



**NEAR EAST UNIVERSITY**  
**INSTITUTE OF GRADUATE STUDIES**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**

**THE ROLE OF DIGITAL MARKETING ON THE PERFORMANCE AND  
PROFITABILITY OF SME'S IN WEST AFRICA, A FOCUS ON LAGOS,  
NIGERIA**

**M.B.A THESIS**

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**Nicosia**

**January 2023**

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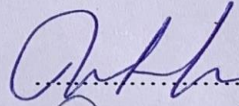
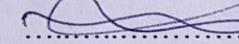
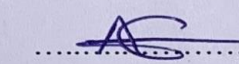
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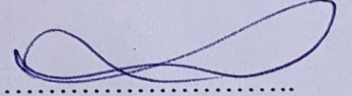
### Approval

We certify that we have read the thesis submitted by **John Tible Wilson** titled **"The role of digital marketing on the performance and profitability of SMEs in West Africa, a focus on Lagos, Nigeria"** and that in our combined opinion it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Educational Sciences.

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## **Declaration**

I hereby declare that all information, documents, analysis and results in this thesis have been collected and presented according to the academic rules and ethical guidelines of Institute of Graduate Studies, Near East University. I also declare that as required by these rules and conduct, I have fully cited and referenced information and data that are not original to this study.

**John T Wilson**

...../...../2023

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## **Abstract**

### **The role of digital marketing on the performance and profitability of SMEs in West Africa: A Focus on Lagos, Nigeria.**

**John T Wilson**

**MBA, Department of Business Administration**

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The purpose of this study was to look into the impact of digital marketing on the performance and profitability of SMEs in West Africa, with a focus on Lagos, Nigeria. The appropriate sample size for this study was determined to be 378, based on the sampling analysis table developed by Krejcie and Morgan (1970). This investigation was carried out using a quantitative survey questionnaire research approach by the researcher. The researcher used the resource-based view theory as a theoretical basis for this study. The findings of this study revealed that all of the researcher's hypotheses were tested and proven correct. According to the statistics, the digital marketing strategies had significant positive effect on the profitability, and performance of the SMEs. This suggests that digital marketing strategies (website marketing, email marketing, mobile marketing, search engine marketing, social media marketing, online public relations, online partnerships, and display advertising) improved the performance and profitability of SMEs in Lagos, Nigeria. Furthermore, the findings, which link the research hypothesis and the resource-based theory, show that an organization's internal resources and capabilities are critical determinants of its performance and profitability. By leveraging internal resources and capabilities to engage customers online, digital marketing can have a significant impact on a company's performance.

**Keywords:** Digital marketing, business performance, business profitability

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## **List of Abbreviations**

<b>SMEs:</b>	Small and Medium-sized Enterprises
<b>AMA:</b>	American Marketing Association
<b>PPC:</b>	Pay-Per-Click
<b>SEO:</b>	Search Engine Optimization
<b>RBVT:</b>	Resource Based-View Theory
<b>ICT:</b>	Information and Communication Technology
<b>ROI:</b>	Return on Investment
<b>SEM:</b>	Search Engine Marketing
<b>CMS:</b>	Content Management System
<b>NPS</b>	Net Promoter Score

## **Chapter 1**

### **Introduction**

Marketing is based on the concept of value creation (Carmi and Yassin, 2013). The goal of marketing is to identify, create, deliver and promote valuable products or services that meet the needs and wants of customers, in exchange for fair compensation. It aims to create mutually beneficial exchange between the customer and the business based on a strategic communication process by offering value, such as quality, convenience, and customer experience, in order to attract and retain customers. According to the American Marketing Association, marketing is the activity collection of organizations, and methods for producing, communicating, delivering, and exchanging offers that have value for consumers, clients, partners, and the society (AMA, 2022). The value creation process focuses on the customer and what they consider to be valuable (Carmi and Yassin, 2013). This includes a wide range of factors; managing product, price, place and promotion strategically as well as product quality, affordability, convenience, personalized experiences, and strong relationships with the brand. By understanding what is valuable to customers and delivering on these values, businesses can build trust and establish a loyal customer base. A strong value proposition is a key differentiator, as it sets a business apart from its competitors by highlighting what makes it unique and valuable to customers. This includes providing ongoing support, listening to customer feedback, following market trends, and continuously improving products or services to meet changing customer demands (Baker and Solomon, 2020).

According to Albari and Kartikasari (2019), the marketing mix is the combination of the four Ps (product, price, place, and promotion) used by businesses to develop and implement a successful marketing strategy. These elements are balanced and adjusted with care to meet the needs of target customers and achieve marketing objectives. Companies can design and implement a marketing strategy that effectively meets the needs of their target customers and achieves their marketing objectives by balancing and adjusting these elements. By balancing and adjusting the 4Ps, businesses can create a marketing strategy that aligns with their goals, such as increasing sales, building brand awareness, and improving customer loyalty. The marketing mix provides a structured approach to marketing decision-making, enabling businesses to evaluate various options and make decisions that support their overall strategy (Fill and Rosengren, 2017).

Using non-digital media channels like radio, television, newspapers, and flyers as marketing tools is referred to as "traditional" marketing. In order to offer a market to a digital consumer base, marketing operations are referred to as "digital marketing" when they are carried out through various internet platforms and technologies (Barchue and Aikaeli, 2016). Bala and Verma (2018) defined

"digital marketing" as the process of recruiting new clients and increasing brand awareness using electronic channels of communication. Kotler and Armstrong (2009) defined digital marketing as a sort of direct marketing that enables two-way electronic connection between consumers and merchants using digital channels such as the World Wide Web, electronic mail, online discussion groups, interactive television, and mobile telephones.

According to Ndubisi (2004), digital marketing uses a variety of online channels to assist and create a more complete image, including search engines, social media, emails, mobile devices, pay-per-click and e-commerce. Because it is challenging and risky for large-scale enterprises to establish and retain customer relationships, a number of social media platforms, including Instagram, Twitter, and Facebook, have attracted research and general public interest. The application of digital marketing networks has significantly changed how firms operate and their capacity to draw in and keep clients (Ndubisi, 2004). The premise that digital marketing platforms enable small business owners to stay in touch with clients, increase brand awareness, and interact with one another to develop and implement successful growth strategies is consistently upheld.

According to the findings of a study conducted by the company Nielsen, digital marketing is now widely used not only by individuals but also by organizations in various parts of the world to keep tabs on businesses, learn more about them, and see what other customers have to say about their experiences with those businesses (Nielsen, 2012). In January 2020, it was estimated that 27 million Nigerians will be using social media by 2021, and by 2025, 33 to 44.63 million Nigerians will be using social media (Kemp, 2020; Tankovska, 2021).

It is more difficult to put digital marketing strategies into action in developing countries due to the widespread lack of education as well as resistance to change. Organizations classified as small- and medium-sized enterprises have between 50 and 250 employees, respectively. Along with small and medium-sized enterprises, there are other micro-businesses, which employ fewer than ten people (Njau and Karugu, 2014). Utilizing digital marketing strategies can be extremely beneficial to SMEs, not only because they help to attract a more diverse global customer base, but also because it provides a plethora of opportunities to expand into larger markets (Barchue and Aikaeli, 2016). This is wonderful news for companies that have their sights set on expanding into international markets. According to Neely and Hii (1998) a company's internal capabilities may change during the innovation process, increasing its capacity for change, and hence the final product may boost the company's competitiveness.

How well a business is performing in terms of achieving its goals is referred to as business performance (Barchue and Aikaeli, 2016). This can be evaluated using a variety of metrics, including profitability, productivity, and customer satisfaction. If a business is profitable, runs smoothly, and

consistently meets or exceeds the expectations of its customers, then it is performing well. In the end, a company's performance in the market will either reflect the caliber of its management or how well it can adjust to shifting circumstances (Kaplan and Haenlein, 2010).

A business needs to be able to generate more revenue than it spends every year in order to be profitable. Business profitability or return on investment (ROI) are metrics for determining how effectively a business generates revenue and manages expenses (Kaplan and Haenlein, 2010). A business must be profitable in order to last over the long haul, which means that its revenue must exceed its costs (Narver and Slater, 1990). A company's bottom line can be impacted by a wide range of factors, including the effectiveness of its operations, the caliber of its goods and services, and the results of its sales and marketing campaigns. Gross profit is the amount of revenue that is left over after total revenue is reduced by the cost of the goods sold. A declining gross profit margin might be a sign that a company's inventory control procedures need to be adjusted or that the cost of a company's products is not increasing at a rate that keeps up with inflation. If a manufacturer's production costs are rising more quickly than their selling prices, a decline in sales may be an indication that one or both of these factors needs to be changed (Narver and Slater, 1990).

Profitability is the most significant purpose of a business from an accounting perspective and by the adoption of digital marketing strategies into daily operations businesses may minimize marketing costs, increase customer base and thereby increase their revenue (Kaplan and Haenlein, 2010). Digital marketing may be more cost-effective than conventional marketing techniques. For instance, a social media campaign can be significantly less expensive than a television or print advertising campaign. According to Tajvidi and Karami (2017), digital marketing enables companies to target specific groups of individuals via advertising. This can increase the performance and profitability of businesses because the advertisements are more likely to be seen by more individuals who are interested in the advertised product or service. Digital marketing campaigns are easily measurable and tractable, allowing businesses to determine what is and is not effective. This can assist companies in optimizing their marketing efforts and maximizing their return on investment. Digital marketing can assist businesses in fostering customer relationships and increasing customer engagement. This can result in increased customer retention and loyalty. Traditional marketing methods reach just a small audience but digital marketing can assist companies in expanding their customer base and increasing their overall profits.

According to Sam and Dhanya (2012), digital marketing is associated with profitability and performance for a variety of reasons. First, digital marketing is an integral component of the overall marketing strategy for the vast majority of businesses in recent times, and it is crucial to understand how effectively it generates revenue and profits. Second, digital marketing can be a less costly

endeavor for businesses; therefore, it is most certain to ensure a positive return on investment for the resources invested. Lastly, measuring the profitability and performance of digital marketing can help businesses identify areas where digital marketing efforts can be enhanced to produce better results. The use of digital marketing creates an avenue for businesses to measure their overall success on global level, and by doing marketing research and engaging into different digital marketing activities which creates a leverage or opportunity wherein customers from a global customer base and competitors can give businesses or specifically local business such as SMEs in developing countries a broader idea on which products or services are more profitable based on market trends and how to produce their products and services to meet global standards. The use of digital marketing platforms such as social media, email marketing, online platforms, search engine optimization helps businesses to engage with customers from all around the world and use the success of other businesses around the world as a means to improve on their marketing strategies and operations thereby subsequently leading to an increase or improvement in their overall performance and probability (Sam and Dhanya, 2012; Albari and Kartikasari, 2019).

### **Purpose of the Study**

The objective of this study is to investigate and understand the role of digital marketing on the performance and profitability of businesses. The data collected through the scales of this research will be used to understand how digital marketing enhances business performances in terms of day-to-day business activities and how it leads to an increase in profitability. In particular, it is important to research how the owners of businesses within the business sector make use of digital marketing platforms in the process of developing and retaining the relationships with their customers, how the use of digital marketing creates a better or greater means to increase business performance and how businesses generate profitability. Also, to know the strategies that businesses employ in the process of implementing digital marketing or digital frameworks may be useful to reach the overall profitability and performance goals of businesses. It has been suggested more research to be done on the specific sub-goals listed below (Hult and Olson, 2010).

1. To investigate and comprehend the impact of digital marketing on business performance.
2. To investigate and comprehend the impact of digital marketing on business profitability.

### **Significance of the Study**

It is not widely known whether or not implementing digital marketing strategies helps businesses boost their performance and profitability or return on investment. It is also not well known to what extent owners of businesses comprehend the influence that digital marketing has on their

capacity to compete for clients. Because of this, there is a great deal of interest in the effect that digital marketing has on SMEs in Nigeria as a developing country. Correspondingly, there is a lack of understanding about the impact of digital marketing on the success of businesses or more specifically, SMEs in developing countries like Nigeria and its capital Lagos. It is reasonable to claim that companies that integrate their businesses through digital marketing platforms do better than those who do not focus on digital marketing in order to stay current with their clients and reduce marketing costs and increase the possibility to increase the performance and profitability. Investigating the link between the use of digital marketing and its effects on business performance and profitability is a top priority of this research.

### **Statement of the Problem**

Various initiatives have been launched to improve business performance and profitability and create an easier channel for business owners to communicate their products as well as interact with customers. Despite efforts to foster corporate growth, businesses still face significant challenges when trying to effectively market their products and services. This obstacle presents a barrier to the growth of the company in terms of sales volume, revenue growth, client acquisition, expansion of employee numbers, and profit making. Recent studies conducted by Yan and Musika (2018), Wasri (2016), Choi et al. (2014), Salam and Hoque (2019), Ainin et al. (2015), and Tajvidi and Karami. (2017) demonstrate that digital networks have the potential to provide a platform for businesses to promote their products to a large audience. Based to the findings of their studies, Matto and Massawe (2017) came to the conclusion that the implementation of digital marketing had a negligible effect on the growth and performance of businesses in Nigeria. There is a lack of knowledge regarding how and to what extent digital marketing has improved business results. In this respect, finding out the level of use of digital platforms by businesses is of great importance. Because of this, the author of the study decided to investigate how SMEs in Nigeria benefit from the use of digital marketing to increase their business performance levels and financial success.

### **Research Questions**

The author of this study is interested in the ways in which digital marketing can affect an organization's performance and probability. The following in-depth questions were selected to serve to the direct course of this investigation:

1. What is the impact of digital marketing on business performance?
2. What is the impact of digital marketing on business profitability?



3. What are the advantages that Nigerian SMEs get from digital marketing platforms in terms of profitability and business performance?

### **Limitation of the Study.**

It is essential to be aware of the limitations of the research in order to contextualize results, evaluate the validity of the work, and give the conclusions an appropriate level of credibility. The extent of this goes beyond a straightforward list of the different kinds, sizes, and directions of errors (Mann, 2003).

First, as described in the methodology section, this study only focused on Lagos city, Nigeria. However, there are many SMEs in other cities in Nigeria which could be facing similar challenges like those faced by the SMEs in Lagos city. Therefore, future researchers could focus on other cities in Nigeria. Second, future research could also be conducted using a longitudinal research approach so as to identify the most effective digital marketing strategy in promoting the performance and profitability of SMEs in Nigeria. Third, this study only focused on the role of digital marketing on the profitability and performance of businesses specifically SMEs, there is a need for further research on how digital marketing influences other variables like customer relationship management and sales management among others. Lastly, there is a need for further research on the use of digital marketing in other economic sectors such as governmental organizations, Non-governmental organizations, and the health sector among others.

## **Chapter 2**

### **Literature Review**

In this chapter, the researcher will take a look at the findings of several studies that have examined the effects of digital marketing by businesses to achieve a desired result in terms of business performance and profitability. Having loyal and satisfied customers, positive brand associations, reliable transactions, and trustworthy vendors are all factors that contribute to the success and expansion of a company (Lahdensuo, 2018). Businesses now have an easier time reaching a wider audience, which in turn improves their chances of breaking into new markets and maintaining existing customers' interest in their products or services. This is made possible by digital marketing.

#### **Marketing Concept**

Baines and Rosengren (2017) described marketing as the practice of identifying, investigating, and satisfying the demands of a defined target market through the exchange of products and services. Typically, businesses achieve this objective by determining their target market, designing products and packaging that appeal to that demographic, launching advertising campaigns, participating in trade shows and other public events, establishing prices, discounts, warranties, and return policies, and strategically placing promotions.

