

**RELATIONSHIP BETWEEN SOCIAL MEDIA MARKETING
AND PERFORMANCE OF SMALL BUSINESSES IN KENYA: A
CASE OF SMALL BUSINESSES IN NAKURU COUNTY,
KENYA**

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ABSTRACT

The growing popularity of social media has created a shift in the manner in which marketing is undertaken as it has, allowed enterprises to acquire and retain customers, forge strong relationships, engage, share information on their products, efficiently and at a low cost. In Kenya, social media and social networking are still gaining popularity and their understanding as marketing tools are yet to be embraced by small businesses and the effect it has on business performance remains unknown. Therefore the objective of the study was to examine the relationship between social media marketing on performance of small businesses in Kenya with specific reference to Small Businesses in Nakuru County in Kenya. The specific objectives of the study included the effect of customer acquisition and retention, product and service awareness; customer engagement and customer relations management on performance of small businesses in Kenya. The research study used descriptive research design in collecting the data from respondents. The target population was drawn from 590 small businesses located in Nakuru central business and consisted owner managers. The research study used simple random sampling procedure to select a representative sample of 118 respondents. The primary data for the study was collected using the questionnaires and analyzed using correlation and regression statistics with the aid of Statistical Package for Social Sciences. The study established that there is a significant relationship between social customer acquisition and retention, product/service awareness, customer engagement, customer relations management and the performance of small businesses.

Key Words: Social Media, Small business, Marketing, performance, Nakuru County

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Introduction

Background to the Study

Small businesses are important in creating jobs and promoting overall economic growth of most countries. In Kenya small businesses are enterprises that have employees of between 11 and 50 and with turnover of between 500,000 and 50 million Kenya shillings (Liedholm & Mead, 1999). However these small businesses are currently facing stiff competition from both the small, medium and larger businesses due to the liberalized trade which has enabled global firms to enter into local markets. Yet the small businesses increasingly face the marketing challenge of accessing profitable customers, creating profitable relationships with the right customers, keeping their current customers engaged, educating customers about their products and services and creating opportunities for increasing sales (Beaver, 2002). Hence in order to cut the cost of marketing and to ensure that they remain competitive in the marketplace small businesses have begun taking keen interest in social media marketing so as to bolster their competitiveness and business performance (Bughin & Manyika, 2008). Social media marketing is the process of gaining business traffic or market attention through social media sites such as Facebook Twitter, LinkedIn, YouTube, Google+, Photo Sharing and blogging among others (Chen, & Bryer, 2012). Social media marketing influence the performance of businesses has evidenced by the achievement of business objectives, profitability, sales growth, customer satisfaction and market share (Hailey, 2010)

Social media marketing activities and effort is focused on creating content that attracts attention and encourages readers to share it with their social networks. Its engaging, collaborating, interacting and facilitates the sharing ideas, information and experiences hence increases product exposure and business traffic. It also facilitates the gathering of marketplace intelligence, development of loyal customers and enhances connection with potential customers (Mangold & Faulds 2009).

Research Problem

The growing popularity of social media has created a shift in the manner in which marketing is undertaken as it has, allowed enterprises to acquire and retain customers, forge strong relationships, engage, share information on their products, efficiently and at a low cost. in

Kenya, as much as social media and social networking are still gaining popularity however their understanding as marketing tools is still yet to be embraced by small businesses hence there is limited information on the level of utilization of social media marketing by small businesses and the effect it has on their business performance.

Objectives of the Study

To establish the Relationship between social media marketing and performance of small businesses in Kenya with reference to Small Businesses in Nakuru County

The specific objectives of the study were:

- ii) o assess the effect of customer acquisition and retention on the performance of small businesses T
- ii) o determine the effect of product/service awareness on the performance of small businesses T
- iii) o determine the effect of customer engagement on performance of small businesses T
- iv) o establish the effect of customer relations management on performance of small businesses T

Value of the Study

The study will be of value to small businesses and even the larger businesses as it enable them to appreciate the importance of incorporating social media marketing in their corporate marketing plans so as to improve their performance. The information from this research will therefore be useful in informing policy makers the importance of social media marketing in in spurring the performance of small business sector. The findings from this research will also contribute to the existing body of knowledge in the area of social media effects in small businesses in Kenya and create an opportunity for other researchers to undertake further research on the subject

