

Strategic E-marketing for Small and Medium Manufacturing Enterprises (SMMEs) in Tanzania: An Empirical Study

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Abstract - *The E-marketing is spreading extensively, since the majority of business as they are trying to enter the global market through this technology. Apart from entering the global market, this technology comes with various advantages. It is from this understanding; this study intended to understand how E-marketing can enhance the strategic marketing in small and Medium Manufacturing Enterprises (SMMEs) in Dar es Salaam. The study used causal comparative research strategy, to explain how the use of information technology affected the SMME marketing strategies. While, the simple random techniques was applied to collect data in order to meet the research question. The Study found that, the SMMEs are slowly adopting E-marketing operations. This is due to weaknesses caused by inadequate knowledge related to benefits that comes with the E-marketing technology. Others are inadequate resources to meet initial cost to embrace the technology as well as the culture to fear risks and changes. In turn there is a gap existing between the business and customers' satisfaction, since SMMEs incur huge costs on communication to meet the customers' products test and order fulfillment. Therefore, the study recommended adoption of E-marketing to meet the strategic challenges related to marketing. The application of E-marketing in SMMEs can also create leverage drawn from interaction between business and customers. On the other hand, the SMMEs needs to invest strategically on infrastructure and human resource development (skills)*

Key words: *Strategic E-marketing, human resource development, information technology.*

INTRODUCTION

Generally the E-Marketing is referred as the use of electronic data and applications for planning and executing the conception, distribution, promotion and pricing of ideas, goods and services to create exchanges that satisfy

individual and organizational objectives" (Gohary,2007). On the other side Burgess and Bothma (2007) added that, the businesses deploying the e-marketing strategy in order to inform, converse, promote and sell products and services over the Internet". Marketers use the e-marketing strategy to identify and satisfy customer needs and preferences through monitoring website visitations, e-mails, online surveys and chat rooms conducted on the Internet (Porter, 2001). Business enterprises can develop custom-made products and services that meet the precise needs of consumers and this in turn culminates in high returns for businesses (Zhao, 2005). The adoption of e-marketing in US and UK enabled businesses to promote their products and services to the public through advertisements, banner advertisements, e-mails and mobile phone competitions (Chaffey & Smith, 2005). Businesses are also better able effectively to serve global markets and to distribute goods and services to customers globally through e-marketing adoption (Harris & Dennis, 2002).

Moreover, the SMEs in developed countries are exploiting the advantages and opportunities as a result of online trade. Whereby majority of the SMMEs can access the global market, either the e-marketing became an influential force on customers' management. Since the technology is flexible and quick to adopt the customers dynamism, various SMEs applied the technology as an instrument to respond on globalization as well (Fiona, 1997).

The use of e-marketing has made a significant shift on business knowledge investment, enhanced capability to meet high competition and attract customers. Also the system enhanced the Decision-making process, giving

adequate data with reduce cost and timing (Ryssen, 2004). Most contemporary businesses enhanced their pace in the market, through learned process which allows gathering the customers' requirements and accessing the business essential updates regularly. But, the SMMEs specialized in manufacturing products are less likely to adopt Internet technologies as compared with knowledge intensive service organizations such as consultancies (Martin & Matlay, 2001; Sadowski, Maitland & Dongen, 2001). A largest of manufacturing SMEs are still in the lower stages of e-business adoption because these firms perceive very low levels of benefit from e-business (Ramsey & Ibbotson 2006). Technology intensive industries have reaped the rewards of Internet technology, which are yet to be experienced by traditional marketers (Chan & Swatman, 2000). E-marketing leads to standardization of products and prices as differences among competitors' products are reduced (Porter, 2001).

Large firms are also able to encroach onto niche markets, which were traditionally serviced by SMMEs because e-marketing significantly reduces transaction costs (Jeffcoat, Chappell & Feindt, 2002). These limitations on the part of SMMEs have contributed to the significantly low levels of e-marketing adoption. However, the turning point comes when marketers out-compete each other based on information and service quality (Hamill, 1997; Elliot & Sewry, 2006).