Marketing can be defined as the activity, collection of institutions, and methods for generating, communicating, and delivering offerings that customers, clients, and partners believe to have value (Farley and Lehmann, 1984). The American Marketing Association defined marketing as the process by which firms engage consumers, develop strong connections with customers, and provide value for customers in order to receive value in return, a change may be made in recognition of the fact that the concept of marketing evolves over time and pushes new boundaries (Tajvidi and Karami, 2017). The revised definition of marketing reflects the growing significance of a broader variety of stakeholders.

According to these experts, marketing may be defined as the process through which a company engages and communicates with its target consumers in order to provide products and services that are tailored to fit their demands (Kaplan and Haenlein, 2010).

#### **Why Should Businesses Market?**

Two of the several benefits of marketing for businesses are the encouragement of consumer participation and the facilitation of choice in the purchase of specific goods and services. According to Baines and Rosengren (2017), a company's marketing strategy, which is a component of the business

plan, supports demand generation and maintenance, as well as relevance, reputation, and competitiveness.

Marketing is a sort of communication used to inform customers, generate sales, obtain insights about an organization, keep a firm up-to-date, grow revenue streams, and aid the management of businesses. Through marketing, customers can be drawn to a business, a company's reputation can be developed and maintained, a link between a business and its customers can be forged, and businesses can keep their audience informed (Rao and Klein, 1994).

Hult and Olson (2010) discovered that organizations with the most innovative ideas have a window of opportunity to anticipate how considerable new advantages may be incorporated into the expansion of existing markets or the formation of wholly new markets. This presents both a challenge and an opportunity for these companies. Creative marketing tactics involve developing new value propositions, pricing models, supply networks, and other means of touching customers in order to appeal to their specific likes and preferences.

There is a chance that these aspects of marketing may encourage clients to make purchases since they will provide them with distinctive value. By using a creative or original strategy a company may carve out a market niche that would be difficult for competitors to replicate. In other words, this would provide the corporation an advantage over its competitors (Kaplan and Haenlein, 2010).

### **The Digital Perspective of Marketing**

Dastane (2020) concluded that digital marketing can be characterized as the practice of going online and can be defined as an exploration of the vast digital world of technologies that has developed a platform for connecting a vast base of potential audiences. The promotion of goods and services via an e-commerce platform while offering a real-time response to an Internet connection are also included to digital marketing strategies.

According to Yan and Musika (2018), marketing in a digital perspective refers to the use of digital technologies and channels to promote and sell products or services. It includes a range of activities such as content marketing, email marketing, social media marketing, pay-per-click advertising, search engine optimization, and more. One of the main advantages of digital marketing is its ability to reach and engage with customers where they spend most of their time online. It allows businesses to target specific demographics and personalize their marketing efforts, which can be more effective than traditional marketing methods. Digital marketing also offers greater transparency and tracking capabilities compared to traditional marketing. Businesses can use tools to track the effectiveness of their campaigns and make data-driven decisions to improve their marketing strategies (Yan and Musika, 2018).

## **Digital Marketing**

Bala and Verma (2018) established the term digital marketing to define the process of recruiting new clients and increasing brand awareness using electronic channels of communication. Kotler and Armstrong (2009) defined digital marketing as a sort of direct marketing that enables two-way electronic connection between consumers and merchants using digital channels such as the World Wide Web, electronic mail, online discussion groups, interactive television, and mobile telephones.

Melovi (2020) performed an analysis to determine how digital transformation impacted digital marketing in Montenegrin businesses. He investigated the ways in which advertising and brand management have been impacted by the proliferation of online businesses that are dependent on digital services. Digital marketing is an advertising based approach that is exclusively focused on digital users and that is carried out with the use of digital tools and resources. This definition is based on the findings that the authors have presented.

According to Emelianova (2021), the timing of a digital marketing campaign has an effect on the methods that are used to execute the campaign, evaluate the campaign's success, and justify the cost of the campaign to upper management. At the business that was used as the subject of this investigation, the form of digital marketing that made the most use of social networking was Google Analytics, which was also the primary tool used for measuring the success of social networking marketing campaigns. Digital marketing can take many different forms because it is widely available on the internet and these fundamental programs and applications that are required for its successful implementation (Mang'era, 2021).

## **The Impact of Digital Marketing on Business' Sales**

According to Romadhoni and Fahlevi (2021) using digital marketing methods helps increase business's return on investment. Businesses can employ cost-effective marketing methods, such as digital advertising, to increase sales while reducing outbound advertising expenses. If a business wants to be a successful in marketing their products in the digital age they need to come up with creative solutions to the issues and satisfy the needs of the modern marketplace. There is evidence that a hybrid strategy that prioritizes internet sales is more profitable and effective.

According to Febriyantoro, and Arisandi (2019), high growth and revenue targets, tight cost-cutting strategies, a typically insufficient supply of personnel, and an ever-increasing workload are some of the challenges sales professionals confront today. This issue is because of the unhappiness of numerous firms with sales personnel efficiency. The large amounts of data housed in walled databases and the lack of system integration, the time sales people spend on data processing and analysis has decreased significantly for many businesses since the adoption of digital marketing into their daily

operations. This consumes time that could otherwise be spent interacting with customers. With the assistance of digital marketing, a company can easily adopt a transparent and measurable marketing strategy. Using digital marketing methods, a business can establish attainable marketing objectives and track its progress along the way by utilizing the available resources which provides a merit for sales growth (Qurratu'Aini and Hapsari, 2019).

### **Digital Marketing Applications and Tools**

According to Tasneem and Fatema (2015), businesses and organizations use digital marketing applications and tools to reach their target audiences through various online channels. These tools can be used to create and manage websites, run social media campaigns, execute email marketing campaigns, analyze website traffic, and more. For instance, a company may use a content management system (CMS) to create and manage its website, and a social media management tool to schedule and publish posts on its various social media channels. In addition, they may use email marketing software to create and send newsletters and promotional emails to their subscribers and analytics tools to monitor the performance of their campaigns and website. These tools can be highly effective in assisting businesses in reaching and engaging their target audiences, and they can offer valuable insights into customer behavior and preferences.

According to Phiri (2020), a significant advantage of using digital marketing is that it is much simpler to monitor and analyze the results of company efforts. In the past, the only items in marketing that could be tracked were coupons and other offers distributed through direct mail. A business will be notified via email whenever a customer used one of their coupons to make a purchase. With the advent of analytics, businesses now have the ability to monitor a variety of metrics, including the frequency with which emails are opened, the frequency with which links are visited, the length of time a person spends on a website, and many other metrics. Marketers need to be able to interpret data and use it to inform their strategies, but it can feel as if they are drinking from a fire hose when they try to keep up with the latest findings on the success of digital marketing. Marketers need to be able to interpret data and use it to inform their strategies (Phiri, 2020).

According to Ocovaj and Dabic (2020), marketers have the ability to gain insight into customer preferences and make adjustments to their strategies in response to this information. This can be an effective strategy to demonstrate to management how valuable a customer is to a company. Traditional marketers are unable to analyze large amounts of data and make strategic decisions based on that analysis. This is one of the primary characteristics that distinguish traditional marketers from digital marketers.

In order to determine how well a campaign is doing, many digital marketers may use a variety of strategies, each of which is tailored based on particular goals and audiences they serve. Because of the versatility it offers, Google Analytics has quickly become one of the most widely used tools for marketing analytics. It is possible to configure it to monitor a variety of metrics, such as the popularity of particular web pages, the search terms that bring visitors to a company's website, and the activities that those visitors engage in once they reach the website (Yan and Musika, 2018).

When marketers have access to reliable data and analytical information, they have the option of failing quickly and refocusing their efforts on projects that have already proven to be successful, or they can re-strategize. In the future, analytics will not only be used as a method to monitor how well a company's initiatives are doing; additionally, they will be used to guide and improve those efforts (Yan and Musika, 2018).

The most fundamental tools used in digital marketing in the effective implementation of digital marketing strategies are listed and described below (Chaffey and Smith, 2017):

### ***Websites Marketing***

According to Dann (2010), a company's website is the nerve center of its online operations, which are geared toward attracting new customers and collecting feedback from existing ones. The sites are made for communication, so that people can talk to one another and develop conversations that are more true to life. Displaying product and company information, often in the form of catalogs, as proof of the company's identity and internal communications, in order to draw in site visitors, nurture them into leads, close the deal, provide ongoing service and support, and keep in touch with buyers after they've made a purchase are aimed. That's why the website has commercial potential. Moreover, it has been used as a feedback link to collect data about customers for analysis.

According to Dann (2010), website marketing is an important part of digital marketing because it allows businesses to reach a wider audience through the internet. By having a website that is properly optimized for search engines, businesses can increase their visibility on search results pages and attract more potential customers to their website. This can be accomplished through a variety of website marketing tactics, such as search engine optimization, content marketing, social media marketing, email marketing, and pay-per-click (Phiri, 2020). In addition to increasing visibility and attracting potential customers, a well-marketed website can also help businesses to establish credibility and trust with their target audience. This is especially important in the digital age, where consumers are bombarded with a constant stream of advertising and marketing messages. By providing valuable and informative content on their website, businesses can establish themselves as experts in their field and

build trust with their target audience. Overall, website marketing is a crucial component of digital marketing because it allows businesses to reach a wider audience, establish credibility and trust, and ultimately drive sales and revenue (Phiri, 2020).

### ***Email Marketing***

According to Zaglago (2019) email marketing is a digital marketing strategy that involves sending emails to customers and prospects. It is an effective way to reach out to a large audience at a low cost, and it can be highly personalized to target specific segments of company's audience. Email marketing is one of the most cost-effective ways to reach out to a large audience. It is much cheaper than other marketing channels such as print and television advertising. Email marketing has a high ROI because it is targeted and personalized (Phiri, 2020). This means that a company can reach out to specific segments of audience with messages that are relevant to them, which increases the chances of them engaging with emails. Email marketing is highly measurable, which means that a company can track the success of campaigns and make data-driven decisions.

According to Emelianova (2021) email marketing is still a very efficient way of reaching out to customers and keeping their interest, in spite of the rise of social media and applications for smartphones in digital marketing. It is now much easier to have one-on-one conversations with customers, as well as advertise and send information about products and services directly to the customers' email addresses. In an effort to provide value to readers and, with any luck, convert them into paying customers, a content marketing strategy will incorporate this minimum viable product.

According to Zaglago (2019) a company can see how many people opened emails, clicked links, and converted into customers. As mentioned above, email marketing allows a company to target specific segments of their audience and send personalized messages that are relevant to them. This can increase the chances of them engaging with emails and taking action. Email marketing is easy to scale, which means that companies can reach out to a large audience without incurring additional costs. It can also segment the audience based on their interests and behaviors, and send targeted messages to different segments. Email marketing can be easily integrated with other marketing channels, such as social media and website analytics. This may allow a company to create a cohesive and comprehensive marketing strategy that reaches out to their audience across different channels. Email marketing is a great way to keep in touch with existing customers and keep them engaged with brands (Phiri, 2020). Companies can send newsletters, promotional offers, and other types of emails to keep them informed about a business's products and services. This can help to increase customer retention and loyalty.

In conclusion, email marketing is an important digital marketing strategy that can help businesses reach out to a large audience at a low cost, track the success of their campaigns, and increase

customer retention and loyalty. It is a cost-effective, targeted, and personalized way to reach out to audiences and keep them engaged with a brand.

### ***Search Engine Marketing***

According to Tsopatsa (2020), search engine marketing (SEM) is a form of digital marketing that involves promoting websites by increasing their visibility in search engine results pages through paid advertising. SEM is typically used to target specific keywords and phrases in order to drive traffic to a website. Advertisers bid on keywords and pay for each click on their ads. The goal of (SEO) is to make the website as simple to find as possible when people are looking for goods or services related to the business so that it will draw quality leads and encourage conversions. An effective and affordable method of reaching a large audience is to combine SEM with other forms of digital marketing, such as search engine optimization (SEO) and social media marketing. According to Njau and Karugu, (2014), in light of the fact that search engines such as Google, YouTube, Bing, and Yahoo are utilized on a significant and consistent basis, businesses stand to gain a great deal by incorporating search engine marketing into their overarching advertising strategy. This makes it possible for the company to receive a greater amount of publicity, which will be displayed in conjunction with search results. The free and natural promotion that a significant audience or customer base receives from a search engine is a boon to the marketing efforts of any company. SMEs have the opportunity to gain a competitive advantage in the market by utilizing search engines to broaden the scope of their customer base and promote their goods and services to a greater number of people (Akhrorova, 2021).

According to Njau and Karugu (2014), search engine marketing can be done through a variety of techniques, such as keyword research, content optimization, and link building. Some key components of SEM are search engine optimization and pay-per-click.

**Search Engine Optimization.** SEO is the practice of optimizing a website or web page in order to improve its visibility and ranking in search engine results pages. The goal of SEO is to increase the quantity and quality of traffic to a website or web page from search engines, such as Google, Bing, and Yahoo (Lahdensuo, 2018).

There are many different techniques that can be used to improve a website's SEO, including: On-page optimization, which involves making changes to the content and structure of a website or web page to make it more search engine friendly. Off-page optimization, involves building high-quality backlinks from other websites to a company's own website, as well as promoting the website through social media and other channels. Keyword search, identifying and targeting specific keywords and phrases that people are searching for can help improve a website's ranking in search results. Creating



and promoting high-quality, useful content on a regular basis can help attract visitors to a website and improve its ranking in search results. Technical SEO, involves making sure that a website is optimized for search engines in terms of its technical infrastructure, such as its site speed, mobile-friendliness, and the presence of any technical errors (Javalgi and Moberg, 2017). By implementing a combination of these techniques, it is possible to improve a website's ranking in search results and drive more traffic to the site.

**Pay-Per-click.** According to Akhrorova (2021), the practice of placing adverts on websites that show search results and paying a fee each time one of the advertisements is clicked on is known as paid search advertising, often known as pay-per-click (PPC) advertising. PPC advertising's goal is to drive targeted traffic to a website in order to generate leads or purchases. Paid social media advertising involves posting adverts on social media sites (like Facebook, Instagram, and LinkedIn) and paying a charge every time a user clicks one of the commercials. (Akhrorova, 2021).

Businesses can benefit from PPC by displaying advertisements of the company on platforms that are frequently visited. This increases the online customer base's exposure to the company, which in turn leads to more sales. A corporation should keep the number of adverts to a manageable level because PPC advertising demands a company to pay for each click that a potential client makes that connects them to a company's website to examine the contents that are being advertised or shown. (Kithinji, 2014).

According to Emelianova (2021), PPC advertising is a digital marketing strategy that involves placing ads on search engines, websites, or social media platforms and paying a fee each time the ad is clicked. PPC is an important aspect of digital marketing because it allows businesses to target specific demographics, reach a larger audience, and track the effectiveness of their advertising efforts. (Akhrorova, 2021). This is possible through the use of keywords, which are words or phrases that users enter into search engines when they are looking for something. By using relevant keywords in their ads, businesses can ensure that their ads are only shown to users who are searching for the products or services they offer. This can be particularly useful for small businesses that are targeting a local audience, as it allows them to reach potential customers who are located in their immediate area (Arora, 2019).

According to Akhrorova (2021), PPC is also an effective way for businesses to track the effectiveness of their advertising efforts. Most PPC platforms, such as Google Ad Words, provide detailed analytics and reporting tools that allow businesses to see how their ads are performing in real-time. This allows businesses to make informed decisions about their advertising budget and strategy, and make adjustments as needed to optimize their campaigns.

Overall, PPC is an important aspect of digital marketing tool because it allows businesses to target specific demographics, reach a larger audience, and track the effectiveness of their advertising efforts. By using PPC, businesses can improve the ROI of their advertising efforts and increase the chances of generating sales and growing their customer base.

