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## **A Study on the Assessment of Challenges Affecting Utilisation of Digital Marketing by Small & Medium and Enterprises (SME's) in Malawi.**

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### **ABSTRACT**

SMEs play a crucial role in the economy of Malawi, contributing to job creation and poverty reduction. According to the Malawi Investment and Trade Centre, SMEs account for 90% of businesses in the country and employ up to 80% of the labor force.

Despite their significance, according to a report by the World Bank Group, Malawi ranks 119th out of 190 countries in the ease of doing business index, indicating a challenging business environment.

It is against this background that the researcher conducted this research to uncover the challenges being faced by SME's in utilizing Digital Marketing.

The study had three objectives, which were to: Analyse the types of digital marketing SMEs utilize to advertise their business, Identify the impact of digital marketing on SMEs sales and to assess the challenges affecting the utilization of digital marketing by Small and Medium scale entrepreneurs.

The researcher recommends that SME's should be trained on the importance of utilizing Digital Marketing, SME's should partner with digital marketing agencies or consultants to enhance their utilization of digital marketing.

The researcher further recommends that government should develop policies that support the adoption of digital marketing by SMEs. These policies can include tax incentives, funding opportunities, and regulatory reforms that promote the use of digital marketing.

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### **INTRODUCTION**

Digital marketing is a rapidly growing field, and its adoption by businesses has become essential for survival and growth in today's digital age. SMEs in developing countries, including Malawi, can benefit significantly from digital marketing as it provides a cost-effective way to reach their target audience and increase sales. However, the adoption of digital marketing among SMEs in Malawi remains low, and there were various challenges hindering its utilization (Linton & Solomon, 2017).

Businesses use digital marketing tools such as social media to improve their performance, increase profitability, and thereby achieve a competitive advantage. However, to be effective, digital marketing requires a well-executed strategy (Negoïță et al., 2018).

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### **PROBLEM STATEMENT**

SMEs form a backbone of every economy. The sustainability of these SMEs can only be actualized when they make sales, realized profit, gain new market area and be able to cover the invested capital. The Ministry of Industry and Trade in Malawi recognizes the potential of digital marketing in promoting small and medium-scale enterprises (SMEs) and boosting the economy.

However, Small and medium-sized enterprises (SMEs) in Malawi were facing challenges in the utilization of digital marketing, which limits their ability to compete in the market and grow their businesses.

Despite the potential benefits of digital marketing, such as increased sales and cost-effectiveness, many SMEs in Malawi have not fully adopted these marketing strategies. The challenges hindering the utilization of digital marketing by SMEs in Malawi include limited technical skills, inadequate infrastructure, and limited access to finance.

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## RESEARCH GAP

Previous research on the adoption of digital marketing by SMEs in Malawi has mainly focused on identifying factors that affect the use of social media for marketing purposes (Chipeta & Chirwa, 2018).

However, there is limited research that provides a comprehensive understanding of the challenges that SMEs face in the utilization of digital marketing in Malawi.

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## RESEARCH OBJECTIVES

Main Objective:

- To assess challenges affecting utilization of digital marketing by Small and Medium scale entrepreneurs in Malawi”.

Specific Objectives:

- To analyze the types digital marketing SMEs utilize to advertise their businesses
- To identify the Impact of digital marketing on SMEs sales
- To assess challenges affecting utilization of digital marketing by Small & Medium Enterprises.

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## LITERATURE REVIEW

Literature review of different prominent authors in relation to my topic have been reviewed, some of them are:

This study included exploration of how Caribbean small business owners leverage digital technology to research, engage, and sell to consumers to help achieve and sustain a competitive advantage (Bee, R., & F. Bee, 2011).

Blumenthal (2010) stated that consumers, especially in remote locations, can voice their needs, attitudes, and values through many channels including digital platforms

Chaffey, & F. Ellis-Chadwick (2019) argues that Digital innovations significantly assist small businesses in transforming data into valuable consumer insights.

Attaran & Woods (2019) conducted a study of how the Caribbean Republic’s small business leverage Digital Technology, such as the Internet or access technology-enabled services, to achieve a competitive advantage.

According to Liu & Atuahene-Gima(2018), Marketing creatively generates hard to imitate value and gives consumers additional reasons to purchase, thereby giving a business a way to achieve a competitive advantage

Folten (2019); Morzhyna et al (2019) reveal that Digital marketing is a potential source of competitive advantage for small businesses (Foltean, 2019; Morzhyna et al., 2019).

S. Atshaya, & S. Rungta (2016) opine that the term Digital Marketing encompasses an organization's activities and processes enabled by digital tools to research, acquire, service, and retain customers. The evolution of the definition of digital marketing denotes that it is a rapidly changing subject because of advancing technology.

Hence, small businesses need to keep pace with developments in digital marketing that transform marketing processes and contribute to a business' competitiveness.