The SME sector remains one of the most promising economic sectors contributing approximately 30% of the gross domestic product (GDP) in South Africa and over 80% in global economies (Jutla, Bodorick & Dhaliwal, 2002). Cronje, Du Toit and Motlatla (2004) state that SMMEs act as a catalyst for economic growth as well as for the development of the arts, human resources, manufacturing and sport sectors. In line with the August report from the Parliamentary Monitoring Group (RSA, 2009), economies can benefit from the build-up of efficient SMMEs in order to facilitate the government's plans to create about half a million jobs for South Africans targeted originally for accomplishment by the end of the year, 2009. International labor Organization (ILO), about 70% of the people in Sub Saharan Africa (SSA) rely on small and informal establishments for their livelihood. Similarly, employment data from eight selected Sub-Sahara African countries revealed that, by 1997, the share of small firms in total wage employment ranged between 48% and 85% (Bendera, 1997). The SMMEs success vary from one country to the other, for instance in Azerbaijan, Belarus and Ukraine there are less than 5% of the formal work force is employed in SMMEs. This share is almost 80% in Chile, Greece, and Thailand (SME250). Still SMMEs sector's remained the major contributor of employment and GDP per capital. World Bank's database, there has been a remarkable increase in the SMMEs sector's contribution to total employment from the low-income countries (17.56%) to the high income countries (57.24%). World Bank database (2003)

Rather the electronic marketing, is marked as a tool which shaping the external and internal environment of the entrepreneurship. Its impact towards the business environment led into significant change on online shopping and transactions. For instance, the external environment deals with globalization, development of new technology, price sensitive consumers, internet, new distribution and communication channels. While the internal environment demographic, politic, social and cultural macroeconomic factors as well as technology growth. The elements in internal environment are further summarized into three large groups such as competitive advantage, resources and skills available to change the enterprise (Dlodlo and Dhurup, 2010).

However, the available reports showing that a significant number of SMEs in Tanzania experiencing low level on business growth rate (Vuuren and Groenewald, 2007). Different business inefficiencies were identified such as coverage and methodological consistency. These problems have been extensively analyzed as the main cause of employment and income challenge towards the SMMEs in Tanzania (URT, 2003). The Manufacturing Survey in Tanzania done by Allan, Mars and Francis (2002) emphases that, the low level of using information technology in business operations led into low profitability level.

Despite the effort developed by the government to promote business should integrate Internet-driven marketing principles into their mainstream business practices, this results mostly SMMEs cannot compete in a global market due to lack of clear marketing strategies, effectiveness of sales and promotion among the SMMEs, it brought the organization facing difficult such as poor improving of the customer relation services; poor flow of the information from one department to another, poor marketing decisions, poor product development, in long run will result to poor performance. In this regard, uptake of Internet marketing strategies has the potential to contribute to the exponential growth of the SMME sector. However, despite its potential as a marketing tool, actual use of e-marketing has not met expectations (Elliot & Boshoff, 2007).

Therefore, this study intended to access how E-Marketing influencing SMMEs toward marketing strategies.

RESEARCH OBJECTIVES

The objective of research was specifically focused on the following in order to:

1. Assess the use of Information Technology (IT) influencing SMMEs toward marketing strategies in study area.

METHODOLOGY

Research design and study areas

This study used causal comparative research design, to explain how the use of information technology affected the SMME marketing strategies. Rather, the design helps to investigate how SMME can achieve effective marketing

