

# Towards New Marketing Era: Social Media Marketing Adoption by SMEs

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*Abstract Despite the recent growth in usage and adoption of social media as a marketing tool to support firm operations by offering unique opportunities, very little empirical research focusing on Small and Medium Enterprises. Accordingly, the study is mainly focused to identify factors affecting the adoption of social media marketing by SMEs in Sri Lanka. 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. To test the proposed research hypothesis, it was administered a structured questionnaire to 150 SME managers. Results of the study are concluded as top management perception, ease of use and social influence significantly impact towards on social media marketing adoption by SMEs.*

*Indexed Terms: Small and Medium Enterprises, Social Media, Social Media Marketing*

## I. INTRODUCTION

Small and Medium Enterprises (SMEs) are the novices in the business cycle and identified as one of the main contributors to the economic, development and employment growth (Dahnil, Marzuki, Langgat, & Fabeli, 2014). The large-scale organization had a history of its childhood which it was in a small scale. The growing of population cannot be handling government careers. Consequently, the unemployment rate is going up in Sri Lanka. In 2017, it is indicated 4.2 percentage unemployment rate and first and second quarter of 2018 unemployment was 4.50 percentages and 4.60 percentages respectively (SriLanka, 2018). It was acknowledged SMEs as the backbone of the economy of Sri Lanka and it is recorded more than 75 fractions of the total number of enterprises which is provided 45 percentages of the employment opportunities and 52 fraction contributions towards the Gross Domestic Production (GDP). As well as SMEs endorse broad based on equitable development and deliver more opportunities for Women and Youth participation in the economic

development of Sri Lanka (Ministry of industry commerce, 2017).

Despite it plays a major role in today's world economy and the revolution of internet and communication channel has transformed the way of conducting business today, SMEs is well known to have limitations and acceptance barriers in adopting new technology (Dahnil, Marzuki, Langgat, & Fabeli, 2014). Recently, the number of consumers engages with Social Networking Sites such as Facebook, Instagram, Twitter, and YouTube getting higher and Social Media has become new marketing communication tool in rapid and dynamic pace (Godey, 2016). Furthermore, it is highlighted that internet usage of digital citizen in Sri Lanka going up at a weighty rate from 20 percent to 25 percent in every year and starting from mid - 2016, the number of Facebook users increased from 4 million to 5 million and today it is 6 million users (Sorav Jain, 2018).

While having the technology adoption barriers, applying Social Media Marketing by SMEs might produce not only a lot of openings but can change the shape and nature of its trade all over the world (Dahnil, Marzuki, Langgat, & Fabeli, 2014). Moreover, it is highlighted that Businesses can reach to their targeted customer more easily with the advance of social media. In Sri Lanka, most of the top management in companies have traditional marketing mindset and pose resistance to adopt social media marketing strategy (S. Sabraz Nawaz, 2015). Accordingly, the technology driven era guide to answer the question of what are the factors affecting the Social Media Marketing adoption by SMEs?. Hence, the study mainly focused to identify factors affecting towards the adoption of social media marketing by SMEs in Sri Lanka.

## II. LITERATURE REVIEW

### *Small and Medium Enterprises*

The Small and Medium Enterprises (SMEs) hasn't universally accepted definition and it is defined in a variety of ways using the benchmarks such as the total number of employees, annual turnover and total investment. Not only a different country but also different region used different definition within the country (Gamage, 2003). In Sri Lankan context, Medium enterprises are defined as the organizations which have less than 300 employees and earned 251 million to Rs.750 million turnovers per year. Furthermore, it is defined that Enterprises which is earned less than 250 million turnovers and if the number of employees between 11 to 50 it is called as small type organization (Ministry of industries and commerce, 2017). As well as SMEs has a significant contribution to the many countries' economy to achieve sustainable and inclusive growth (Dahnil, Marzuki, Langgat, & Fabeli, 2014). According to the Wickramathilaka (Wickramathilaka, 2018), 75 percent of SMEs contribute 52 percent to the GDP and 45 percent contribution to employment.

### *Social Media*

Social Networking Sites have become an interrelated phenomenon with the human blood because millions of social networking sites users tend to stay on their sites as a part of their daily lifecycle. And Social Networking Sites have turned into the important point of online communication rather than face-to-face communication (Kujath, 2011). As well as Friendster, Tribe, LinkedIn, MySpace, Facebook, Twitter are the most popular social networking Sites which can be identified in the world. Among them, Facebook is the most famous social networking site with the largest database that can be available anyone through a valid e-mail address (Fonseka & Sakalasoorya, 2015). ). Furthermore, it is stated that Social Media is medium to people intermingle create, share, and exchange information in virtual social networks through internet-based applications. As a marketing tool Social Media has significant differences such as quality, reach, usability, and frequency among others rather than other forms of media such as Television, Newspapers, and Film, etc. Social Media not only reaches to centralize to one place or region like

traditional media but also a variety of people to reach, attract and retain (Kaplan. A. M. & Haenlein M, 2010).

