	% of using social media for advertisement	% of using social media for communication	% of using social media for searching info.
Small	2,494,554	25	15	16
Medium	1,752,733	54	20	36
Total	4,247,287			

Source: General Authority for Statistics (GASAT)

3. Findings & Discussion

3.1 Descriptive Analysis

The data in table (1) shows that the firms in financial and insurance activities are highly utilized digital marketing in their business operations. The result shows the adoption level of digital marketing in this sector is about 60%, while 40% of their business use traditional marketing tools.

The information & communication sector comes second with an adoption percentage of 59%. The table results show that the majority of business organizations still depend on traditional marketing as a tool for marketing. The average adoption of digital marketing in all firms is about 39%. While the average adoption of traditional marketing is 61%. This result shows how the majority of organizations in K.S.A depend on traditional marketing more than digital marketing.

Table (1) shows that the small-size organizations in Saudi Arabia use social media for advertisements (25%), communication (15%), and searching for information about them (16%). On the other hand, the table shows that medium-sized organizations use social media for advertisements (54%), communication (20%), and searching for information about them (36%). It seems that medium-sized organizations better adopted social media than small-size organizations. The table shows that the number of employees in the small-size firms is

greater than medium-size. This result shows how digital marketing adoption reduces the total number of employees as well as HR expenses.

3.2 Correlation Analysis

The result in the table (2) shows a moderate negative correlation between the digital marketing adoption and the firms' operating revenues. The correlation coefficient (r) is -0.375 with a significance value of 0.126 . This result does not support hypothesis (1) and it means that traditional marketing improving the operating costs better than digital ones. This result might support considerable research in the field of business digitalization that found a weak correlation (Hua, Morosan, & DeFranco, 2015; Lunn, 2002; Westland, 2012).

The same table shows a weak association between the adoption of digital marketing and the operating costs. The correlation coefficient r is -0.346 with a significance value of 0.159 . This result shows that the adoption of digital marketing helps organizations to decrease their operating costs. This result supports the findings of (D. C. Edelman, 2010; Järvinen & Karjaluo, 2015). Thus, hypothesis (2) supported.

Besides, the same table shows a negative correlation between the adoption of digital marketing and the skills gap among digital marketing professionals. The correlation coefficient r is -0.308 with a significance value of 0.214 . This result means when the gap of knowledge and technical skills in digital marketing increases, the adoption of digital marketing decreases. Marketers, employees, and other staff might need to know how to use digital technologies to perform their jobs effectively. This result supports another Study that found that the lack of skills and knowledge was the major barrier for SMEs to adopt digital marketing (Chapman, James- Moore, Szczygiel, & Thompson, 2000). This result is also supported by the findings of many researchers (Herhausen, Miočević, Morgan, & Kleijnen, 2020; Jain & Yadav, 2017).

Table (2): Correlation between Digital Marketing Adoption, Operating Revenues, Operating Costs, and Training Needs.

		Digital Marketing Adoption	Operating Revenues	Operating Costs	Skills Gaps
Digital Marketing Adoption	Pearson Correlation	1	.375	-.346	-.308
	Sig. (2-tailed)		.126	.159	.214
	N	15000	15000	15000	15000
Operating Revenues	Pearson Correlation	.375	1	.989**	.078
	Sig. (2-tailed)	.126		.000	.758
	N	15000	15000	15000	15000
Operating Costs	Pearson Correlation	-.346	.989**	1	.019
	Sig. (2-tailed)	.159	.000		.941
	N	15000	15000	15000	15000
Skills Gaps	Pearson Correlation	-.308	.078	.019	1
	Sig. (2-tailed)	.214	.758	.941	
	N	15000	15000	15000	15000

** . Correlation is significant at the 0.01 level (2-tailed).

Source: General Authority for Statics (modified by the researcher).

4. Conclusion

Internet evolution and social media technologies increasingly change business models rapidly. Many organizations around the globe start to use digital marketing especially during the last pandemic of coronavirus. This study focus on the adoption of digital marketing among Saudi small & medium-sized firms.

The study finds that traditional marketing tools and techniques are used widely compared with digital marketing. The average adoption of digital marketing in all firms working in K.S.A is about 39%. While the average adoption of traditional marketing is 61%. This result of the low level of adoption for digital marketing supported by many authors. The study found that many SMEs do not use the full potential of these new digital tools(Gilmore, Gallagher, & Henry, 2007).

This study also finds that the average of organizations in K.S.A that uses social media for the advertisement is about 80%. While 35% of organizations use social media for communication and about 53% of organizations, use social media for information searching purposes.

The study also finds a moderate correlation between the dependent and independent variables of this study. The adoption of digital marketing might help firms to improve their operating revenues and decreasing operating costs. Digital marketing might improve operational efficiency by decreasing the costs related to direct marketing. The adoption of digital marketing affected negatively by the gap in marketers' skills and knowledge. There is a need to fill these skills gaps by providing technical training for marketers to fully adopted digital marketing in their organizations.

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