### ***Social Media Marketing***

According to Yan and Musika (2018), social media marketing involves advertising of goods and services using social media platforms. Viewers and potential customers can engage with a business and negotiate prices and preferences by interacting with the pages or posts of a business because it is simpler and more explosive for a business to be noticed through social media, whether the content is basic advertisement of a product or service. Social media marketing serves the objective of displaying company-related content to users in order to provide users an understanding of the services and goods the firm offers. Nowadays, social media marketing is one of the most popular strategies used in digital marketing. (Yan and Musika, 2018). The sheer number of people who use social media makes it a relatively painless and potentially explosive proposition to promote a business using those platforms.

According to projections made by Statista (2020), by the year 2021, business professionals will consider an increase in brand recognition to be the most significant advantage associated with the execution of a social media marketing strategy. This was approved in 2022. The fact that 81% of companies reported an increase in website traffic came in second only to the initial benefit in terms of importance.

### ***Mobile Marketing***

According to Leppäniemi and Karjaluoto (2008), mobile advertising entails placing advertisements within mobile phone applications or games, with video technology being the most effective method to effectively promote new products and services in a short period of time in order to convert site visitors into paying customers. Establishing a connection with potential clients via their mobile devices while they are engaged in other activities is one of the main goals of this type of digital advertising. Businesses can interact with their customers through a variety of channels when they use mobile marketing, including mobile applications, websites, email, and social media. During a customer's in-person visit to a store or attendance at an event, a marketer may choose to make a time-sensitive offer or provide them with a piece of information to take away with them (Yan and Musika, 2018).

According to a survey conducted by Statista (2022), it was discovered that 46% of respondents regularly devote five hours or more per day to their personal mobile devices, most commonly

smartphones. A further 22% of people admitted to using mobile devices for more than three hours per day on a daily basis. By the end of 2020 and the beginning of 2021, the average mobile user in the United States spent forty minutes a day on social networking services like Facebook and Instagram.

### ***Online Public Relations***

According to Baker, and Solomon (2020), online public relations refer to the practice of managing the online reputation of a person, brand, or organization. It involves a range of activities and tactics that are used to shape and influence public perception of a company or individual online. Online public relations involve managing media relations, which involves building relationships with journalists and other media professionals, and providing them with information and resources to help them create articles and other content about a company or brand. Overall, the goal of online public relations is to build and maintain a positive reputation for a company's brand or organization, and to effectively communicate with and engage with target audience (Baker, and Solomon, 2020).

Some common tactics used in online public relations include: Social media management, this involves creating and maintaining a presence on social media platforms like Facebook, Twitter, and Instagram. This can involve posting updates and engaging with followers, as well as monitoring and responding to comments and reviews. Content marketing, this involves creating and sharing valuable, relevant, and consistent content with the goal of attracting and retaining a clearly defined audience. Influencer outreach, this involves building relationships with influential people in the industry or niche, and working with them to promote a brand or message.

### ***Online Partnerships***

According to Kemp and Childers (2021), an online partnership in digital marketing is a collaboration between two or more businesses that have a shared interest in online promotion of each other's goods or services. This can involve the creation of joint marketing campaigns and the sharing of advertising expenses, or it can take the form of cross-promotion, in which each business advertises the other's goods or services to its own online audience. Online partnerships can be advantageous for both parties because they can increase sales and revenue while also broadening each company's reach and exposure. Affiliate marketing, content partnerships, and co-branded campaigns are a few typical forms of online collaborations in digital marketing

### ***Display Advertising***

Display advertising is a type of online advertising that involves the use of banners or other graphical ads that are placed on websites, apps, or other platforms. This type of online advertising can

be tailored to the demographics of a particular audience, and they can be used to raise awareness of a brand's products, services, or both (Javalgi and Moberg, 2017). Display advertisements are able to take on a number of different forms, such as text, images, video, and audio, and can be tailored to the demographics, interests, and locations of a particular audience. In order to reach a larger audience and to drive traffic and conversions, they are frequently used in conjunction with other types of digital marketing, such as paid search advertising and advertising on social media platforms (Javalgi and Moberg, 2017).

### ***Content Marketing***

Content marketing according to Phiri (2020) refers to a wide variety of forms of digital media that prioritize providing value to users over simply promoting the company's product or service or attempting to make a sale via digital platforms by enabling businesses to focus less on making a single sale and more on establishing long-lasting, trustworthy relationships with customers, which may in the long run lead to multiple transactions being completed. Two of the most important components of content marketing are the dissemination of relevant information and the production of interesting stories. It is based on the basic logic to engage the customers that will increase the probability that they will become a customer in the future (Phiri, 2020). It could be anything from making a purchase to enlisting on a mailing list to providing additional information. Examples of "content" include blog posts, e-books, white papers, digital video, and podcasts.

According to Kemp and Childers (2021), the process entails incorporating search SEO keywords into recently published content on a website in order to make it suitable for sharing on social media and in email marketing newsletters. When utilized in conjunction with various other types of digital advertising, content marketing is at its most productive. There is a possibility that some fascinating insights about company's ideal customers is revealed by the data collected as a result of specific efforts in content marketing (Yan and Musika, 2018).

### **Business Performance**

Business performance can be defined in many ways depending on the author or perspective. Venkatraman and Ramanujam (1986) defined business performance from a strategic management perspective, business performance may be evaluated based on a company's ability to achieve its goals and objectives, and to achieve a sustainable competitive advantage over its rivals. Patnayakuni (1997) defined business performance from an operations perspective as the performance focusing on efficiency, quality, reliability and flexibility in the production of goods and services. Neely and Hii (1998) defined performance from a customer-centric point of view, and concluded that business

performance may be evaluated by how well a company satisfies and retains its customers, by using metrics such as customer satisfaction rate and Net Promoter Score (NPS). Marr and Schiuma (2003) defined business performance from a human resources perspective, and concluded that business performance may be evaluated based on factors such as employee engagement, turnover rate, and productivity. Finally, Marr and Neely (2007) defined business performance from a financial perspective and concluded that business performance may be defined by measures such as revenue growth, profit margin, ROI, and stock price performance.

According to Chille (2018), business performance refers to how well a business is operating and achieving its goals. It can be measured in various ways, such as financial performance, customer satisfaction, employee satisfaction, and efficiency. Business performance is an important aspect of a company's success, as it can indicate whether a business is on track to meet its objectives and whether it is in a position to grow and succeed in the future. There are many factors that can impact a business's performance, including market conditions, competition, and internal operations. To improve business performance, companies may need to make changes to their strategies, operations, or processes.

### **The Effect of Digital Marketing on Business Performance**

According to the research of Marjani and Ramazani (2017), the use of digital marketing by companies has brought up the question of the profitability in marketing in the context of the management of consumer contacts. Despite this, it does not appear that there is a clear answer to this conundrum. As a result, the use of digital marketing platforms could prove to be an efficient method of both disseminating information and eliciting a response from the customers who are supposed to benefit from the campaign. Also, whether or not the leaders of the companies possess the technical expertise that is necessary for developing adoption strategies for social media platforms to improve their CRM.

According to Javalgi and Moberg (2017) business performance is influenced positively by utilizing digital platforms for the purpose of customer relationship management, businesses are able to effectively manage their interactions with customers. This is achieved by better coordinating, automating, and integrating their commercial activities in an effort to enhance revenue while simultaneously improving customer happiness and retaining existing customers. This underscores the fact that a big number of firms can leverage a wide variety of technologies to deepen their relationship with customers and, as a result, raise their revenue. This can be done in a number of different ways. However, in order to establish and keep up online brand sites, which is a prerequisite for the implementation of digital marketing, one must make an investment in user knowledge.

Emelianova (2021) suggested that digital marketing helped businesses maintain high performance during the COVID-19, because of the increased reliance on online platforms for communication and commerce during the COVID-19 pandemic, digital marketing assumed a greater level of significance than it had previously. This change has presented improvement in the performance of businesses with both opportunities and challenges they were faced with as they work to adapt to the shifting environment and find new ways to connect with their target customers. Businesses now have the ability to improve their performance by reaching a large audience at a relatively low cost thanks to the proliferation of digital marketing channels such as social media, email, and online advertising. This was of utmost significance during the pandemic because conventional methods of marketing, such as holding events in person or publishing advertisements in print media, were more challenging or expensive to carry out. Through the use of personalized and interactive content, digital marketing enables businesses to forge closer bonds with the people who make up their customer base through a digital outreach. For instance, businesses are able to directly interact with the people who follow them on social media, respond to questions and comments, and provide unique promotional opportunities. This allows businesses to maintain their performance through pandemics and other unforeseen circumstances (Emelianova, 2021).

According to Kemp and Childers (2021), businesses are able to improve their performances and reduce marketing expenses by targeting specific demographics and interests thanks to digital marketing, which helps to ensure that their marketing efforts are more likely to be seen by the people who are most likely to be interested in their products or services. This can help businesses save money on marketing efforts that are less effective and redirect those savings toward campaigns that are more likely to drive conversions. In other words, it can help businesses make more money. Businesses now have the ability to excel in performance, thanks to digital marketing, by collecting and analyzing data on the behavior and preferences of their customers and well as purchase pattern. This data can assist the businesses in better understanding their target audience and optimizing their marketing efforts. This data can be used to inform a wide range of activities, including product development and advertising campaigns that are specifically targeted. Businesses now have the ability to quickly pivot and adjust their strategies in response to changing market conditions thanks to digital marketing, which provides them with this capability (Kemp and Childers, 2021). For instance, if a company must temporarily close its physical location due to the pandemic, it can continue to reach customers and engage with them online by utilizing digital marketing.

According to Kemp and Childers (2021), because of the pandemic, there has been an increase in e-commerce because a lot of people have started doing their shopping online because they are worried about their own health and safety, or because there have been lockdowns and other restrictions

on shopping in person. Covid-19 was a serious demerit to business performance because of the inability of customers to move around or go to different businesses physically because of the fear of exposure or the fact that most businesses were closed. Therefore, businesses depended heavily on digital marketing to maintain their business performances and revenue. Promoting a company's online sales channels, driving traffic to its website, and improving the overall performance and probability are now being accomplished with the assistance of digital marketing. Additionally, businesses can use digital marketing to promote contactless delivery options, such as curbside pickup or home delivery, which can be appealing to customers who are hesitant to shop in person (Emelianova, 2021).

According to Romadhoni and Fahlevi (2021) digital marketing strategies such as email marketing is a powerful tool that can help businesses effectively promote new goods and services as well as maintain strong relationships with their existing clientele and improve their business performance. Email marketing allows companies to communicate with their customers on a more personal level by delivering individualized suggestions, news about recently released products, and exclusive deals. People are turning to the internet to research goods and services before making a purchase, which has led to an increase in the number of online reviews. The practice of monitoring and responding to reviews left by customers, as well as promoting positive customer experiences via social media and other channels, are all examples of how digital marketing can assist businesses in managing their online reputations. Overall, digital marketing equips businesses with a wide variety of tools and strategies that can assist them in adjusting to the shifting conditions, as well as in continuing to reach customers and engage with them in meaningful ways. This has been especially important since the breakout of COVID-19 (Emelianova, 2021).

Digital marketing can generate a positive impact in some components of a business's overall performance, some of these components are discussed below (Kithinji, 2014):

### ***Products and Services***

Narver and Slater (1990) defined a product as a tangible item or an intangible service that is created or produced to meet the needs and wants of customers. This can include physical goods, such as a car or a computer, as well as intangible services, such as a haircut or a consulting service.

Patnayakuni (1997) define service as an act of helpful activity, often intangible and not stored, but could be exchanged for monetary values or sold. Services include advice, access, experience, and representation. Services might be provided by individuals, partnerships, corporations, or governments. This can include customer service, professional services like accounting or legal services, or entertainment services like live music performances.

Different authors may have slightly different definitions of these terms, but in general, the concepts of "product" and "service" refer to the items or activities that businesses provide to meet the needs and wants of customers. Product or service are the most important aspect of any business, business it is what a business has the offer to customer for monetary values in order to perform as a business Kithinji (2014).

According to Sam and Dhanya (2012) before releasing a product or service on the market, it is vital to perform significant research and testing. Before the product lives up to customers' expectations, it will most likely require corrections, feature additions, and functionality adjustments. A brand must test the product and undertake market research to determine how people are responding to it, based on how consumers respond to the product or service of a business is a key determinant in determining a business performance, profitability or longevity. Businesses can use digital marketing to determine which products and services are in great demand and how the market is changing. In addition, digital marketing helps businesses to present clients with innovative product concepts and collect input prior to the actual creation of the products thereby improving the overall business performance.

According to Albari and Kartikasari (2019) through the use of digital marketing, a company can improve the performance of their business by ensuring that all aspects of their products, including its quality, function as intended and offers are met in accordance with the consumer's preference. Product testing will also allow a company to observe how product operates in the actual world, as opposed to in the laboratory. The success or failure of a product will depend on the data collected on how people use it in their daily lives.

Digital marketing includes a wide range of tactics, according to Bala and Verma (2018) in recent years, digital marketing has become increasingly important to the performance of businesses of all sizes, as more and more consumers are using the internet to research products, compare prices, and make purchases. One of the main ways that digital marketing can impact a businesses' performance is to give businesses the ability to improve their product and service by helping them to reach a larger audience and get input or feedback about how their product and service met up to their customer's expectation. Through the use of SEO and other tactics, businesses can improve their visibility on search engines, making it easier for consumers to find them online. This can lead to an increase in website traffic and sales, as more people are able to discover the products or services that the business offers which improve a business's online visibility and performance. Digital marketing can also allow businesses to target specific groups of consumers more effectively. For example, businesses can use social media advertising to reach consumers based on their interests, location, or other demographics. This can be more cost-effective than traditional advertising methods, as businesses only pay for ads that are shown to their target audience. This allows them to reduce marketing cost and expenses and



redirect their resources to other components of their daily operations which will boost their overall performance (Chille, 2018).

Chille (2018) furthermore explained that to improve business performance in addition to increasing demand for products or services, digital marketing can also help businesses boost their performance and competitive advantage by optimizing their pricing strategy. By using tools like Google Analytics, businesses can gather data on the behavior of their customers, including how they found the business, what products they viewed, and whether they made a purchase. This can help businesses to understand what factors are driving sales and adjust their pricing accordingly. Digital marketing can also have a positive impact on the service that businesses offer to their customers. By using tools like surveys and reviews, businesses can learn what their customers like and dislike about their products or services, and use this information to make changes that will better meet the needs of their target audience (Bala and Verma, 2018).

Overall, digital marketing can have a significant impact on the performance of businesses by giving them the ability to improve their product and service, reach a larger audience, optimize their pricing strategy, and enhance their customer service. This enables businesses to drive sales level high and improve the overall performance of the business.

### ***Customer Retention and Loyalty***

According to DeSouza (1992), customer retention refers to the ability of a company to keep its customers over time. It is often measured as the percentage of customers who continue to do business with a company over a given period. Customer loyalty, on the other hand, refers to a customer's willingness to remain engaged with a company and make repeat purchases. Both customer retention and loyalty are important for the long-term success of a business, as it is generally cheaper to retain existing customers than to acquire new ones.