Theoretical Review

The study is underpinned by psychological ownership theory and social exchange theory. Psychological ownership theory indicates that some customers develop feelings of loyalty which manifest into a sense of ownership (Asatryan & Oh, 2008). Indeed loyal customers provide positive feedback to other customers and negative feedback to managers of businesses. Loyal customers usually post and share positive reviews on business products and services on social media blogs hence becoming helpful to other customers and the management (Mattila 2001). To leverage customer feedback on social media, enterprises enhance the perception of psychological ownership and control among their customer base through loyalty programmes, feedback and customization of product and services (Pierce, et al, 2003). Social exchange theory avers that human beings focus on forging close relationships by self-disclosure and that all social behavior is based on each other's personal view of cost-benefit analysis of their contribution to the social exchange (Altman, et al, 1981). People exchange information contingent on this cost-benefit analysis of other people's action which may include access to opportunities, prestige, conformity, or acceptance (Emerson 1976).

Review of Literature

Social media marketing has become an essential part of marketing strategy among most competitive businesses because of its cost-effectiveness, ability to reach targeted audiences quickly and generate more leads/sales. Through social media, businesses can interact with customers directly and attract them by engaging them intensely resulting in sales leads. When consumers are able to submit feedback, they feel more engaged with products and organizations (Mangold & Faulds 2009). Through the social media sites and on the companies' blogs, pages and profiles, customers can leave feedbacks, expressing their true thoughts and feelings about the business and its products and services, share their opinions, and also request help and support (Abreu, 2010).

Social Media Marketing increases brand awareness by extending the online presence of the products, boosting awareness by connecting with other bloggers, creating interesting content and interacting with followers hence converting potential customers to loyal customers eventually (Hailey, 2010). Social media marketing allows businesses to create and maintain close relations

with the network that have been formed; engage in active listening and promptly respond to customer queries and views, while proactively identifying what customers are looking for, their product/service experience and other product/ service issues of concern (Mangold & Faulds, 2009). The social media marketing strengthens customer relations management and enables enterprises to improve customer service levels, customer retention levels and generate business leads (Abreu, 2010).

Research Methodology

The study used descriptive survey design. The population of the study was small businesses in Nakuru Central Business District in Nakuru County. The target population for this study was all the 590 registered small businesses located in Nakuru Central Business District who had renewed their business licenses in 2014. Simple random sampling technique was then used by taking 20% of the total population as a sample giving a sample size of one hundred and eighteen (118) respondents consisting of business owners/ managers. Primary data was collected using questionnaire comprising five sections. Pilot test analysis was done which indicate the scales significance of Alpha reliability coefficient of above prescribed threshold of 0.7. The questionnaires were administered personally by the researcher and assistants; while respondents were assured of the purpose and confidentiality of the information obtained. Data was analyzed using correlation and regression statistics with the aid of Statistical Package for Social Sciences (SPSS) and the findings presented using tables.

Study Findings

The total number of questionnaires that were distributed to the field was 118 but 97 questionnaires which represent 81.5% were returned fully answered while 21 questionnaires which represent 17.8% were not returned.

Use of Social Media by Small Businesses

Data analysis on table 4.2 below sought to find out how whether the small businesses use online social media marketing.

Table. 1 Use of Social Media by Small Business

Question	Scale	(n-97)	
		F	%
Do you use online social media in your business?	Yes	83	85.6
		14	14.4
	Total	97	100.0

Results of the study on table 1 above indicate that majority (85.6%) of the respondents who participated in the study indicated that they use social media in their businesses, while (14.4%) of the respondents pointed out that they do not use social media marketing in their businesses.