through a strategic E-marketing. The study covered a total of 192 registered SMMEs in Tanzania. But, (34) SMMEs located in Dar-es-salaam that is equivalent to (17%). This study used a judgmental sampling to select Ten (10) SMMEs out of thirty four (34) SMMEs or (29%) of whole registered SMMEs based in Dar es Salaam. This technique was used by the researcher to obtain respondent at the organization. This technique preferred this group because; the researcher wanted to obtain the respondents that will be relatively informative depending on the nature of research question. It involved the researcher's own judgment in selecting sample which will provide adequate information concerning the matter. This sample involved with members who are dealing with enterprises activities at the time of the study. Meanwhile, the researcher used Simple random sampling to select participants from the whole population of the organizations' employees. This technique was preferred because; the researcher wanted each and every unit of the targeted population to have an equal opportunity of being selected in the sample. From this understanding four (4) employees and two (2) member from management were selected which form total of six (6) respondents which is equivalent to 60% of total respondent to present group of selected sample. An open ended questionnaire was used to collect relevant data from the sample respondents. Then, the collected data were analyzed through Mean, standard deviation, frequencies, and variance to meet the research objectives. On the other side, the SPSS version 20.0 was used to assist the coding of data coding and run the analysis.

RESULT AND DISCUSSION

The use of E-marketing strategies and its influence on SMMEs

The technology and environment are important contingency factors that have a moderating effect on the relationship between business strategies and performance of SMEs and the finding point out that business strategy may lead to better performance under conditions of grater technological complexity of process and product. The principal component analysis was used on analyzed the descriptive statistics of the respondents to answer the question that state the use of information technology influencing SMMEs toward marketing strategies. The Descriptive Statistics table below shows the results in detail.

Table 1 shows a Descriptive Statistics of means and standard deviation on opinion the respondents agree on the use of computer system in their firm help to perform better on E- marketing activities and it influence them to make more success of their firm's marketing decisions. This is also shown on the Std. Deviation Statistic which is highest Std. Deviation is 0.99, this means that the respondents were almost agreed that use of computer system make their firm produce and market a good quality product at the lowest cost. Even though the table indicates the lowest Mean Statistics which is 2.0 which means that the respondents also were agreed upon and the lowest Std. Deviation Statistic is 0.7 which means the deviation is low, that means respondents agreed on the use of computer system can effectively support their firm's marketing strategies

Table 1. The descriptive statistics for the E-marketing application in SMMEs

Descriptive statistics

| | Mean | | Std. Deviation |
|--|-----------|------------|----------------|
| | Statistic | Std. Error | Statistic |
| Use of E-Marketing can effectively support your firm's marketing strategies | 2.0857 | .11862 | .70174 |
| Use of E-Marketing in my firm help to improve marketing strategies activities | 2.0571 | .13561 | .80231 |
| Use of E-Marketing in my firm help to improve the quality of my works | 2.0857 | .14420 | .85307 |
| Use of E-Marketing influence my firm toward gaining competitive advantages and more profitable | 2.0857 | .15541 | .91944 |
| Uses of E-Marketing influence my firm to offer quality and standard product that differ from the other firms | 2.2000 | .15771 | .93305 |
| Use of E-Marketing make my firm produce and market a good quality product at the lowest cost | 2.3429 | .16875 | .99832 |
| Use of E-Marketing influence my firm toward improvement of marketing performance | 2.2857 | .16689 | .98731 |

| | | | |
|--|--------|--------|--------|
| Use of E-Marketing influence my firm on improving the quality of marketing decisions | 2.2286 | .14830 | .87735 |
| Use of E-Marketing in my firm help to perform better on marketing activities | 2.3429 | .14168 | .83817 |
| Use of E-Marketing influence to make more success of my firm marketing decisions | 2.3429 | .15847 | .93755 |

Source: *field data (2013)*

From the above table shows that the highest Mean Statistics is 2.3, Using the principal component analysis was also done and shows only one component has been analyzed that is uses of E-Marketing can effectively support the firm's marketing

strategies and results show that the use of E-Marketing influences SMMEs toward marketing strategies with 78.3%, a total of 7.83 of the respondents were agree that the uses of E-Marketing can effectively support the firm's marketing activities as shown in the table below.