### *Social Media Marketing*

Social media marketing can be viewed as a new field and new business practices involved with the marketing goods, services, information, and ideas via the online social media (Dahnil, Marzuki, Langgat, & Fabeli, 2014). According to the (Eagleman, 2013), Social Media offers a unique marketing communication method and social media is used as an extension of traditional marketing via online applications which allow to the production of information and collaborating among users (Kaplan. A. M. & Haenlein M, 2010). Besides, Social media influence mobile and web-based technologies to create a cooperative medium where users and groups member sharing, co-creating, discussing, and modifying known as user-generated content (Kietzmann, Hermkens, McCarthy, & Silvestre, 2011). As well as through manipulating the user-produced content has enabled businesses to forecast the future purchasing behavior of their customers more accurately (Kim & Ko, 2011), heightens brand post popularity (Vries, Gensler, & Leeflang, 2012), attract new customers (Michaelidou, Siamagka, & Christodoulides, 2011), build consciousness, increase sales and build loyalty. Furthermore (Michaelidou, Siamagka, & Christodoulides, 2011) distinguished that using social media does not require an excessive financial investment relatively low cost.

### *Related Theoretical Model of Technology adoption*

#### *Technology Acceptance Model (TAM)*

Davis et al (1989) originally formulated Technology Acceptance Model (TAM) in an endeavor to understand why people agree or throwaway information Systems (Davis.F.D, 1986). TAM is one of the most popular and widely used theoretical models for predicting and explaining whether users will accept the development and application of new IT or other systems. Furthermore, the previous meta-research highlighted that TAM is a flexible tool for measuring user acceptance as well as examining and evaluating strategies that promote user acceptance (Y.Lee, 2003). Moreover, Bernadette szanjna (Szanjna, 1996) confirmed that TAM is a valuable tool

for predicting intention to use Information Systems. According to the Fanny, 2015 TAM is the most utilized and powerful framework for understanding and predicting technology adoption when relating other models. To determine the behavioral intention towards technology applications, which consequently affect the persons' behavior TAM postulates that people's attitudes towards various behaviors and subjective criteria (Davis.F.D, 1986). TAM indicates that technology adoption is based on two constructs: perceived ease of use and perceived usefulness (Davis.F.D, 1986).

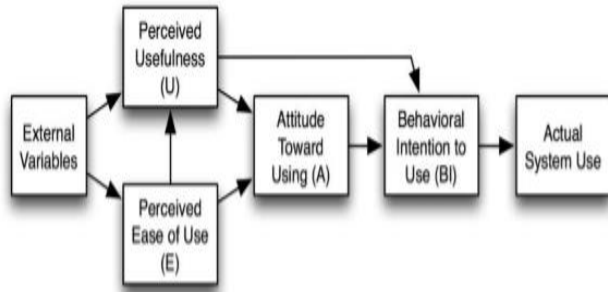


Figure 1 : Technology Acceptance Model

Source: (Davis.F.D, 1986)

Unified Theory of Acceptance and Use of Technology (UTAUT)

The Unified Theory of Acceptance and Use of Technology model (UTAUT) was formulated with linking eight dominants and frameworks which is included Dispersal of Innovations Theory, Decomposed Social Cognitive Theory, Motivational Model, Model of PC Utilization and Technology Acceptance Model (Venkatesh. V. & Morris. M, 2013). Social influence, facilitating condition, performance expectancy and effort expectancy are four main influential elements in UTAUT. According to the Gunther & Krasnova, 2009 UTAUT and Technology Acceptance Model used to define social media adoption in the business environment and it is discussed the adoption factor as personal intention or the usage behavior of entrepreneur towards a system.

Social Media Marketing Adoption Factors by SMEs

It was reviewed the literature by determining the preliminary databases that could be considered as the possible publications outlets in the field of Electronic Marketing, Internet Marketing and Social Media Marketing. As the theories and methodologies applied in the literature related domains such as E-Marketing, Internet Marketing, E-Business and E-commerce are mostly highlighted the following factors such as top management perception (Sarah Tsitsi Chikandiwa, 2013), ease of use (Davis.F.D, 1986), social influence (Venkatesh. V. & Morris. M, 2013) , and facilitating conditions (Venkatesh. V. & Morris. M, 2013) as the factors impact on social media marketing adoption.

Top management perceptions

Porter and Miller formulated an integrated model of information system (IS) adoption of SMEs and determined that top management perception or the characteristics are mainly impacted to the SMEs adoption (Michael E. Porter, 2016). Furthermore, it was used top management support as a factor that significantly impacts the IS adoption of the business (GPremkumar, 1999). As well as (Ministry of industry and commerce, 2017)stated that promote, facilitate and support entrepreneurship development, conducting awareness programs and build capacity at schools, universities, technical and vocational training institutions and focus on Youth and Women and strengthen capacity of institutions providing training and skills development on entrepreneurship and SME development to enhancing the businesses managers perception towards gaining competitive advantages within the modern world. Accordingly, the first hypothesis is formulated as,

*H1: There is a significant impact of top management perceptions on social media marketing adoption by SMEs.*