Performance of Small Businesses

Data Analysis on table 2 below shows whether social media marketing has influenced the performance of small businesses

Table: 2. Performance of Small Businesses

Performance of Small Business		n =83; %=100				
		SA	A	N	D	SD
Achievement of Marketing objectives	F	24	31	5	12	11
	%	28.9	37.3	6.0	14.5	13.3
Sales Growth	F	46	25	2	6	4
	%	55.4	30.1	2.4	7.2	4.8
Profitability	F	19	42	4	8	10

	%	22.9	50.6	4.8	9.6	12.0
Market Share	F	28	35	7	9	4
	%	33.7	42.2	8.4	10.8	4.8

Results on table 2 above shows that majority of the respondents agreed and strongly agreed respectively that the use of social media marketing has enabled the business to achieve marketing objectives (37.3%) , sales growth (55.4%), profitability (50.6%) and market share (42.2%) . From the study it can be concluded social media marketing has enabled the small businesses to achieve marketing objectives, sales growth, high profitability and increased market share

Customer Acquisition and Retention and the Performance of Small Businesses

Data analysis on table 3 below sought to establish if there is a relationship between social customer acquisition and retention

Table. 3 Pearson’s Correlation Coefficients

		1	2	3	4	5	6	7
1	Customer Acquisition and Retention	1						
2	Customer Loyalty	.612	1					
		.001						
3	Customer Relationship	.627	.658	1				
		.000	.000					
4	Customer Intelligence	.551	.585	.617	1			
		.000	.000	.001				

6	Customization of Products	.623	.638	.577	.561	1		
		.001	.000	.003	.000			
6	Maximization of service delivery	.667	.591	.685	.603	.671	1	
		.000	.002	.000	.000	.001		
7	Performance of Small Businesses	.671	.535	.552	.567	.587	.603	1
		.0002	.000	.000	.000	.001	.000	

Results of Pearson's coefficient of correlation (r) on table 3 above shows a significant positive relationship between social customer acquisition and retention and performance of small businesses ($r = .671, p < .005$). This was reflected in the relationships between the aspects of social customer acquisition and retention such as: Customer Loyalty ($r = .535, p < .005$), development of long-lasting customer relationship ($r = .552, p < .005$), customer intelligence ($r = .567, p < .005$), identifying and customization of customer needs ($r = .587, p < .005$) and maximization of service delivery ($r = .603, p < .005$). Therefore, a positive change in social customer acquisition and retention would enhance performance of small businesses by 67.1%. From the study it can be concluded that significant positive relationship between social customer acquisition and retention and performance of small businesses.

Product/Service Awareness and the Performance of Small Businesses

Data analysis shown on table 4 below sought to find out whether product/service awareness has a relationship with performance of small businesses

Table 4: Pearson’s Correlation Coefficients

		1	2	3	4	5	6
1	Social Media Awareness	1					
2	Reaching Potential Customers	.634	1				
		.000					
3	Product/Service Knowledge	.601	.598	1			
		.000	.000				
4	Customer Feedback	.662	.621	.589	1		
		.000	.000	.001			
5	Product/Service Positioning	.611	.639	.571	.604	1	
		.001	.000	.000	.000		
6	Performance of Small Businesses	.668	.641	.618	.595	.599	1
		.000	.001	.000	.002	.000	

Results of Pearson’s coefficient of correlation (r) on table 4 above shows a significant positive relationship between social media awareness and performance of small businesses ($r = .668$, $p < .005$). This was reflected in the relationships between the aspects of social media awareness such as reaching potential customers ($r = .641$, $p < .005$), increased product/service knowledge ($r = .618$, $p < .005$), increased customer feedback ($r = .595$, $p < .005$) and product/service positioning ($r = .599$, $p < .005$). Therefore, a positive change in social media awareness would enhance performance of small businesses by 66.8%. From the study it can be concluded that significant positive relationship between social media awareness and performance of small businesses.

Customer Engagement and the Performance of Small Businesses

Data analysis shown on table 5 below sought to find out whether customer engagement has a relationship with performance of small businesses.