According to Ahmad and Buttle (2002), customer retention is the process of keeping a customer who has made at least one purchase in the past, and therefore, 'customer retention' is a subset of customer relationship management. Tripathi (2014) described that customer retention is about minimizing the amount of customer defection. Customer loyalty goes beyond retention, it is the repeat purchase and positive word-of-mouth that comes from retained customers. While Jongsik and Hyun (2020) stated that customer loyalty is more than repeat business; it is when customers are willing to put their reputation on the line for a business. The research of Ndubisi and Wah (2005) explained internet has made it easier than ever to have access to the most up-to-date information and specialized expertise, to evaluate the various products and services offered on the web, and to communicate with marketing specialists from a variety of sectors. This is a merit for business owners in this digital era to

improve their business performance and customer outreach. Consequently, shoppers will have an easier time choosing which products to purchase. In a number of ways, a customer's use of digital platforms provides an aid to a marketer in improving their business performance, such that, what one client finds useful may not be the same for another. It could possibly be something completely different, this is detected by interacting with customers and understanding their preferences which are meant to retain and keep customers loyal. Digital marketing makes this easier through the use of different digital platforms by which businesses can interact with customers from short and long distances and understand where they need to make adjustments to their marketing strategies, prices, products, and services or their overall customer service (Järvinen, 2016). According to Järvinen (2016) digital marketing allows businesses to personalize their marketing efforts to better meet the needs and preferences of individual customers. This can be done through the use of customer data, such as browsing history, purchase history, and demographics. Personalization can make customers feel valued and help to build a stronger connection with the brand, leading to increased retention and loyalty and overall business performance. Digital marketing channels, such as social media, email, and mobile apps, allow businesses to directly engage with customers and build relationships. By actively listening to and responding to customer feedback, businesses can create a sense of community and foster customer loyalty (Dastane, 2020). Digital marketing technologies make it easier for businesses to implement customer loyalty programs, which can be an effective way to reward and retain customers this subsequently improve the business performance and brand image over time.

According to Dastane (2020) loyalty programs can be customized and personalized to meet the needs of individual customers. Digital marketing channels, such as live chat, can make it easier for businesses to provide excellent customer service which is a key component of customer retention and loyalty and overall businesses performance. By promptly responding to customer inquiries and concerns, businesses can build trust and improve customer satisfaction. Digital marketing platforms, such as review websites and social media, make it easy for customers to share their experiences with a business. Positive reviews can help to build credibility and attract new customers, while negative reviews can be addressed and resolved to improve customer satisfaction.

In summary, digital marketing can have a significant impact on businesses performance by creating a smooth medium for business and customer interaction, thereby, improving a business' customer retention and loyalty strategy by personalizing marketing efforts, implementing loyalty programs, providing excellent customer service, and managing customer reviews. By leveraging these strategies, businesses can build strong, long-term relationships with their customers and improve their overall customer retention, loyalty and performance.

### ***Brand Awareness and Enhancement***

Ahmad and Buttle (2002) explained that brand awareness refers to the extent to which consumers are familiar with a particular brand and are able to recognize it. Brand enhancement on the other hand, refers to efforts to improve the reputation or image of a brand. This can be done through a variety of tactics such as advertising, public relations, and sponsorships. Both brand awareness and brand enhancement are important for a company's success as a well-known and well-regarded brand can lead to increased customer loyalty and sales. Marr and Neely (2007) explained that brand awareness is the level of familiarity and recognition that consumers have for a particular brand. It can also be defined as the extent to which a brand is identified by potential customers in the marketplace. It could be measured by the percentage of consumers that can recall or recognize the brand when prompted. Jongsik and Hyun (2020) explained that brand enhancement is a series of actions taken to improve the reputation, perception or image of a brand. The efforts taken to enhance a brand can be used to increase its market share, raise consumer awareness, and increase the value of the brand. It can also be defined as the process of actively managing and shaping the image of a brand to improve its competitive position in the market. According to Mahmud (2016) increasing a business' market visibility is one of the most important things it can do to ensure its long-term performance or survival and continued financial success. Making sure that consumers are knowledgeable about a business and its products is the first step in building brand loyalty and retention, and digital marketing offers a channel for ongoing communication with customers. It serves as the framework on which all later stages can be built. This is of utmost importance because any business's long-term viability depends on its capacity to draw in and retain customers and is impactful to the business' overall performance over a period of time.

According to Aryanto and Othman (2021) a company must make sure that customers return frequently and, of course, make purchases in order to maintain a steady flow of revenue. Businesses are able to communicate directly with consumers and receive feedback from them by using digital marketing, to inform and update customers about their goods and services as frequently as possible. A solid strategy for boosting brand recognition will include flexible means of raising the brand's engagement with both current and potential customers. Customers make up the vast majority of buyers in a market, and their level of satisfaction with the goods and services they receive affects the caliber of their shopping experiences. Without fear of losing them to competition, acquire new clients. It's like a never-ending loop that boost a business performance. A push in the correct way for the committed clients of the brand (Aryanto and Othman, 2021).

According to Mathew (2017) in order to improve businesses performance, a business must create brand awareness which is the extent to which consumers are able to recognize a specific brand

and associate it with a particular product or service. A high level of brand awareness can make it simpler for a company to launch new products, as customers will already be familiar with the brand and may be more willing to give the new offering a shot if they are already familiar with the company. Because customers are more likely to remain loyal to a brand that they are familiar with and trust, this factor can also make it more challenging for new entrants to break into the market (Ocovaj and Dabic, 2020). One of the more common approaches is through advertising, which can assist in bringing the brand name and logo to the attention of a significant number of individuals. This can be particularly effective when combined with a strong and distinctive branding strategy, which helps to make the brand more memorable. There are many different strategies that businesses can implement in an effort to raise consumer awareness of their brand and improve their performance, the above mentioned are few of such.

Digital marketing helps to ensure that a brand is recognized by its target audience. Public relations initiatives, such as press releases, interviews with members of the media, and events that a company sponsors are some examples of how this can be accomplished. These have the potential to bring the brand in front of a more specific audience, and they also have the potential to help establish the brand as a thought leader in the industry in which it operates (Baker and Solomon, 2020). Companies can also boost their brand awareness through SEO, social media marketing, content marketing and more. These strategies can help consumers see the brand when they are actively searching for information online, which in turn can help drive traffic to the website of the company. In addition, these strategies can help consumers see a brand and create a subsequent improvement of the performance of the business.

The process of establishing new foundations for, and making improvements to, a brand's reputation and image is referred to as brand enhancement. This may involve a variety of different approaches, such as the following: The term updating the branding refers to the process of altering company's logo, slogan, or overall visual identity in order to more accurately convey the brand's core values and intended demographic (Mathew, 2017). Improving the customer experience may necessitate making adjustments to the products or services offered by the company, as well as alterations to the manner in which customers engage with the brand. Brand image is a major determinant of business performance because a business with a bad image will discourage customers and the reverse. When it comes to building partnerships and sponsorships, one strategy that can be utilized is to collaborate with other businesses or organizations that have target audiences or values that are comparable, this enables a business to know the challenges and opportunities that will have an effect on their performance in that particular market sector over time (Baker and Solomon, 2020).

According to Baker and Solomon (2020) in order for businesses to improve their performance, they must consistently engage with customers which entails actively listening to customer feedback and incorporating that feedback into the development of the company's products and services. Increasing customer loyalty can be accomplished by providing customers with benefits, such as membership in a loyalty program or access to special offers, in the hope that this will encourage them to continue doing business with the brand. In addition to enhancing the overall quality of the customer experience and cultivating brand loyalty, businesses can also strengthen their brand in a variety of other ways. Establish brand guidelines: Defining the parameters for how the company's logo, colors, and other aspects of its visual identity are to be used can help to ensure that the brand is always portrayed in a way that is coherent and professional. Create a consistent voice and tone for a brand. Creating a consistent voice and tone for a brand can help to establish the personality of a brand and make it more memorable to customers. Creating guidelines for the language, tone, and messaging that should be used in all brand communications is one possible step in this direction (Mathew, 2017).

According to Mathew (2017) telling enticing tales about a company's brand can be an effective way to engage customers and forge an emotional bond with the company's product or service. This can include telling stories about the people behind the brand as well as its history, values, promote advocacy for the brand and investing in employee engagement. This can be accomplished by establishing a program for brand ambassadors or by providing financial incentives to customers who publicly share their positive experiences with the brand, and taking steps to ensure that its employees are well-informed about the brand and enthusiastic about representing it (Tasneem and Fatema, 2015). This can include providing employees with training and resources to assist them in understanding the values and mission of the brand, as well as encouraging employees to act as ambassadors for the brand. In general, there are a wide variety of approaches that businesses can take to improve their brand recognition and construct a solid and favorable reputation for themselves. Companies can improve their performance and build a solid, positive reputation that can contribute to the success of their businesses if they provide consumers with products and services of a high standard on a consistent basis and effectively communicate the value proposition of the brand to those consumers (Baker and Solomon, 2020).

### ***Competitive Advantage***

According to Ndubisi and Wah (2005) a business's competitive advantage refers to the factors or attributes that allows it to produce goods or services better or more cheaply than its rivals. Ndubisi and Wah (2005) referenced Michael Porter, a leading authority on competitive strategy, explaining that there are two basic types of competitive advantage: cost advantage and differentiation advantage.

A company that has a cost advantage can produce goods or services at a lower cost than its rivals, while a company that has a differentiation advantage offers goods or services that are perceived as unique and superior by its customers.

Jongsik and Hyun (2020) explained that a firm's long-term performance and substance depends on its ability to outperform its competitors over a sustained period of time by exploiting core competencies, knowledge, or assets that are not easily replicated by others. Having a competitive advantage can lead to improved performance for a business in a number of ways. For example, a cost advantage can lead to higher profit margins, while a differentiation advantage can lead to increased market share or pricing power. Additionally, having a competitive advantage can make it more difficult for new entrants to enter the market, as they may not be able to match the existing firm's cost structure or level of differentiation. Ndubisi and Wah (2005) also explained that the introduction of digitalization has opened up new opportunities for companies to compete on an international scale by allowing them to better understand customer needs, the products of their competitors, and the gaps in the market. When consumers value a business's offerings more highly than those of its competitors, then a business may have higher competitive advantage. This means that businesses in order to create a competitive advantage and improve their performance need to use their resources to create a unique product or service which will outstand their competitor in order to attract customer's attention. When a company is able to differentiate itself from its rivals, it can increase its value to consumers and investors.

Digital marketing has provided businesses the ability to interact with people all around the world and present their products and services to compete in the international market. According to Reeves and Deimler (2012) competitive advantage exists when a business can offer products or services to clients that are superior to those offered by rival businesses while also being cheaper. As a result of the achieved competitive advantage levels the firm may be able to create higher sales or higher profit margins and improve in performance due to these factors. A business' competitive advantages can originate from many different areas, such as its pricing strategy, brand name awareness, product quality, distribution networks, intellectual property, and customer service. What sets one company apart from the competition is its competitive advantage (Aryanto and Othman, 2021). Ahmad, and Buttle (2002) explained that it's important to note that competitive advantage is not permanent, it is dynamic and companies need to find ways to maintain or improve it as it is often being challenged or eroded by competitors.

### ***Market Expansion***

According to Reeves and Deimler (2012) market expansion is the process of a company increasing its presence in existing markets or entering new geographic markets. This can be done

through a variety of strategies such as entering new locations, increasing advertising and sales efforts, developing new products or services, or acquiring other companies. The goal of market expansion is typically to increase revenue and market share by reaching new customers and increasing sales. Market expansion is a good way for businesses to improve its performance because expanding means acquiring new customers, gaining more firm visibility, hiring more employees, generating more sales.

There are different ways for a company to expand its market. According to Reeves and Deimler (2012) some examples include: Geographical expansion, this is when a company enters new geographic regions or countries. This can be done through setting up operations, building distribution networks, or acquiring local firms. Product expansion, this is when a company adds new products or services to its offerings. This can help a company to reach new customer segments and provide growth opportunities, market penetration.

Additionally, Ocovaj and Dabic (2020) explained that by entering new markets, a business can also reduce its dependence on a single market and become less vulnerable to economic downturns in any one particular area. However, expanding into new markets also comes with risks. It can be costly to enter a new market, and there is always the possibility that the business will not be successful in the new market. There may be regulatory and cultural differences that a business may not be prepared for, which can lead to unexpected challenges. Therefore, it is important for a business to conduct market research and have a clear strategy in place before expanding into new markets.

According to Aryanto and Othman (2021) market expansion is the process of entering new markets or increasing the size of existing markets for a company's products or services. This can involve selling to new customers, penetrating new geographical regions, or introducing new products or services to existing customers. Market expansion can be an effective way for a business to grow and improve its performance. However, it's important to note that market expansion also carries risks, such as the potential for increased competition and the need for additional resources to support the expansion. As such, it's important for businesses to carefully consider their expansion strategies and ensure that they have the resources and capabilities to support those (Ndubisi and Wah, 2005).

Overall, market expansion is a way for companies to grow, improve performance and increase revenue by reaching new customers and increasing sales. It also gives the company a way to reduce its dependence on a single market and become less vulnerable to economic downturns. But as mentioned before, it also comes with risks and requires thorough planning before making a move

### **Business Profitability**

Slater and Narver (2000) defined business profitability as the ability of a business to generate revenue that exceeds its expenses, resulting in a positive net income. It is a measure of a company's

financial performance and can be calculated using various ratios, such as the profit margin, return on assets (ROA), and return on equity (ROE). A profitable business is able to sustain itself and grow over time, while an unprofitable business may struggle to survive and may eventually have to close down. Business profitability can be influenced by a wide range of factors, including economic conditions, industry trends, competition, and the company's own management and operations.

According to Friedman (2007) profitability can be defined as the amount of profit a business generates relative to the amount of resources it puts in. It is calculated by taking the revenue generated by the company, and subtracting all the costs associated with generating that revenue. High profitability is commonly seen as a positive outcome, as it can indicate that a company is well-managed, efficient, and has a good product or service offering. Conversely, low profitability may signify that a company has poor management, high costs, or a weak product or service offering.

According to Njau and Karugu (2014) business profitability is a measure of the ability of a business to generate profits, which is the excess of revenue over expenses. It is a key indicator of the financial performance of a business, and it is an important factor that investors and stakeholders consider when evaluating a business.

According to (Ocovaj and Dabic, 2020) there are many factors that can impact a business's profitability, such as the efficiency of its operations, the demand for its products or services, the pricing of its offerings, the cost of goods and services, and the competitive landscape. To increase profitability, a business may focus on improving efficiency, increasing revenue, reducing costs, or a combination of these factors. Profitability can be measured in various ways, such as net income, operating profit margin, return on investment, and return on assets. These metrics provide different perspectives on the financial performance of a business, and they can be useful for comparing the profitability of different businesses or for evaluating the performance of a business over time.

### **The Effect of Digital Marketing on Business Profitability.**

In today's increasingly digital world, it is no secret that the ease of shopping online boosts both marketing and sales efforts, resulting in an increase in revenue. This is due to the fact that online shopping can be done from anywhere at any time (Ndubisi and Wah, 2005). This is the situation as a result of all of the benefits that were discussed earlier. Customers in any region of the world can use digital communications to get in touch with businesses operating in that region, learn more about the companies' products and services, and then make an educated purchase decision.

According to Mathew (2017) over the course of the past few years, digital marketing has emerged as an area of increasing significance for companies of all sizes. This is due to the fact that an increasing number of customers are turning to the internet not only for information about goods and



services but also for the purpose of making actual purchases, this creates an advantage for businesses to make more sales and increase their profit margin. According to a survey that was carried out by Google, more than half of all consumers conduct research regarding a product or service prior to making a purchase using the internet. One of the primary reasons for the importance of digital marketing is that, in comparison to traditional marketing methods, it enables businesses to communicate with a much larger number of people (Ocovaj and Dabic, 2020). Businesses are able to more easily reach their ideal customers by utilizing digital marketing, which enables them to target particular demographic groups as well as geographic locations, this enables businesses cut down on expenses because instead of wasting marketing resources on people who are not interested or capable to purchase their goods or service because of demographics, preference or capital, they can focus on the rightful customers by either developing a buyer persona or targeting specific customers based. This helps businesses to reduce their overall marketing cost and increase their profitability. This is especially important for smaller businesses, as they may not have the financial means to advertise on more traditional mediums such as radio or television.