Cole et al (2017) states that many small businesses embark on digital marketing more slowly than their larger counterparts in part due to limited knowledge and insufficient digital skills.

However, they lack the expertise and skill needed to make digital marketing strategies successful (Cole et al., 2017). H.M. Taiminen, & H. Karjaluo (2015) states that Social media provides businesses an opportunity to execute marketing campaigns, deliver responsive customer service, develop relationships, promote brand awareness, and improve sales.

A study conducted by Niculescu et al., (2019) shows that an analysis of 10 top Romanian businesses' digital activity showed that paid search was a significant factor for raising the level of brand awareness while search engine optimization (SEO) was a critical element that sent traffic to a business' website.

Researchers such as Onyango (2016) did a study on the effects of digital marketing strategies on the performance of cut flowers exporting firms in Kenya. The study concluded by saying that with qualitative and quantitative approaches, using semi-structured interview indicated that digital marketing significantly exerts a positive effect of the market share in order to increase profit.

This study used Porter's (1980) competitive strategy theory as a conceptual framework. Porter's competitive strategy theory is the theoretical basis of many studies (as cited in Worsley, 2016). The essence of Porter's theory is that a business that creates consumer value for their products generates more sales than their rivals (as cited in Daengs et al., 2019).

## RESEARCH METHODOLOGY

**Research Design:** The researcher used mixed approach of descriptive quantitative and qualitative.

**Population and Sample Size:** A population of 750 SMEs and a sample size of 120 SME's was drawn from the Ministry of Industry and Trade's database using random sampling.

**Data Collection Technique:** Person to Person Interviews and Questionnaires were used to collect data from respondents (SMEs)

**Data Analysis:** The data was tabulated and analysed using the Statistical Package for the Social Sciences (SPSS) software package which includes mean and standard deviations. Descriptive statistics was used to analyse data.

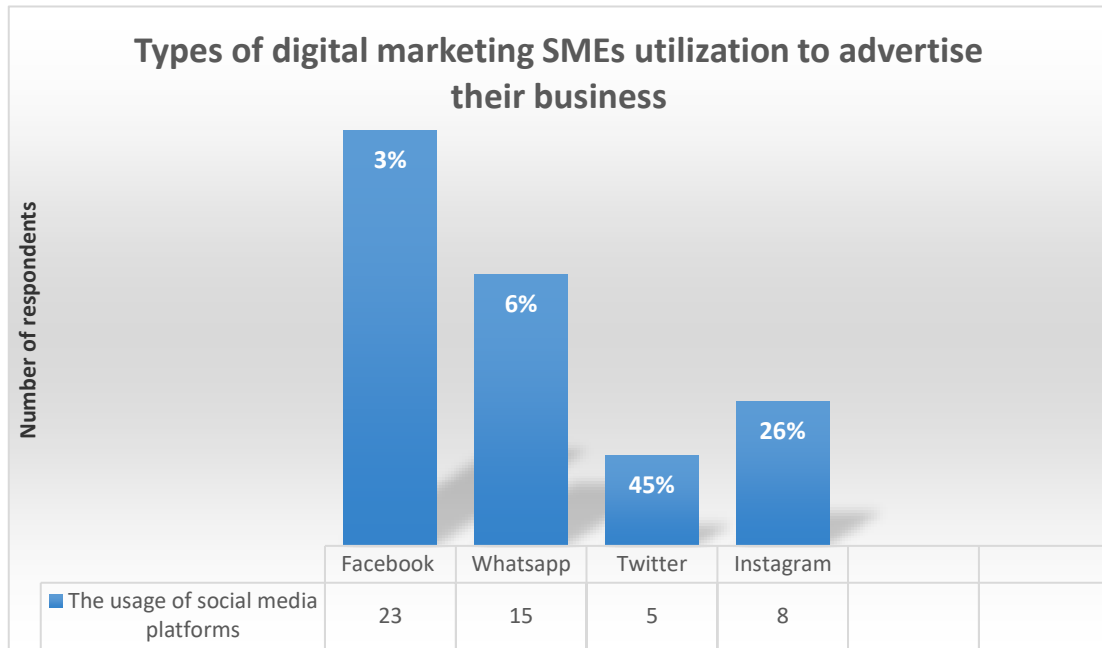
## KEY FINDINGS

**Table 4.3. Challenges affecting utilization of digital marketing by small scale entrepreneurs-**

Challenge	Frequency	Percentages (%)	Ranking
Lack of resources	30	25	5
Limited technical expertise	14	11.6	1
Inadequate understanding of their target audience	16	13.3	2
Lack of experience Management	25	20.8	3
Difficulty in measuring the effectiveness of digital marketing campaigns	11	9.2	4
Cybersecurity risks	24	20	5
TOTAL	120	100	

SMEs operators who took part in the study, were however, asked to rank the challenges affecting utilization of digital marketing. Lack/inadequate access to finance (bank loans) were considered to be a major constraint as it recorded 75%. This means that among all the problems faced by SMEs in their operation ranging from competition, high utility tariffs, infrastructure among others, the participant SMEs saw the lack of credit facilities as the major constraint. Table 4.3 above shows the various challenges faced by SMEs in ministry of industry and trade southern region in Malawi.