Table 5: Pearson’s Correlation Coefficients

		1	2	3	4	5	6
1	Customer Engagement	1					
2	Increased Customer Satisfaction	.589	1				
		.003					
3	Customer Acquisition & Retention	.537	.602	1			
		.000	.000				
4	Increased Sales	.644	.594	.532	1		
		.000	.000	.001			
5	Customization of Products /Services	.575	.613	.517	.506	1	
		.000	.001	.000	.002		
6	Performance of Small Businesses	.622	.558	.614	.583	.609	1
		.000	.001	.000	.002	.000	

Results of Pearson’s coefficient of correlation (r) on table 5 above shows a positive relationship between customer engagement and performance of small businesses ($r = .622, p < .005$). This was reflected in the relationships between the aspects of customer engagement such as customer Satisfaction ($r = .558, p < .005$), acquisition and retention of customers ($r = .614, p < .005$), increased sales ($r = .583, p < .005$) and customization of customer products /services ($r = .609, p < .005$). Therefore, a positive change in customer engagement would enhance performance of

small businesses by .62.2%. From the study it can be concluded that significant positive relationship between customer engagement and performance of small businesses.

Customer Relations Management and the Performance of Small Businesses

The analysis of data on table 6 below sought to find out whether customer relations management influences performance of small businesses.

Table 6: Pearson’s Correlation Coefficients

		1	2	3	4	5	6
1	Customer relations management	1					
2	Generation of Quality Sales Leads	.669	1				
		.000					
3	Optimization of Shared Information	.607	.598	1			
		.000	.000				
4	Improvement of Customer Satisfaction	.561	.634	.592	1		
		.000	.000	.001			
5	Reinforcement of Customer Relationship	.644	.578	.597	.586	1	
		.001	.000	.000	.000		
6	Performance of Small Businesses	.620	.536	.551	.592	.574	1
		.000	.001	.000	.002	.000	

Results of Pearson’s coefficient of correlation (r) on table 6 above shows a significant positive relationship between customer relations management and performance of small businesses (r = .620, p<.005). This was reflected in the relationships between the aspects of customer relations

management such as: generation of quality leads for sales ($r = .536, p < .005$), optimization of shared information ($r = .551, p < .005$), improve customer satisfaction ($r = .592, p < .005$) and reinforce customer relationship ($r = .574, p < .005$). Therefore, a positive change in customer relations management would enhance performance of small businesses by 62.0%. From the study it can be concluded that significant positive relationship between customer relations management and performance of small businesses.

Test of Significance

The data analysis on table 7 below shows the test of goodness –of fit of the linear regression in testing the relationship between dependent variable and independent variables

Table: 7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.638	.407	.302	.542

a Dependent Variable: Performance of Small Business

Results of the study shown on table 7 above shows that the degree to which customer acquisition and retention, product/service awareness, customer engagement and customer relations management is related to performance of small businesses is expressed in the positive correlation coefficient ($r = 0.638$ and coefficient of determination, ($r^2 = 0.407$) as shown on table above. This implies that the four variables together predict about 407% of the total variations in the performance of small businesses can be explained by the linear relationship between customer acquisition and retention, product/service awareness, customer engagement and customer relations management and performance of small businesses.

Analysis of variance (ANOVA) shown on table 8 below was used to test the significance of the linear regression in analysis the study variables

Table 8. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.033	4	3.879	3.048	.000
	Residual	13.210	24	.550		
	Total	44.243	28			

a Dependent Variable: Performance of Small Business

Findings on table 8 above shows that ANOVA test produced an F-value of 3.048 which was significant at p=0.000. Hence the variation in the independent variables and dependent variable was explained by the smaller significance value of the F value of 0.000 which is smaller than the significance level of 0.05 implying that the regression model is significant.

The multiple regression analysis shown on table 9 below was done to determine whether independent variables predict dependent variable