According to Olonde (2017), another advantage of digital marketing is that it is more cost-effective than traditional marketing methods. This can be demonstrated by comparing the two. Businesses are able to monitor the success of their marketing campaigns in real time thanks to digital marketing, which enables them to make adjustments whenever they deem it necessary. Because of this, companies are able to maximize the effectiveness of their advertising spending which leads to increase in profitability. Utilizing search engine optimization is one of the most important strategies that companies can use to increase their profitability through the use of digital marketing (Mathew, 2017). Websites can be optimized through SEO to achieve higher rankings in the search engine results pages for relevant keywords. If a website has a higher position in the search engine results pages, it has a greater chance of receiving traffic, which can lead to an increase in sales and revenue. The marketing done on social media platforms is another essential component of digital marketing. Businesses are able to connect with their customers and increase their brand awareness by using social media platforms such as Facebook, Twitter, and Instagram. Businesses can develop a dedicated customer base and boost sales by consistently sharing content that is interesting to their followers and interacting with those followers (Njau and Karugu, 2014).

According to Njau, and Karugu (2014), because of the proliferation of smartphones, an increasing number of consumers are able to access the internet while they are on the move. These mobile users can be reached by businesses, allowing the businesses to expand their customer bases and increase profitability. Businesses can reach these mobile users by creating mobile apps and optimizing their websites for mobile use. In the most recent few years, digital marketing has become an increasingly

important aspect for businesses, and it is anticipated that this trend will continue in the most recent few years. The ever-increasing amount of time that consumers spend online is one of the primary factors that has led to this situation.

According to Jongsik and Hyun's (2020) study conducted by the Interactive Advertising Bureau found that the typical adult spends more than six hours per day utilizing various forms of digital media. Because of this, businesses have a significant opportunity to communicate with the customers they want to reach through various digital channels.

One more reason for the significance of digital marketing on business profitability is that it enables marketers to monitor and evaluate the success of their marketing campaigns in real time. When using more conventional methods of marketing, it can be challenging to get an accurate measurement of the return on investment. However, with digital marketing, businesses have the ability to use tools such as Google Analytics to track the performance of their campaigns and make decisions based on the data collected from those campaigns (Olonde, 2017). The marketing done on social media platforms is another essential component of digital marketing. Businesses are able to connect with their customers and increase their brand awareness by using social media platforms such as Facebook, Twitter, and Instagram. Businesses can develop a dedicated customer base and boost sales by consistently sharing content that is interesting to their followers and interacting with those followers (Ocovaj and Dabic, 2020).

According to Okike and Bello (2020), the majority of businesses located in underdeveloped nations are unable to successfully compete with large leasing companies. Inadequate business networking and a lack of financial resources are two examples that illustrate this point. Because of this, these businesses are not able to find answers to the problems that they face on a daily basis, which will enable them to become more sustainable, innovative, competitive, and profitable. Digital marketing can generate a positive impact in some main components of a business's overall profitability, some of these components are discussed below (Kithinji, 2014):

### ***Sales***

Slater and Narver (2000) defined business sales as the act of promoting and selling company's products and services to potential customers, in order to achieve a profitable return. This process typically involves identifying potential customers and developing strategies to reach them, as well as negotiating and closing deals. Friedman (2007) defined sales as the process of selling goods or services to other businesses or organizations. This can include a variety of activities, such as marketing and advertising to potential customers, negotiating and closing deals, and providing ongoing customer

support. Business sales can be a crucial part of a company's revenue stream and can play an important role in the overall success of the business.

Best (2013) defined that business sales can also refer to the total amount of revenue generated by a business through the sale of goods or services. This can be measured by looking at the total value of all sales made during a specific period, such as a quarter or a year. Another definition of business sales was made by Jongsik and Hyun (2020) as the division or team within a company responsible for the sale of its products or services to other businesses or organizations. The sales team may be responsible for generating leads, developing relationships with potential customers, and closing deals.

According to Tasneem and Fatema (2015) it's possible for businesses' sales to be significantly impacted by their use of digital marketing. Digital marketing, when properly implemented, can assist businesses in reaching a larger audience, engaging with prospective clients, and ultimately generating more sales. Akhrorova (2021) suggested that digital marketing has potential to bring in a larger customer base, which will ultimately result in increased revenue. Enhancing the customer experience is one of the primary goals of digital marketing, which enables businesses to interact with current and prospective clients in a manner that is both more personalized and interactive. This may help to build trust and loyalty among customers, ultimately leading to an increase in sales. According to Oluwatofunmi and Amietsenwu (2019) digital marketing has also leveled the playing field for small and medium-sized businesses, as they can use digital channels to compete with larger enterprises. As a result of being able to engage with a wider range of customers and increase brand awareness, these businesses may see an increase in income.

Overall, it was found in the literature that digital marketing had a significant impact on sales as it has allowed businesses to reach and engage with customers in new and more effective ways. By leveraging the various tools and techniques available in the digital space, businesses can increase their reach, target their marketing efforts, personalize their messages, improve the customer experience, and increase their competitiveness, all of which can drive sales and growth.

### ***Operating Expenses***

According to Carmi and Yassin (2013), operating expenses refer to the costs incurred in the day-to-day operations of a business. These can include things like rent, utilities, wages, materials, and other costs that are necessary to keep the business running. Operating expenses do not include costs associated with long-term investments or financing, such as interest on loans or the cost of issuing stock.

According to Czaplewski and Key (2021) digital marketing can be more targeted than traditional forms of marketing, which means that a company can reach the people who are most likely

to be interested in its products or services. According to Akhrorova (2021) the provision of in-depth data and analytics is one more manner in which digital marketing can have an effect on the operating expenses of a company. Digital marketing, in contrast to more conventional methods of advertising, enables businesses to monitor the efficacy of their advertising campaigns in near-real time. A company can use this information to better understand what aspects of their marketing strategy are successful and which ones need improvement, and then adjust those strategies accordingly (Czaplewski and Key, 2021). One way in which this can assist a company in cutting its marketing costs is by limiting its investments to those marketing channels and strategies that have already been demonstrated to be successful.

In general, digital marketing can have a significant impact on a company's operating expenses by enabling companies to reach a larger audience at a lower cost and by providing the company with detailed data and analytics to assist the company in making informed decisions about its marketing strategy. These two factors combined can have a multiplicative effect on a company's ability to reduce its operating costs (Akhrorova, 2021).

### ***Competition***

According to Slater and Narver (2000) competition refers to the act of competing with other companies or individuals to attract customers and gain market share. This can take the form of price competition, where companies try to offer lower prices than their competitors, or non-price competition, such as offering better products or services. Competition can also refer to the overall competitive environment in which a business operates, including the number and strength of competitors, as well as the ease of entering or exiting the market.

According to Tasneem and Fatema (2015) the way in which businesses compete can be significantly altered by the use of digital marketing. Before making a purchase a significant number of customers now look to the internet for information about the product or service they are interested in buying. This indicates that companies need to have an effective strategy for digital marketing in order to compete with other companies operating in their industry. Traditional marketing methods, such as print or television advertising are unable to compete with the expanded customer base that can be attained through the use of digital marketing (Olonde, 2017). This can be especially beneficial for smaller businesses as it enables them to compete with larger companies on a playing field that is more comparable to their own. In addition, digital marketing makes it possible for companies to more precisely target their marketing efforts which can contribute to an increase in the effectiveness of the campaigns they run (Qurratu'Aini and Hapsari, 2019). According to Czaplewski and Key (2021),

businesses can improve their customer engagement and build stronger relationships with their target audience through the use of digital marketing.

When taken as a whole, digital marketing has the potential to be an extremely useful instrument for businesses that want to increase their level of competitiveness in the market today. Businesses have the ability to expand their customer base, improve the efficiency of their marketing efforts, and forge more meaningful connections with their clientele if they make use of the appropriate digital marketing strategies (Järvinen, 2016).

### *Price*

Patnayakuni (1997) defined pricing in business as the process of determining the value at which a product or service will be sold. This can involve considering a variety of factors such as production costs, competition, market demand, and the perceived value of the product or service. Businesses may use different pricing strategies, such as cost-plus pricing, value-based pricing, or penetration pricing, to set prices that maximize profitability while still remaining competitive. The pricing strategy selected will vary by company, product, and target market. As a consequence of this, it is possible for companies to demand higher prices for the goods and services they offer. In addition, digital marketing can assist businesses in improving the efficiency of their marketing efforts which in turn can result in increased sales as well as higher revenues which in turn can enable the businesses to raise their prices. Digital marketing can assist companies in collecting data on their customers and the purchasing patterns of those customers (Carmi and Yassin, 2013). This information can then be used by the companies to refine their pricing strategies and provide more personalized pricing options to various segments of their customer base.

According to Akhrorova (2021) building up a company's brand recognition and solidifying its presence online are two goals that can be accomplished with the assistance of digital marketing, both of which can contribute to an enhanced impression of the value of a company's goods or services. Customers are willing to pay a higher price for goods and services that are associated with a well-known and trusted brand, which means that this can give companies the opportunity to charge a higher price for the products or services they offer (Qurratu'Aini and Hapsari, 2019).

According to Tasneem and Fatema (2015) businesses now have the ability, thanks to digital marketing, to connect with customers at various stages of the purchasing journey, which can help to influence the customers' final purchasing decisions. For instance, businesses can use targeted advertisements to highlight the benefits of their products or services to prospective clients, which can increase the likelihood of the client making a purchase from the business. Because of this, businesses

may see an increase in their average order value, which in turn may enable them to charge higher prices.

Regulations that limit the actions associated with e-enterprise might make it challenging to access new markets and information, as well as to build business networks (Oluwatofunmi and Amietsenwu, 2019). The development of corporate ties may also be more challenging as a result of these regulations. There's a chance that the rules are to blame for this predicament. This is a direct consequence of the limitations that have been imposed on the market. In the majority of developing countries, SMEs have had a difficult time competing with larger companies. They either haven't incorporated information technologies into their business model or have been slow to adopt and deploy information and communication technology (ICT) or e-commerce solutions. This outcome is influenced by both of these elements. According to Okike and Bello (2020), consumers have the ability to shop virtually from any location in the world because of the prevalence of digital or online markets.

Kemp and Childers (2021) contend that the significance that digitalization will play in the future of retailing should not be underestimated because it will play a significant part in the industry's trajectory. Businesses are beginning to realize the importance of increasing their attention on digital marketing and promotion as a result of the broad usage of digital technologies in many parts of modern life.

## **Theoretical Basis of the Thesis**

### **The Resource-Based View Theory (RBVT)**

The Resource-Based View theory (RBVT) takes an inside-out perspective or a perspective that is unique to the firm in order to comprehend why organizations are successful or unsuccessful in the marketplace. According to RBVT, certain firms' capabilities also enable them to create new products, enter new markets, or add value to the customer value chain. The RBVT takes use of the resources and abilities that are already existing within the company to develop long-lasting advantages over competing enterprises. To be competitively advantageous, a resource must be strategic, which means not all firm's resources will be. The only situation where a company will have a competitive advantage is when resources are both heterogeneous and immobile.

In recent years, the RBVT has emerged as a crucial theoretical perspective to better understand the relationship between information technology and the value of a company. This suggests that a sustainable competitive advantage can be attained by the use of resources that are rare, precious, and difficult to imitate (Bharadwaj, 2000). When formulating a specialized strategy to gain a sustained competitive advantage in its numerous markets and industries, the RBVT is a theory that emphasizes an organization's internal capabilities (Caldeira and Ward, 2003).

The RBVT generally covers the fundamental issue of how higher performance can be attained in comparison to other businesses in the same market. It asserts that obtaining and utilizing the firm's special resources would lead to greater performance, which can be obtained in comparison to other businesses operating in the same market (Caldeira and Ward, 2003). According to the theory, a company's unique set of assets and skills can provide it an edge in the marketplace, and this advantage may be a source of competitive advantage. The inputs that allow a company to carry out its activities are known as resources, and they can either be tangible (such as physical, financial, and human resources) or intangible. Included among intangible resources are things like expertise, connections, and experience (intellectual resources and reputation). On the other side, an organization's capabilities, often known as its "core competencies," are a group of traits that it possesses and that help it gain a competitive advantage. These skills may comprise, among other things, knowledge and specific skills (Chen and Zhu, 2004).

The RBVT is used in the context of e-commerce or internet innovation to show how businesses can maximize the return on their investments in the web to create capabilities that are only made possible by the web, which in turn determines how successful a company is in its overall commercial endeavors. Researchers in the field of e-commerce who endorse the RBVT theory include a variety of researchers (Powell and Dent-Micillef, 1997; Caldera and Ward, 2003; Zhu, Xu, Kraemer, and Derick 2004; Elliott and Boshoff, 2009).

The quest to better understand how organizations achieve long-term competitive advantages drove the creation of the resource-based theory (Caldeira and Ward, 2001). The academic literature on strategic management is where the RBVT first appeared. This perspective contends that a company's unique resource mix located in its core is what creates the persistent competitive advantage of the organization (Conner and Prahalad, 1996). According to the RBVT hypothesis, business owners build their organizations using the resources and skills they currently possess. RBVT theory generally covers the fundamental question of how higher performance can be reached in comparison to other businesses operating in the same market. It makes the claim that obtaining and utilizing the firm's special resources leads to greater performance and profitability. The subject of how higher performance can be achieved relative to other businesses in the same market is also covered by RBVT (Saffu 2004; Salwani 2009).

## **Theoretical Framework**

### **The Relationship between Digital Marketing and Business Performance**

Digital marketing is the process of keeping an eye on and facilitating consumer interaction, participation, and sharing via digital media in order to foster positive engagement with a business and its brands, which ultimately generates financial value. This is how digital marketing was described by Kaplan and Haenlein (2010). It is important to understand that not all firms are fully digitized and that each organization will view digital channels differently (Kaplan and Haenlein, 2010). Recognizing both of these points is crucial.

The Resource Based View Theory creates an effective concept in which a business can use resources within their organization to improve or create digital inventions or innovations which may enable them to be more competitive in the digital environment (Barney, 1991). Resources are the inputs that enable a business to carry out its activities, and they can be tangible (such as physical, financial, and human resources) or intangible. Included among intangible assets are skill, relationships, and experience (intellectual resources and reputation). According to Kithinji (2014) with the unique creation of digital strategies or content, a business creates an opportunity to increase its competitive advantage, and provide more accessibility to its customers and potential investors. For example, the creation of specific content using pay-per-click, ads, unique organization websites displaying products and services of the business, and attractive content via social media and other popular digital marketing platforms may boost competitive advantage of businesses.

This may create access to a larger business audience and enable customers to be more current with the business activities and frequent in interacting with the business which may improve the business customer loyalty, retention, and advocacy (Kithinji, 2014). This is true even if mainstream society has embraced digital culture more and more, and the gap between online and offline culture has shrunk. Market segments of every market sector have a unique position in both the online and offline world, therefore it is important to keep this in mind while doing an analysis of the marketing environment of companies, and developing a digital marketing strategy (Njau and Karugu, 2014). This is a significant truth that has to be considered. Gaining an understanding of the complexities of this sector is essential if a company wants to figure out how to interact internally inside their own organization, externally with other businesses, and internally with the larger forces that define the marketing environment.