Ease of use

In 1986 Technology Acceptance model (Davis.F.D, 1986) highlighted that Ease of use affected towards on using or adoption information system. Moreover, it was emphasized that ease of use is the vital things that are why people use Social media marketing for their marketing activities (Gbadeyan. R. A, 2010). Accordingly, the second hypothesis is formulated as,

*H2: There is a significant impact of ease of use on social media marketing adoption by SMEs.*

Social influence

(Venkatesh. V. & Morris. M, 2013) Stated in their study social influence as conditions that need to be considered at the technology adoption framework. Moreover, it is highlighted that when using social media, online network service information sharing attitude and Internet end user' behavior are highly affected towards Social influence and it acts as the main role that influencing adoption of social media as well as social media marketing (Kim & Ko, 2011).

*H3: There is a significant impact of social influence on social media marketing adoption by SMEs.*

Facilitating condition

(Venkatesh. V. & Morris. M, 2013) Formulated that UTAUT framework with facilitation condition which is an impact to users' behavioral intention of using new technology.

*H4: There is a significant impact of facilitating condition on social media marketing adoption by SMEs.*

III. METHODOLOGY

In order to conduct the study for social media marketing adoption by SMEs, primary data collection method was applied to collecting data relating to “top managers;’ requirement, perspectives about the social media marketing adoption by SMEs”. A Structured questionnaire with 27 questions and consisted of close ended and five Likert scale questions were filled from 150 respondents from Small and Medium Enterprises (SMEs) in Sri Lanka. The Stratified method was used to select the sample from 81,531 (Statistics, 2015) population. Through the five Likert scale questions it was measured adoption of Social Media Marketing. In behalf of that, examination of research articles, books, and websites regarding the factors affecting the adoption of social media marketing was used as a method of secondary data collection.

IV. FINDING AND DISCUSSION

The sample of the study was made up of 73 firms from the manufacturing sector, 55 firms from the service sector and remaining from the retailer sector. The contribution from the male portion is 62 percent and 38 percent from the female part. Furthermore, demographic profile highlighted that most of the respondents are owned to age 20 to 30 category (56.7%) and 51 to 60 category is denoted least participation (0.7%) as the Small and medium entrepreneur.

The reliability of the construct was confirmed that the items are the most suitable to test the social media marketing adoption by SMEs through exceeding all Cranach's alpha values more than 0.7.

Table 1 : Result of correlation

|                              | A      | B      | C      | D      | E |
|------------------------------|--------|--------|--------|--------|---|
| A. Top Management Perception | -      |        |        |        |   |
| B. Social influence          | .547** | -      |        |        |   |
| C. Facilitating condition    | .435** | .568** | -      |        |   |
| D. Ease of use               | .304** | .393** | .645** | -      |   |
| E. Social marketing          | .453** | .338** | .465** | .529** | - |

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

The correlational results of table 1 clearly show that social media marketing adoption factors such as top management perceptions, social influence, facilitating conditions, ease of use \ has a significant positively correlated with social media marketing adoption by SMEs at the 0.01 level.

According to the multiple regression result presented by table 2, all the predictors of the model (Top managements’ perception, Social influence, Facilitating conditions, Ease of use) explained 40.4 percent variation in social media adoption behavior. F value, 26.254, with  $p < 0.01$  indicates that the model was fit to predict social media marketing adoption using Top managements’ perception, Social influence, Facilitating conditions and Ease of use.

The regression coefficient for dimensions of social media marketing adoption, top management perception, social influence and ease of use were significant at 0.05 level. Thus, it can be concluded that all of these variables have a positive effect on social media marketing adoption.

Table 2 : Results of regression analysis

| Adj. R square = 0.404      |                              | F value=26.254 |                           |       |      |
|----------------------------|------------------------------|----------------|---------------------------|-------|------|
| Sig F=0.000                |                              |                |                           |       |      |
| Model                      | Unstandardize d Coefficients |                | Standardized Coefficients |       | Sig. |
|                            | B                            | Std. Error     | Beta                      | t     |      |
| (Constant)                 | .341                         | .269           |                           | 1.268 | .207 |
| Top Managements Perception | .269                         | .071           | .269                      | 3.781 | .000 |
| Social Influence           | .334                         | .105           | .372                      | 3.197 | .002 |
| Facilitating Condition     | .114                         | .081           | .125                      | 1.409 | .161 |
| Ease Of Use                | .700                         | .129           | .678                      | 5.450 | .000 |

a. *Dependent Variable: Social media marketing adoption*

## V. CONCLUSION AND RECOMMENDATION

The study mainly intended to identify factors affecting towards the adoption of social media marketing by SMEs in Sri Lanka. According to the results, it can be 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. Furthermore, regression analysis concluded that factors, top management perception, ease of use and social influence were significantly impacted towards a social media marketing adoption by SMEs in Sri Lanka. Ease of use and top management perception are the most influential factors towards social media marketing adoption. Accordingly, the owner of the SMEs can be allowed to use social media such as facebook, twitter, youtube for their marketing activities on behalf of traditional marketing.

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