Figure 4.5. below Shows how small and medium Enterprises uses types of digital marketing to advertise their business for marketing to improve business performance and out of 120 respondents Facebook had reached 45%, WhatsApp has 30%, twitter has reached 10%, and Instagram reached 15%. This means that Facebook was used a lot more than any other forms of media for marketing and customer interaction as shown in the graph below:



Source: Field data

Figure 4.5 Types of digital marketing SMEs utilize to advertise their business

Another objective to this study was to identify the Impact of digital marketing on SMEs sales. The analysis was done by comparing the observations before the use of digital marketing platforms for marketing and after the use of digital marketing platforms for marketing in terms of operational cost, increase in sales, increase in profit and increase in customers. As such, the findings were presented to compare the experience before social media and after the utilization of Digital platforms. Refer to Table 4.2 below

Table 4.2: The Impact of digital marketing on SMEs sales by SMEs under the Ministry of Industry and Trade in Malawi

Scale	Before the use of social media							After the use of social media						
	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Average mean	SD	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Average mean	SD
There have been decrease of operational cost	13%	12%	5%	45%	23%	4.6	2.6	25%	34%	6%	12%	23%	4.7	3.15
There have been increase of sales	2%	5%	7%	36%	120%	3.6	2.8	34%	27%	6%	13%	20%	3.8	3.10
High profit has been realized at my business	12%	10%	6%	34%	38%	3.4	1.2	24%	33%	7%	14%	22%	3.6	2.3
Number of customers have been increasing	2%	5%	7%	36%	120%	3.1	2.2	34%	27%	6%	13%	20%	4.6	2.8
Mean	3.675							4.175						

Source: Field Data (2023)

The results show that, 34% of the respondents have strongly agreed that sales increased due quick promotion through digital marketing platforms on SMEs sales; 27% of them agreed over the statement; whereas 6% of the respondents were neutral. Otherwise, 13% of the respondents agreed and 20%

of the respondents strongly agreed. The impression one gets is that, majority of the respondents acknowledge the increase of sales due to the use of digital marketing platforms on SMEs sales.

The findings presented in the table 4.2 show that, before the use of digital marketing platforms on SMEs sales 2% of the respondents have strongly agreed that there has been increase of customers; while 5% of the respondents just agreed. Further, it was found 7% of the respondents were just neutral but 36% of the respondents disagreed that there has been increase of customers following the use of social media. It has been found that, a half of the respondents strongly disagreed over the notion.

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## SUMMARY OF KEY FINDINGS

-SME's use Facebook, WhatsApp, Twitter and Instagram to advertise their products/services.

-SMES lack ICT technical know-how on digital Marketing

-Digital marketing increases sales and Profitability

-SME's lack resources (financing) to invest in Digital marketing

-SME's face difficulties in measuring the effectiveness of Digital Marketing

-SME's fear Cyber security risks

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## DISCUSSION

According to the findings and in line with the objectives, the study has revealed that SME's face challenges such as lack of knowledge and technical expertise, Finance and Cyber security risks.

Hence, the Malawi Government should help SME's in implementing a proper legal and policy framework that will promote ICT and use of Digital platforms.

The Ministry of Industry and Trade should provide Trainings to SME's for them to remain competitive on the market.

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## RECOMMENDATIONS

**Capacity Building:** The researcher recommends that Ministry of Industry and Trade should provide capacity building on the utilisation of Digital platforms amongst the SME's.

**Training Programs:** SMEs should invest in training programs to improve their technical skills in digital marketing.

**Partnership:** SMEs should collaborate with digital marketing agencies or consultants to enhance their utilization of digital marketing. These partnerships can help SMEs overcome the challenges they face in digital marketing, including lack of resources and technical skills.

**Policy Interventions:** The government should develop policies that support the adoption of digital marketing by SMEs. These policies can include tax incentives, funding opportunities, and regulatory reforms that promote the use of digital marketing.

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## LIMITATIONS OF THE STUDY

The first Limitation of this study was that the participants were from Small and Medium Enterprises residing in the country's three cities

The second Limitation of this study was Time Constraint. The schedule and timeframe of the MBA limited the broadening of collecting a big sample size

The third Limitation of this study was unavailability of accurate data as most SME's could not recall business events accurately.

The Fourth Limitation of this study was lack of Financing as the project was self financed.

The final Limitation of this study was confidentiality. Most SME owners could not open up to reveal business information on sales.

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