Organizations that have adopted digital marketing, according to Day and Bens (2005), typically perform better because of the increased efficiency and efficacy of network marketing methods and databases. Businesses can ramp up their relationships with partners and suppliers by using e-marketing.



Relationships benefit from the regular, or even real-time, sharing of crucial planning and inventory information (Siegel, 2003).

According to Sabri (2008), applying the RVBT in today's competitive market, businesses in order to keep up with the competition in today's market, have to invent new technologies to improve their digital marketing. This is due to the fact that consumers can readily receive information about any commodity and do any comparison from multiple sources to make buying decisions by visiting the websites of companies, and the process of exchanging goods and services can also be simply completed. Digital marketing platforms such as mobile marketing, email marketing, content marketing, search engine marketing, pay-per-click marketing, and others, allow businesses to connect with customers, share their content with them, and build an interactive online marketplace where products and issues are discussed. Website marketing, email marketing, mobile marketing, search engine marketing, social media marketing, online public relations, online partnerships, and display advertising are the main digital media strategies and applications considered in this thesis (Chaffey and Smith, 2017).

Kaplan and Haenlein (2010) have characterized the use of digital marketing strategies as the use of social networking sites to engage with clients or people in order to promote a business or advertisement that may motivate them to seek certain goods or services from contacts. Through the use of digital marketing, businesses are said to improve brand awareness, customer loyalty, customer retention, and customer service management, and increase the overall competitive advantage which subsequently creates overall improvement in the performance of a business.

### **The Relationship between Digital Marketing and Business Profitability**

It is clearly evident that throughout the course of recent history, the number of Africans using the internet and various other digital marketing platforms has continuously increased, according to the Africa Internet Users, 2019 Population, and Facebook Statistics. Despite the low adoption rate of e-commerce on the African continent, the current situation is as follows. As a result, new opportunities have emerged, and small and medium-sized businesses now have a site where they can do their regular business. According to a recent survey by Emelianova (2021) many companies use digital marketing as a tool for marketing, and some of these companies are even examining and incorporating social media into their entire corporate strategy.

Several doors might open for a business if they apply the RBVT within their digital marketing strategies. To begin with, a company's pricing strategy has to be based on data gleaned through internal research into the competitive market sector and the costs associated with producing goods and services that are priced competitively. To be valuable, the resource must inspire the company to develop a plan

to enhance its productivity and effectiveness, which in turn will either lower expenses or raise revenue (Barney, 1991). As an added bonus for companies involved in digital marketing, new technologies make it possible to create unique products and services through digital marketing platforms which enable companies to employ a special technique that can't be copied by their rivals. Finally, valuable resources create a competitive advantage depending on how non-imitable and non-tradable the product is in the market. Thus, other businesses are deprived of an opportunity to buy or replicate and as a result of the uniqueness of that product or service may attract more customers and investors and is the primary reason that may lead to an increase in sales and overall marketing expansion (Bala and Verma, 2018). What this means is that companies may increase the size of their database of potential customers thanks to digital marketing. Thus, more people might be reached than with conventional media. As a result, businesses can expand their customer base using digital marketing and can reach more customers and grow their marketing network.

According to Zaglago (2019), the vast majority of Ghana's start-ups, micro companies, and small and medium-sized firms have increased their profitability due to the growing usage of digital marketing to interact with customers and find solutions to issues affecting businesses. In the past, only immediate family and close friends were engaged through digital platforms. However, today's utilization of digital platforms has a variety of goals including opening up the possibility for successful marketing outreach of numerous options offered by a company. Tsopatsa (2020) asserts that conventional and digital marketing both seek to boost profits and necessitate consumer participation. Advertising and incentives are necessary for both conventional and digital marketing in order to draw clients. A multitude of elements, including but not limited to customer advocacy, customer happiness, customer trust, customer loyalty, and the exchange of goods and services, can be credited for an increase in a company's overall performance. The expansion of the pool of potential customers that can be attracted via the use of digital marketing directly results in opportunities emerging on both the local and foreign markets. As a direct result, the future of the retail industry will be significantly influenced by the digital transformation (Emelianova, 2021). As the level of digitization in our society keeps increasing, businesses are realizing that they need to enhance their efforts in digital marketing.

According to Zaglago (2019) because of the rise of the use of digital technologies in everyday life, businesses are beginning to see the importance of investing more in online marketing. This is so that businesses can communicate with customers in a way that is more direct and efficient while also reducing the cost of traditional marketing resources and the overall cost of marketing. Businesses have the opportunity to increase their global consumer base, sales, and profitability by using these platforms to interact with a larger audience. One of the main advantages of digital marketing is cost-effectiveness. Digital marketing helps businesses to reach a larger audience at a relatively low cost

(Yan and Musika, 2018). For example, social media advertising and search engine marketing are often much cheaper than traditional forms of advertising, and they can be highly targeted to specific demographics and interests. This can help businesses to save marketing costs and allocate their resources more effectively.

According to Solomon (2021), another benefit of digital marketing using targeted marketing strategies. Digital platforms, such as social media and search engines, allow businesses to target specific demographics and interests, which can help them reach the right customers and increase the chances of conversions. This can be particularly beneficial for businesses as it may help them to focus on their marketing efforts on the customers who are most likely to be interested in their products or services (Yan and Musika, 2018). Increased brand visibility is another advantage of digital marketing. By using digital marketing channels, businesses can increase their brand visibility and reach a larger audience than they would be able to through traditional marketing.

Greater customer engagement is another benefit of digital marketing for businesses. Digital channels, such as email and social media, allow businesses to interact directly with their customers, which can help build customer loyalty and improve customer retention. For example, a business that uses email marketing can send newsletters and promotional offers to their subscribers, which can help keep them engaged with customers (Yan and Musika, 2018). Similarly, a business that uses social media can respond to customer inquiries and complaints in real-time, which can help improve customer satisfaction.

According to the resource-based theory, it is more efficient for businesses to use their internal resources to gain more competitive advantage. Improved data analytics is another advantage of digital marketing for businesses. Digital marketing platforms provide businesses with access to data and analytics tools that can help them understand their customers better and make informed marketing decisions. For example, a business using Google Analytics can track website traffic, conversions, and customer behavior, which can help them optimize their marketing campaigns and increase their profitability (Tsopatsa, 2020).

In view of the above discussions, resource-based theory suggests that it is advantageous to possess internal resources as part of digital marketing strategies because they are difficult to duplicate, scarce, and irreplaceable. According to the resource-based view theory, organizations should rely on their own resources to gain a competitive advantage (Barney, 1991). The marketing team of a company may utilize the resources they already possess to perform their duties effectively and maintain business continuity.

By resources financial, human, technological, material, and intangible assets such as brand standards and product images and ideas or knowledge and experience are referred (Mathew, 2017). If a company diverts its resources to facilitate digital marketing objectives via different digital marketing applications by creating unique contents that will distinguish or make them stand out amongst other firms. In order to reduce marketing costs businesses must conduct favorable market research and use their internal resources to create digital marketing outreach by the use of digital platforms with the aim and objective to reach a larger audience or customers while also minimizing marketing costs in order to improve performance and profitability (Chille, 2018).

There are numerous types of content that businesses can use their resources and uniquely create strategies through digital platforms which will give them a competitive advantage and enlarge the outreach of their products and services. Through digital marketing strategies companies aim to acquire new customers, enhance the quality of their leads, and increase brand awareness. Setting business objectives should be based on the enterprise's objectives. If business objectives are not specific and measurable, they are unlikely to be achieved (Mathew, 2017).

The most effective method of using digital marketing applications is to focus on reaching individuals with specific demographic characteristics via posts and content. The concept is that digital marketing can confer a competitive advantage in the event that the business in question demonstrates effective marketing qualities. These qualities can be demonstrated by a company's utilization of digital marketing resources and strategies, which ultimately may result in an improvement in the company's performance and profitability (Chille, 2018). The resource-based view theory focuses on how businesses can achieve higher performance in comparison to other businesses operating in the same market. It makes the claim that obtaining and utilizing the firm's special resources leads to greater performance. Hence, by using different digital marketing applications companies may achieve higher performance and profitability levels higher than their competitors.

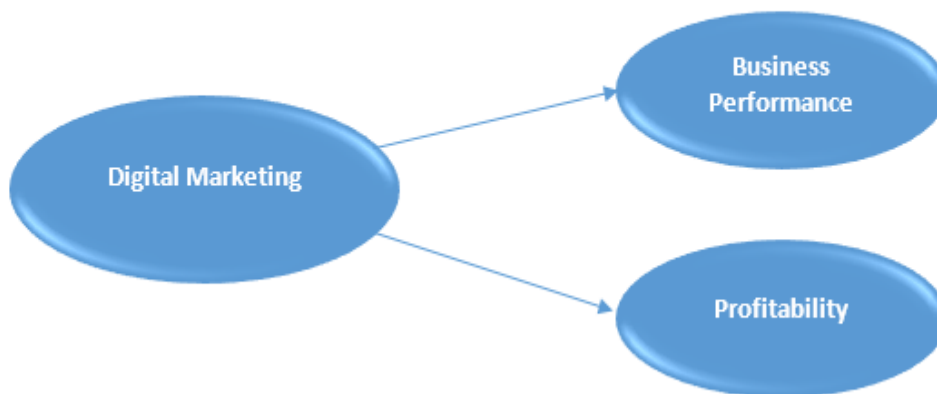
Based on the concept and the relationships introduced above the researcher developed the following hypotheses:

**Hypothesis 1:** There is a positive relationship between digital marketing and business performance.

**Hypothesis 2:** There is a positive relationship between digital marketing and business profitability.

Figure 1 shows the conceptual model of this thesis. Digital marketing was selected as the independent variable and business profitability and performance were selected as the dependent variables.

**Figure 1: Conceptual Model**



## **Chapter 3**

### **Methodology**

Methods for gathering data and performing analyses are described in depth in this section. In order to determine the impact of digital marketing on performance and profitability this document details the research methodology employed, from planning and developing the study's measuring instrument to carrying out the research and drawing up the results. The research design used an experimental design with three key factors: digital marketing (the independent variable), business performance, and profitability (the dependent variables).

#### **Research Design**

In order to uncover answers or solutions to a problem, researchers conduct systematic, methodical investigations of the issue at hand (Sekaran, 2003). A research consists of understanding how issues might be resolved, or at least mitigated, and entails a series of well-planned and meticulously conducted tasks. A well-designed study will help the researcher plan and execute the study in a manner that yields the expected findings, improving the likelihood that useful data will be collected (Mann, 2003).

In this sense, research is an umbrella term for a variety of activities such as questioning, probing, analysing, and testing (Kothari, 2009). The various research paradigms and the justification for the present research approach are discussed here. This study employed an explanatory research strategy to establish the impact of digital marketing on the business performance and profitability of small and medium-sized enterprises.

Quantitative methods are highly recommended due to their suitability for this kind of study with these specific aims. A survey questionnaire was used to acquire information on the effect of digital marketing applications on the profitability and performance of businesses. Using a questionnaire is effective for gathering reliable data from respondents since it is low-cost and easy to complete (Kothari, 2009).

#### **Procedures**

Finding, selecting, processing, and analysing data are all aspects of the research approach/methodology (Mang'era, 2021). The following steps were employed in this study:

1. Analysis of the previous literature.

2. Selecting the research population and appropriate convenient sample by the use of Krejcie and Morgan (1970) sampling analysis table.
3. Distributing the questionnaire to study participants.
4. Selecting a statistical method to analyze and interpret the data.

### **Research Participants**

Researchers conduct their studies on study populations, which are collections of individuals or entities. A study's "population" consists of all the people, things, locations, and occurrences that are of interest to the study's authors (Sekaran, 2003). The population of this research were selected as SMEs located in Lagos, Nigeria. The reason to focus on SMEs was that according to World Bank (2010) data small and medium-sized enterprises are essential to the economies of nations, particularly developing nations like Nigeria. As a direct result of the rapid global economic boom, SMEs in Nigeria had a window of opportunity to achieve sound economic growth. This window of opportunity opened in Nigeria came about as a result of a significant policy adjustment and ongoing expansion of the local economy (Okike and Bello, 2020). According to a statement issued by the Lagos Ministry of Commerce, Industry, and Cooperatives in February 2021, (MSME, 2017, 2021), it is estimated that there are 11,663 SMEs in Lagos. Participants were selected from the target population who exhibit the characteristics and have the relevant experiences to elicit the desired responses.

### **Sample and Sampling Methods**

The research applied convenience sampling as a non-probability sampling technique. Convenience sampling is a non-probability sampling technique in which units are included in the sample based on how convenient they are to get by the researcher (Rao and Klein, 1994). This could be because they are in close proximity to the research site, are free during the study's specified time period, or are interested in taking part in the study. The reason to apply convenience sampling technique was to reach as many as the desired representation of SMEs applying digital marketing applications in Lagos, Nigeria. Owners or managers of SMEs were targeted to be reached.

According to Eniola (2018) more than larger organizations, SMEs are responsible for the increase in employment. This is because of the fact that small businesses differ from large corporations in many ways, including the options and strategies they may employ in marketing. Despite this, in order to start or grow a business, individuals must have access to sufficient financial resources. As a result, the type of finance a company uses will determine how long it can survive and how successful it is. Comparing the cost of digital marketing to that of traditional marketing in Nigeria it was found

that digital marketing is more cost-efficient (Eniola, 2018). To fully comprehend how these choices affect the topics under investigation, it will be necessary to take into account the needs of this study.

The appropriate sample size of this research was found to be 378 which was formulated on the basis of the sampling analysis table developed by Krejcie and Morgan (1970). Krejcie and Morgan (1970) table suggests 378 samples for a population of 11 663.

According to Krejcie, R. and Morgan (1970) the formula for determining sample size is shown below (Krejcie and Morgan, 1970):

$$S = \frac{x^2 np(1-p) + d^2(n-1) + x^2 p(1-p)}{d^2}$$

s = required sample size

$x^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841)

n = the population size

p = the population proportion (assumed to be 0.50 since this would provide the maximum sample size)

d = the degree of accuracy expressed as a proportion (0.50)

## **Measures**

The measures of a study are the questions that participants respond to. The subjects covered in surveys and interviews should be accurately related to the research questions. Measurements are made and kept track of during the observational process of conducting research (Rao and Klein, 1994). There are scales that can quantitatively represent different quality levels. Quantitative studies feature controlled methodology and measurement. With the data produced by these instruments, researchers can now compare groups, perform statistical analyses, and assess treatments (Rao and Klein, 1994).

The researcher used a survey questionnaire as a data collection instrument. This study's instruments include a questionnaire with 32 questions divided into a number of categories, each of which is further subdivided to fit the scales of both independent and dependent variables, as well as demographic data pertaining to the research topic. The research scales were adopted from prior research of Chaffey and Smith (2017), Kithinji (2014), Zaglago (2019), and Mang'era (2021). The content of each section is listed below:

### ***Section I. Demographic Variables:***

This section measured the demographic status of respondents with a number of variables including the position, gender, age, educational level, firm size, type of business, years of operation, and annual average turnover.



## ***Section II. Digital Marketing Scale***

The Digital marketing application questions were adopted from prior research by and Kithinji (2014). Example items include “forms of digital marketing applied”, and “the extent to which digital marketing applications have improved the communication of products”.

## ***Section III. Business Profitability Scale***

The business profitability questions were adopted from prior research by Mang’era (2021). Example items include; how digital marketing applications have increased the generation of profit, aided in the increase of customers, and reduced marketing expenses.

## ***Section IV. Business Performance Scale***

The business performance questions were adopted from prior research by Kithinji (2014). Example items include; market share expansion, increased market growth, customer loyalty and brand image.