Table 9: Coefficients

Variables	Coefficients ^a				
	β	Standard Error	β eta	t	Sig
(Constant)	1.569	.710	.000	2.209	.000
Customer Acquisition & Retention	0.321	.159	.374	2.018	.002
Product/Service Awareness	0.447	.221	.388	2.022	.000
Customer Engagement	0.295	.144	.293	2.048	.001
Customer Relations Management	0.316	.155	.357	2.037	.000

a. Dependent Variable: Performance of Small Business

The results of the study on table 9 above shows that when all independent variables are held at constant or zero (0) performance of small businesses will be 1.569 (15.7%). Therefore a unit increase in: customer acquisition and retention will lead to 0.321 (32.1%) increase in performance of small businesses; product/service awareness will lead to 0.447 (44.7%) unit increases in performance of small businesses; customer engagement will lead to 0.295 (29.5%) unit increases in performance of small businesses and a unit increase in customer relations management will lead to 0.316 (31.6%) unit increases in performance of small businesses. From the study it can be deduced that independent variables (customer acquisition and retention, product/service awareness, customer engagement and customer relations management predict (dependent variable) performance of small businesses. The results of the study further indicates that p-value of = (0.002) for customer acquisition and retention, (0.000) for product/service awareness, (0.001) for customer engagement and (0.000) for customer relations management are smaller than the significance level of 0.05. The implications of these results are that there is a significant relationship between customer acquisition and retention, product/service awareness, customer engagement and customer relations management and performance of small businesses.

Summary, Conclusion and Recommendation

Summary of the Study

The study established that there is a significant relationship between social customer acquisition and retention and performance of small businesses. This was reflected in the effects of social customer acquisition and retention on performance of small businesses such as: enhanced customer loyalty, development of long-lasting customer relationship, increased customer intelligence, enhanced identification and customization of customer needs and maximization of service delivery

The study found out that there is positive relationship between product/service awareness and performance of small businesses. This was indicated in the effects of the relationships between the small businesses product/service awareness such as: increased product/service knowledge,

increased customer feedback, enhanced access to potential customers and effective product/service positioning.

The study revealed that there is a significant positive relationship between customer engagement and performance of small businesses. This was shown in the influence of customer engagement on small business performance such as increased customer satisfaction, enhanced acquisition and retention of customers, increased sales and customization of customer products /services. Therefore, a positive change in customer engagement would enhance performance of small businesses

The study also established that there is a significant positive relationship between customer relations management and performance of small businesses. This can be inferred from the effects of the aspects of customer relations management on small business performance such as: generation of quality leads for sales, optimization of shared information, improved customer satisfaction and reinforced customer relationship. Hence, a positive change in customer relations management would enhance performance of small businesses

Conclusions of the Study

Small businesses in Nakuru County have been able to use social media marketing to acquire and retain customers hence ensuring a pool of loyal customers, increase business traffic and reduce marketing cost. In addition they have also used social marketing to create awareness or buzz around their product and services in the process acquiring market intelligence, ensuring increased product/service knowledge, and effective product/service positioning. They intensely engage their customers via social media so as to achieve customer satisfaction, enable access to potential customers, increased customer feedback, increased sales, effective identification and customization of customer needs and maximization of service delivery. Finally they have used social media marketing to create and manage profitable relationships with their key customers, have generated business leads and indeed sales, it has optimized shared information to improve market performance, improved access to market insight or intelligence and reinforced customer relationship. Therefore social media marketing has influenced small businesses customer acquisition and retention, product/service awareness, customer engagement and customer

relations management and has had an effect on their organization performance as indicated by achievement of marketing objectives, sales growth, high profitability and increased market share

Recommendations for Policy

There is need for small businesses to enhance their adoption and use of social media as a marketing tool by increasing knowledge of social media, importance, operations and by developing benchmarks for measuring the effect of social media marketing on small businesses performance. There is need for small businesses to monitor and respond to social media marketing feedback, both positive and negative, surrounding their products and services while influencing conversation about their products and services in a way that is consistent with the organization's performance objectives. There is need for organizations to devote time and material resources to enhancing the small businesses capacity to utilize social media marketing to enhance the creation of awareness for their products and while engaging customers so as to generate discussion about their products with the single aim of improving business performance

Suggestion for Further Research

Due to the limiting factors mentioned earlier in this study, it was not possible to carry out a comprehensive research on the effects of effects of social media on the performance of small businesses in Kenya as the sample was only limited to Nakuru County hence there is need to widen the study by including more small business that are spread all over the country and to include more study variables that have not been covered in this study

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List of Abbreviations and Acronyms

ANOVA

Analysis of Variance

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