The researcher used a 5-Point-Likert scale in order to create an accurate response to each question. The surveys, which reflect the opinions of the survey respondents relied on the five measures in order to examine the factors that affect the effectiveness of digital marketing.

**Table 1.**

### **5-Point-Likert scale degrees**

Strongly agree	Agree	Neutral	Moderately disagree	Strongly disagree
5	4	3	2	1

## **Data Collection Procedures**

In order to gain insights into occurrences that would otherwise remain unclear, surveys, which are a regular means of obtaining information, are frequently utilized. The data collection process took two months to the researcher. Participants were provided a link to the Google form questionnaire through email, Whatsapp, and via contacting company managers via their official social media pages.

Participant information sheet describing the study and informed consent was sent together with the questionnaire.

### **Ethical Considerations**

The adopted questionnaires were given to participants only after receiving approval from the Near East University ethical committee. This was done to ensure that all academic and moral requirements for research instruments are met. In addition, all sources used were properly cited and referenced, and the level of plagiarism was checked and found to be below the threshold for acceptance set by the Near East thesis guidelines. All interviewees were aware of the study's nature and goals, and they agreed to take part voluntarily.

### **Data Analysis Plan**

Before being tabulated, the study data has undergone editing, coding, and classification. SPSS 25 was used to analyze the collected data. Descriptive statistics was used to analyze the demographic variables and the questionnaire scales e.g., frequency and mean. Correlation analysis was used to check the relationship between the variables. Finally, regression analysis was employed to check the significance between the hypotheses under investigation.

Regression analysis is a statistical method used for modeling the relationship between a dependent variable and one or more independent variables. It is used to predict the value of the dependent variable based on the values of the independent variables. The goal of regression analysis is to find the best fitting model to describe the relationship between the variables. The model is then used to make predictions about the dependent variable based on new values of the independent variables. Regression analysis can be used with continuous variables, categorical variables, or a combination of both. It is a commonly used tool in fields such as economics, finance, and social sciences (Tromp and Kembo, 2006).

The formula for the regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

## Chapter 4

### Data Analysis and Results

#### Number of Respondents

According to the results, out of a total of 378 questionnaires sent out, all the 378 were filled out and returned. There was a 100% response rate. According to Krejcie and Morgan (1970) table, this level of participation is enough for drawing conclusions from the research. Within the data interpretation, the researcher focused on the interpretation of the demographic data, descriptive statistics (the independent variable “digital marketing scale” and the two dependent variables “business performance and probability scales”). The researcher also carried out correlation and regression analyses to understand the relationship between the variables and the significance of the hypotheses.

#### Reliability

The results of Cronbach’s alpha analysis for the study variables are revealed in the table 2. As seen from Cronbach’s alpha analysis of this study, the reliability of demographic information section amounted to 73.5%. Furthermore, the reliability of digital marketing scale was 74.8%, profitability scale was 70.9%, and performance scale was 72.1%. The total reliability of the questionnaire amounted to 79.6%. From this analysis, it can be seen that the scales and the questionnaire used to measure the responses of the respondents are reliable. The reliability statistics of the questionnaire in general and the scales were above 70% which means that the research data is reliable to do statistical analysis of the hypotheses (Clave 2002: 578).

**Table 2.**

#### *Reliability Statistics*

Variables	No. of Items	Cronbach’s Alpha
Demographic information	9	.735
Digital Marketing Scale	10	.748
Profitability Scale	4	.709
Performance Scale	7	.721
Total reliability of the questionnaire	30	.796

## Demographic Data

The statistical information regarding the gender, age range, educational level, and position of the respondents is given below in table 3. Table 3 shows the gender of the respondents in which 72% were male, while 28% of the respondents in the study were female. Respondents were asked to indicate their age range also. The results enable the researcher to present the following findings; 10.1% of respondents were between 18 to 25 years, 43.7% were between 26 – 30 years, 33.1% were between 31 – 35 years, 11.4% were between 36 – 40 years, and 41 years and above of the respondents amounted to 1.9%. Furthermore, 9% of the respondents were high school graduates, 56.3% constituting the highest of the respondents were holders of Bachelor’s degrees, 30.4% had Master’s degrees, 4% were Ph.D. holders, and 0.3% had no educational level. The positions of the respondents in the various SMEs are seen as follow: Business owners had the largest percentage which was 52.6% of the respondents, middle manager was the least with 14.6% and top manager was the next highest with 32.8%.

**Table 3.**

*Respondent’s Demographic Data.*

Variable	Categories	Frequency	Percentage
<b>Gender</b>	Male	272	72
	Female	106	28
	Total	378	100
<b>Age Range</b>	18 or 25	38	10.1
	26 – 30	165	43.7
	31 – 35	125	33.1
	36 – 40	43	11.4
	41 and above	7	1.9
	Total	378	100.0

<b>Educational Level</b>	High School	34	9
	Bachelor	213	56.3
	Master	115	30.4
	PhD	15	4
	None	1	.3
	Total	378	100
<b>Position</b>	Business Owner	199	52.6
	Middle manager	55	14.6
	Top manager	124	32.8
	Total	378	100.0

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Table 4 shows the demographic information of SMEs in Lagos, Nigeria. Out of the respondents 67.2% were small businesses and 32.8% were medium-sized businesses. 12.9% were engaged in manufacturing, 50.2% making up the largest number of the businesses were merchandising businesses, 34.4% were service businesses, while the remaining 0.6 % were from other business categories. These were removed from the data. The firm years of operation information showed that 15.9% of the businesses have been running from 0 to 3 years, 45% which was the highest % were from 3 to 5 years, 31.5% were from 6 to 10 years, 4.5% were from 11 to 15 and 3.2% have been going for 16 years or more. In regards to the turnover rate per annual, 11.4% of the businesses had made from 0 to 1000 United States Dollars (USD), 27.8% made from 1100 to 2500 USD. 32.5%, which constitute majority of the businesses made between 2600 to 3500 USD, 18.0% had made between 3600 to 10,000 USD and 10.3% made above 10,000 USD.

**Table 4.*****Demographic Factors.***

Variable	Categories	Frequency	Percentage
Small or Medium Enterprise	Small	254	67.2
	Medium	124	32.8
	Total	378	100
Types of Business	Manufacturing	48	12.9
	Trading	190	50.2
	Service	130	34.4
	Others	10	2.5
	Total	378	100
Firm Years of Operation	0 to 2	60	15.9
	3 to 5	170	45
	6 to 10	119	31.5
	11 to 15	17	4.5
	16 and above	12	3.2
	Total	378	100
Turnover Rate Per Annual	0 to 1000	43	11.4
	1100 to 2500	105	27.8
	2600 to 3500	123	32.5
	3600 to 10,000	68	18.0

Above 10,000	39	10.3
Total	378	100

Table 5 shows the digital marketing applications used by SMEs in Lagos Nigeria. Each respondent was asked to select more than one digital marketing application they have used or are using. Hence, the table below shows the digital marketing applications used by SMEs starting from the most used application to the least. The respondents were asked to select the digital marketing applications they used or are using, and out of their answers, it was recorded that: 69.3% use social media, 41.5 % use mobile marketing, 32 % use website marketing, 28.9 % use email marketing, 13.6 % use search engine marketing, 13.4% use display advertising, 11.8% use online public relations and 5.8% use online partnership.

**Table 5.**  
***Digital Marketing Applications Used.***

Variable	Categories	Frequency	Percentage
Digital Marketing Strategies	Social Media Marketing	262	69.3%
	Mobile Marketing	158	41.5 %
	Websites Marketing	122	32 %
	Email Marketing	110	28.9 %
	Search Engine Marketing	52	13.6 %
	Display Advertising	51	13.4%
	Online Public Relations	45	11.8%
	Online Partnerships	22	5.8%

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## Descriptive Statistics

Table 6 shows the reasons to use of digital marketing of companies. The purpose of this study was to determine the impact of digital marketing and its effect on profitability and performance of businesses. Five-Point-Likert scale was used to collect the response of the respondents and the options were presented as 5 for "Strongly Agree," 4 for "Agree," 3 for "Neutral," 2 for "Moderately Disagree," and 1 for "Strongly Disagree." Based on this analysis 4 and above mean levels shows that the respondents agree that these variables are positively affected by digital marketing. The statistical results shows that advertisement of products or services was used by most SMEs with the highest mean of 4.23. It was followed by communication of products with a mean of 4.20, customer interaction and feedback or customer relations had the mean of 4.15, improving products or services using client feedback had 4.14 mean, expansion to new markets and focusing on target customers both had the mean of 4.13, gained better firm visibility is 4.12, and lastly was improved communication to other stakeholders and monitoring and measuring of results both had the least mean of 4.10.

**Table 6.**

### *Reasons to Use Digital Marketing*

Variable	Mean	Std. Deviation
Improved communication of products	4.20	.555
Improved customer interaction and feedback (customer relations)	4.15	.639
Improved advertisement of products or services	4.23	.579
Improved expansion to new markets	4.13	.617
Created easy track down of sales of individual employees	4.08	.653
Improved products or Services using client feedback	4.14	.695
Improved communication with other stakeholders	4.10	.662



Improved monitoring and measuring of results	4.10	.605
Aided in gaining better firm visibility	4.12	.653
Improved the focus on target customers	4.13	.659

**Profitability Scale**

Table 7 shows how the use of digital marketing influences the profitability of the businesses. The businesses with the mean of 4.18 consented that digital marketing has increased their customers, the mean of 4.13 shows that digital marketing has generated more profit, and the mean of 3.99 shows that digital marketing has both reduced their marketing expenses and saved costs in terms of operating expenses.

**Table 7.**

*Descriptive Statistics of Profitability.*

Variable	Means	Std. Deviation
Generate more profit	4.13	.608
Increase customers	4.18	.597
Reduced marketing expenses	3.99	.739
Save costs in terms of operating expenses.	3.99	.760

**Performance Scale**

Table 8 shows how the use of digital marketing influenced the performance of the businesses. The mean of 4.15 shows that digital marketing contributed to companies’ image enhancement, which was the highest mean. The mean of 4.14 shows that digital marketing increased market growth and was the second highest. The mean of 4.12 shows that digital marketing helped them access to new market niches, 4.05 mean shows that digital marketing increased their competitive advantage. The mean of 3.97 shows that digital marketing improved customer loyalty and the mean 3.66 shows that digital marketing increased profitability.

**Table 8.**

*Descriptive Statistics of Performance.*

<b>Variable</b>	<b>Mean</b>	<b>Std. Deviation</b>
Increased Profitability	3.66	1.076
Market Share Expansion	4.03	.566
Increased Market growth	4.14	.575
Improved Customer Loyalty	3.97	.687
Firm's Image enhancement	4.15	.580
Increased competitive advantage	4.05	.620
Access to new market niches	4.12	.633

**Correlation Analysis**

A correlation analysis was performed to check for links between the two data sets. Because causal inference in regression analysis requires first establishing a link independent of causation, correlations are an essential first step Table 9 shows the correlation analysis of the data collected.

The research variables were assessed on a continuous scale; the spearman correlation coefficient was utilized to demonstrate the correlations between the study variables since the test results show that the data was not normally distributed. The relationship between digital marketing and profitability was positively correlated (.447, p value =.000). The relationship between digital marketing and performance was positively correlated (.388, p value =.000). The relationship between performance and profitability was positively correlated (.405, p value =.000). As seen from table 10, all of this study variables are showing a positive and significant correlation between each other.

**Table 9.**

*Correlation Analysis.*

Scale	Digital Marketing	Profitability	Performance
Digital Marketing	1	.447**	.388**
Profitability	.447	1	.405**
Performance	.388	.405	1

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

**Results of the Hypotheses**

In this portion of the research, hypotheses were tested, and the findings were utilized to make statistical inferences.

**Regression Analysis**

Regression analysis was performed to check the statistical significance of the study hypotheses. The general simple linear regression model formula used is as presented below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where:

Y: Dependent Variable

X<sub>1</sub>: Independent Variable

B<sub>0</sub>: The value that y will take when the independent variable is set to zero

B<sub>1</sub>: The constant regression coefficients. It shows the change in y when there is a one-unit change in the respective independent variable

E: The random error that shows the variation in our estimation of y

**Hypothesis 1:** There is a positive relationship between digital marketing and business performance.

**Table 10** shows the regression analysis results of the relationship between digital marketing and business performance. The  $R^2$  value tells that 24% of the variation or change in SMEs can be explained by digital marketing ( $\beta = .50$ ,  $t = 9.275$ ,  $p$  value = .000). The findings show that digital marketing significantly and positively predicted SMEs' performance. Therefore, hypothesis 1 was supported.

**Table 10.**

*Regression Coefficients of Digital Marketing and Business Performance*

Variable	B	T	SE	P
Constant	1.95*		.91	.000
Digital Marketing	.50*	9.275	.05	
$R^2$	.24		.31	

Note: N = 377, \*p = .000

**Hypothesis 2:** There is a positive relationship between digital marketing and business profitability.

**Table 11** shows the regression analysis results of the relationship between digital marketing business profitability. The  $R^2$  value shows that 23% of the variation or change in SMEs profitability can be explained by digital marketing ( $\beta = .61$ ,  $t = 10.444$ ,  $p$  value = .000). This indicates that digital marketing has a significant effect on business profitability. This indicates that digital marketing has a significant effect on business profitability. Therefore, hypothesis 2 was supported.

Finally table 12 shows the summary of the proposed hypotheses.

**Table 11.**

*Regression Coefficients of Digital Marketing and Business Profitability.*

Variable	B	t	SE	P
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<b>Constant</b>	1.55*		.24	.000
<b>Digital Marketing</b>	.61*	10.444	.06	
<b>R<sup>2</sup></b>	.23		.41	

Note: N = 377, \*p = .000

**Table 12.**

***Results of the Research Hypotheses***

<b>N.</b>	<b>Hypotheses Developed for the Research Study</b>	<b>Results</b>
1.	Hypothesis 1: There is a positive relationship between digital marketing and business performance.	Supported
2.	Hypothesis 2: There is a positive relationship between digital marketing and business profitability.	Supported

## **Chapter 5**

### **Discussion and Conclusion**

This chapter provides a summary and explanations of the findings, as well as a conclusion and a set of suggestions or recommendations as it aligns with the research questions and hypothesis.

#### **Discussion**

The results suggest that the use of digital marketing applications supports the profitability and performance of SMEs. The primary goal of this research was to focus on the role of digital marketing and its effect on the performance and profitability of businesses with a specific focus on SMEs in Lagos, Nigeria. The statistical results show that the profitability and performance of SMEs were influenced by the application of digital marketing strategies. This means that the applications of digital marketing strategies (websites marketing, email marketing, mobile marketing, search engine marketing, social media marketing, online public relations, online partnerships, display advertising) have positive and significant impact on the performance and profitability of SMEs.

The findings support the idea that digital marketing enables businesses to target specific customer segments, track the effectiveness of marketing campaigns, and make data-driven decisions about how to allocate resources. This may be applied by utilizing companies' internal resources and as a result selecting and applying digital marketing techniques or strategies. The findings of this research show that with the aid of digital marketing the performance of businesses improves. This means that by using digital marketing applications businesses may be able to reach a wider audience, increase brand awareness, improve brand image, advertisement of products or services, expansion to new markets, create easy track down of sales of individual employees, extend products or services, improve communication with other stakeholders, and aid in gaining better firm visibility.

#### **Theoretical Implications**

The researcher used the resource-based theory as a theoretical basis for this research. Linking the research hypotheses, and the resource-based theory, the findings suggest that a company's internal resources and capabilities are the key determinants of its performance and profitability. In summary, digital marketing can have a significant impact on a business's performance and profitability by leveraging a company's internal resources and capabilities to reach and engage with customers online.

First, the findings of this research show that the impact of digital marketing on business performance was significant. The resource-based view theory suggests that a company's resources and

capabilities can be a source of competitive advantage (Tasneem and Fatema, 2015). In the context of digital marketing, this means that a company should consider its unique resources and capabilities when developing a digital marketing strategy. Overall, the impact of digital marketing on business performance is positive, as it allows businesses to more effectively utilize their internal resources and capabilities to reach and engage with customers, and differentiate themselves from competitors. A strong online presence and the ability to effectively reach and engage with customers through digital channels can be an extremely valuable asset for a company, particularly in the context of digital marketing. A company's performance can be improved by increasing its visibility and reach, strengthening its brand, and driving sales and revenue by investing in digital marketing efforts such as creating a website with a good design, engaging with customers on social media, and running targeted online advertising campaigns. Some examples of these types of activities include creating a well-designed website. Additionally, digital marketing can provide a business with valuable data and insights that can assist the company in better understanding its customers and making informed decisions regarding its marketing strategy as well as its overall business strategy.

Second, the findings of this research show that the impact of digital marketing on business profitability is significant. The resource-based view theory suggests that a company's resources and capabilities can be a source of competitive advantage (Tasneem and Fatema, 2015). In the context of digital marketing, this means that a company should consider its unique resources and capabilities when developing a digital marketing strategy. By using digital marketing techniques and strategies, businesses generate more profit, increase customers, reduce marketing expenses, and save costs in terms of operating expenses. For example, digital marketing can help businesses to target specific customer segments and track the effectiveness of marketing campaigns, allowing them to make data-driven decisions about how to allocate resources. By targeting the right customers and effectively marketing to them, businesses can increase their customer base and revenue. By using digital channels such as websites, social media, email marketing, and search engine optimization amongst others, businesses can reach customers at a lower cost compared to traditional marketing channels such as television or print advertising. This can help to increase the overall profitability of the business.

During the course of this research, the researcher made a number of well-conceived assumptions that helped this study achieve its primary goals by listing the advantages that Nigerian SME owners can get from digital marketing platforms in terms of business profitability and performance. The findings show that with the aid of digital marketing the performance of businesses improved, digital marketing enabled these businesses to reach a wider audience and gain access to new markets. In general, by engaging into effective digital marketing, Nigerian SME's can improve the overall probability and performance of their companies. The objective of this research was to

investigate the role of digital marketing on the performance and profitability of SME's and to understand how digital marketing may enhance business activities when digital marketing strategies and platforms are effectively utilized in West Africa, with a focus on Lagos, Nigeria. Nigeria being a developing nation, business owners or managers residing in Nigeria may not have sufficient knowledge of how or why is there a need to improve their business marketing strategies from traditional marketing activities to digital marketing. The aim of the researcher was to track the use of digital marketing applications and create a better understanding about the outcomes so that more businesses can benefit from the merits of digital marketing. The findings show that with the aid of digital marketing improved the profitability and performance of Nigerian businesses. This was done by using digital marketing applications which enabled these businesses to generate more profit, increase customers, reduce marketing expenses, and save costs in terms of operating expenses.

*The most significant findings that can be drawn from this investigation in relation to the hypotheses and research questions can be found below:*

First, the implementation of digital marketing strategies can have a positive effect on the business performance as well as the profitability of a company. Participants were asked to select the digital marketing applications they used before or are using (websites marketing, email marketing, mobile marketing, search engine marketing, social media marketing, online public relations, online partnerships, and display advertising). Statistical results showed that, social media marketing, mobile marketing and website marketing were the most used digital marketing applications by SMEs in Lagos, Nigeria. Nonetheless, every form of digital marketing channel used in this research showed a significant influence on the overall performance and profitability of businesses involved with digital marketing throughout this study.

Second, since the participants were asked to select more than one digital marketing application they use/used the combinations the researcher recorded the combinations of digital marketing applications used highly by SMEs. Among the answers the most preferred combination of digital marketing applications included social media marketing, mobile marketing and website marketing. It was observed that majority of SMEs used mainly social media marketing which summed up to the highest percentage. Then, it was observed that most businesses used only mobile marketing which summed up the second highest percentage. And lastly, it was observed that none of the businesses used all 8 forms of digital marketing strategies together.

In summary, the statistical findings support that digital marketing has a substantial and beneficial effect on both business performance and profitability. Hence, the researcher concluded that the two main hypotheses for this study, were supported and the research questions were also answered.



## **Practical Implications**

The findings of this study lend credence to the study's hypotheses and aims, as they show that digital marketing techniques have a positive impact on the performance and profitability of SMEs in Lagos, Nigeria. The author of the study contends that businesses place a higher priority on the achievement of their digital marketing goals in light of the aforementioned circumstances. The results of this thesis may guide businesses to be able to connect better with their customers and respond rapidly to shifts in the market all while spending less money than they ever have before thanks to the widespread adoption of digital applications and other forms of digital technology.

The results of this study made it abundantly clear that the strategies of digital marketing are essential to the continuation of success and to the survival of SMEs. Digital marketing, is the process of communicating promotional messages to consumers through the use of digital or electronic means. When companies make investments in digital marketing, they improve their chances of attracting new customers, retaining the ones they already have, and generally moving the needle toward the achievement of their business goals (Njau and Karugu, 2014).

Based on the findings of this research it can be suggested that businesses need to use different combinations of digital marketing applications to promote the efficiency and effectiveness of digital marketing's impact on the profitability and performance of businesses.

## **Recommendations According to Findings**

Based on the findings of this study, in relation to the research questions, hypotheses, and the concept of the resource-bases view theory, the following points can be recommended the to improve the performance and profitability of businesses.

First, as was discussed in the statement of the problem, various initiatives have been launched to improve business performance and profitability and create an easier channel for business owners to communicate their products as well as interact with customers. Despite efforts made to promote business development, firms continue to face significant challenges in promoting their goods and services. This difficulty demerits corporate development in terms of sales volume, increase in revenue, acquiring new customers, and increasing the number of staff as well as profit generation. This study recommends that owners/managers of SMEs in Nigeria to embrace digital marketing as a strategy for improved performance. Conscious of the fact that there is high mobile phone usage and improved internet connectivity in Nigeria, coupled with vibrant and easy-to-use websites and social media platforms, SMEs in Lagos may position such tools for marketing purposes.

Secondly, according to the findings of this research social media and mobile marketing were the most frequently used digital marketing applications. Hence, businesses are recommended to use

other combinations of digital applications such as search engine marketing, online public relations, online partnership, display advertising among other forms of digital platforms to improve their performance and profitability.

Third, the resource-based view theory suggests that a company's resources and capabilities can be a source of competitive advantage. In the context of digital marketing, this means that a company should consider its unique resources and capabilities when developing a digital marketing strategy.

In summary, businesses must first identify their unique resources and capabilities. This might include a company's expertise, proprietary technology, strong brand, or access to unique data. These resources can be leveraged to create a differentiated offering and stand out in the digital marketplace. Companies must also align their digital marketing efforts with their resources and capabilities, once they have identified their unique resources and capabilities, they must make sure that their digital marketing efforts are aligned with them. This will help businesses to effectively communicate their value proposition to potential customers and differentiate themselves from competitors. Businesses also invest in building and strengthening their resources and capabilities. They can apply this by considering investing in the development of new technology, acquiring new expertise, or building their brand through targeted digital marketing efforts. This may help them maintain a competitive advantage over time. Lastly, companies must stay up-to-date on industry trends and developments, and be ready to pivot their digital marketing strategy as needed to stay ahead of the competition. This might involve investing in new technologies or adopting new marketing channels.

## **Conclusion**

As a result of the rise of the digital age, marketers are now faced with a fresh set of challenges and opportunities. In recent years, there has been a rise in the number of companies that market their products or services through online and other forms of digital media (Njau and Karugu, 2014). This study aimed to answer the question, what is the impact of digital marketing on business performance and profitability of the SMEs in Lagos, Nigeria. In regards to this, the researcher found that by using digital marketing businesses, SMEs may improve their products or services using client feedback, improve advertisement of products or services, expand to new markets, improve track down of sales, communication with other stakeholders, monitor and measure results as well as generate more profit, increase customers, reduce marketing expenses, and save costs in terms of operating expenses among other things.

Finally, the findings showed that SMEs in Lagos can improve their performance and profitability by using digital strategies to conduct and remote consumer outreach. This can improve the profitability of businesses as well as their performance.

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## **Appendices**

### **Appendix 1. Participant Information Sheet**

#### **Participant Information Sheet and Informed Consent Form**

Dear Participant,

This survey questionnaire is part of a research that we are carrying out in order to understand the role of digital marketing on the performance of SME businesses in West Africa, a case study of Lagos, Nigeria. The data collected through this scale will be used to understand how digital marketing enhances business performances in terms of day-to-day business activities and how it leads to an increase in profit compared to traditional marketing. By filling in the following survey questionnaire, you agree to participate in this study.

Please note that your participation in the study is voluntary and whether you agree to participate or not will have no impact on your business. Your identity will not be revealed in any case to third parties. The data collected during the course of this study will be used for academic research purposes only as part of the master thesis of the researcher and may be presented at national/international academic meetings and/or publications. You may quit participating in this study at any time by contacting us. If you opt out of the study, your data will be deleted from our database and will not be included in any further steps of the study. In case you have any questions or concerns, please contact us using the information below.

Dr. Ayşe Hyusein (Supervisor)

Faculty of Economics and Administrative Sciences, Near East University

Tel: 90 (392) 223 64 64 ext: 3116

E-mail: [ayse.hyusein@neu.edu.tr](mailto:ayse.hyusein@neu.edu.tr)

John T. Wilson (MBA student)

Faculty of Economics and Administrative Sciences, Near East University.



## Appendices

### Appendix 2. Questionnaire

#### SECTION A: DEMOGRAPHIC QUESTIONS

Tick (√) as you see appropriate.

1. Please indicate your position in the SME

Business

Owner..... ( )

Top Management..... ( )

Middle Management.....( )

Any Other Indicate \_\_\_\_\_

2. Please indicate your position in the SME

Business Owner.....[ ]

Top Management.....[ ]

Middle Management.....[ ]

Any Other Indicate \_\_\_\_\_

3. Gender of the respondent

Female..... [ ]

Male..... [ ]

4. Please indicate your age bracket

18-25years..... [ ]

26 -30year ..... [ ]

31-35years..... [ ]

36-40years..... [ ]

Over-45years..... [ ]

5. Tick against your highest level of Education

Masters Graduate..... [ ]

Degree Graduate..... [ ]

High School..... [ ]

Primary School..... [ ]

Any Other Indicate \_\_\_\_\_

**Firm's Information**

6. Indicate the name of your firm (Optional)

\_\_\_\_\_

7. Is your firm a Small or Medium Enterprise?

Small Enterprise..... [ ]

Medium Enterprise..... [ ]

8. Indicate the type of business

Manufacturing..... [ ]

Trading..... [ ]

Service..... [ ]

Any Other Indicate \_\_\_\_\_

9. Please indicate your firm's years of operation

0-2years [ ]

3-5years [ ]

6-10years [ ]

11-15years [ ]

Over15 Years [ ]

10. The Number of Employees in your firm.

- 1-10                       11-20                       21-30   
31-40                       41-50                       51-60   
Above 60

11. Indicate your turnover rate per annum in \$USD

- ≥1000.....   
1,100-2,500.....   
2,600-3,500.....   
Over 10,000.....

**SECTION B:**

**Digital Marketing**

**Tick (√) as you see appropriate.**

12. Indicate the forms of Digital Marketing applied in your firm (You may tick more than one)

- Websites Marketing.....  
Email Marketing.....  
Mobile Marketing.....  
Search Engine Marketing.....  
Social Media Marketing.....  
Online Public Relations.....  
Online Partnerships.....  
Display Advertising.....

13. In your opinion, do the content you share on your business social media platform helps reach Larger audience, attract new followers or customers and boost Profit (Zaglago, 2019)?

Strongly agree..... [ ]

Agree ..... [ ]

Neutral ..... [ ]

Moderately disagree ..... [ ]

Strongly disagree..... [ ]

### Digital marketing Applications Scale

Indicate the extent to which you have applied each of the following Digital Marketing applications in your firm's operations (Kithinji, 2014).

Digital Marketing Application	Strongly agree	Agree	Neutral	Moderately disagree	Strongly Disagree
Communication of products					
Customer Interaction and Feedback (Customer relations)					
Advertisement of products or Services					
Expansion to new markets					
Easy track down of sales of Individual employees					
Improving products or Services using client feedback					

Improved Communication to other Stakeholders					
Monitoring and Measuring of Results					
Reducing the turnaround time Of operations					
Gained better firm visibility					
Focusing on target Customers					

### Business Profitability Scale

Indicate the extent to which digital marketing adoption has increased your business profitability (Mang'era, 2021).

Statement	Strongly agree	Agree	Neutral	Moderately disagree	Strongly Disagree
Digital marketing has generated more profit					
Digital marketing has increased customers					
Digital marketing has reduced marketing expenses					
Digital marketing saves costs in terms of operating expenses.					

### Business Performance Scale

Indicate the extent to which digital marketing adoption has increased your business performance (Kithinji, 2014).

Performance	Strongly agree	Agree	Neutral	Moderately disagree	Strongly Disagree
Increased Profitability					
Market Share Expansion					
Increased Market growth					
Improved Customer Loyalty					
Firm's Image enhancement					

Increased competitive advantage					
Access to new market niches					
Other, Specify and Rate					

### Appendices 3. Ethical Committee Report



YAKIN DOĐU ÜNİVERSİTESİ

BİLİMSEL ARAŞTIRMALAR ETİK KURULU

25.10.2022

Dear John Tible Wilson

Your application titled “**The role of digital marketing on the performance and profitability of SME businesses in West Africa, a focus of Lagos, Nigeria**” with the application number NEU/SS/2022/1396 has been evaluated by the Scientific Research Ethics Committee and granted approval. You can start your research on the condition that you will abide by the information provided in your application form.

Prof. Dr. Aşkm KIRAZ

Rapporteur of the Scientific Research Ethics Committee



## The role of digital marketing on the performance and profitability of SMEs in West Africa, A focus on Lagos, Nigeria (20215430)

### ORJİNALLİK RAPORU

% <b>14</b>	% <b>8</b>	% <b>3</b>	% <b>9</b>
BENZERLİK ENDEKSİ	İNTERNET KAYNAKLARI	YAYINLAR	ÖĞRENCİ ÖDEVLERİ

### BİRİNCİL KAYNAKLAR

<b>1</b>	<b>Submitted to Yakın Doğu Üniversitesi</b> Öğrenci Ödevi	% <b>2</b>
<b>2</b>	<b>Submitted to Woking College</b> Öğrenci Ödevi	% <b>1</b>
<b>3</b>	<b>erepository.uonbi.ac.ke</b> İnternet Kaynağı	% <b>1</b>
<b>4</b>	<b>vital.seals.ac.za:8080</b> İnternet Kaynağı	<% <b>1</b>
<b>5</b>	<b>anchor.fm</b> İnternet Kaynağı	<% <b>1</b>
<b>6</b>	<b>www.icmab.org.bd</b> İnternet Kaynağı	<% <b>1</b>
<b>7</b>	<b>Submitted to International University of Malaya-Wales</b> Öğrenci Ödevi	<% <b>1</b>
<b>8</b>	<b>Submitted to WQE College</b> Öğrenci Ödevi	<% <b>1</b>