Table 2: Total Variance Explained

| Total Variance Explained | | | | | | |
|--|----------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| Component | Initial Eigen values | | | Extraction Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 7.837 | 78.373 | 78.373 | 7.837 | 78.373 | 78.373 |
| 2 | .597 | 5.974 | 84.347 | | | |
| 3 | .399 | 3.989 | 88.336 | | | |
| 4 | .359 | 3.593 | 91.929 | | | |
| 5 | .231 | 2.313 | 94.242 | | | |
| 6 | .174 | 1.739 | 95.982 | | | |
| 7 | .136 | 1.364 | 97.346 | | | |
| 8 | .107 | 1.069 | 98.415 | | | |
| 9 | .094 | .940 | 99.354 | | | |
| 10 | .065 | .646 | 100.000 | | | |
| Extraction Method: Principal Component Analysis. | | | | | | |
| Source: <i>Field data (2013)</i> | | | | | | |

Using the principal **Component Matrix^a** was also done and shows only one component has been analyzed representing each the weight of each question collected from the field and results of **Component Matrix^a** analysis shows the

components with the highest weight and other components with the lowest weight reflecting the responses from the respondents. The table below illustrates the analysis in detail.

Table 3: Component Matrix

| Component Matrix ^a | |
|--|-----------|
| | Component |
| | 1 |
| Use of E-Marketing can effectively support your firm's marketing strategies | .873 |
| Use of E-Marketing in my firm help to improve marketing strategies activities | .872 |
| Use of E-Marketing in my firm help to improve the quality of my works | .846 |
| Use of E-Marketing influence my firm toward gaining competitive advantages and more profitable | .873 |
| Uses of E-Marketing influence my firm to offer quality and standard product that differ from the other firms | .858 |
| Use of E-Marketing make my firm produce and market a good quality product at the lowest cost | .931 |
| Use of E-Marketing influence my firm toward improvement of marketing performance | .867 |
| Use of E-Marketing influence my firm on improving the quality of marketing decisions | .868 |
| Use of E-Marketing in my firm help to perform better on marketing activities | .933 |
| Use of E-Marketing influence to make more success of my firm marketing decisions | .926 |
| Extraction Method: Principal Component Analysis. | |
| Source: <i>Field data (2013)</i> | |

From the table above the first **Component Matrix** item which has the highest weight of 0.93 shows that the respondents are strongly agreed that use of E-Marketing in their firm help to perform better on marketing activities and make them produce and market a good quality product at the lowest cost.

The second item which has the lowest weight of 0.85, this shows that the respondents also strongly agree that use of E-Marketing influence their firm to offer quality and standard product that differ from the other firms and improve the quality of their works. This shows that the respondents have agreed on the use of information technology influences SMMEs toward marketing strategies.

The researcher conclude that the use of E-Marketing influence the SMMEs toward performing better on marketing decision making regarding to marketing strategies in improving marketing performance, quality of marketing decisions and gaining competitive advantages and also use of computer system in their firm help to perform better on marketing activities and it influence them to make more success of their firm's marketing decisions and effectively support their firm's marketing strategies.

The findings of this research on the use of E-Marketing influence on Small and Medium Manufacturing Enterprises toward better marketing strategies strongly concurs with the findings by Chaffey & Smith (2005) that argued that The adoption of e-marketing enables businesses to promote their products and services to the public through advertisements,

banner advertisements, e-mails and mobile phone competitions and Harris & Dennis, (2002) who argued that Businesses are also better able effectively to serve global markets and to distribute goods and services to customers globally through e-marketing adoption. Their finding point out that E-marketing leads to standardization of products and prices as differences among competitors' products are reduced and business strategy may lead to better performance under conditions of grater technological complexity of process and product.

CONCLUSION

The E-marketing influence changes on the pattern of business and customers communication. From this understanding the study found that, the E-marketing has a strong influence on the way marketing strategies applied by SMMEs. This involved how data are collected, handled, interchange, analyzed and disseminated for customers as well as business use. Since the business is directly linked to customers' information through various interactive media such as computers internet, mobile phones texts, social media or blogs. Then, costs of tracking, storing, handling and accessing customers' information are reduced. Also, the customers' satisfaction can be improved through effective marketing. For instance; branding, customer relationship management and open up for new channels.

However, most these SMMEs have the challenge on low level of applying the technology towards daily business operations. This is due to inadequate information technology knowledge and infrastructures. Whereby, the SMMEs managers fail to exploit and communicate effectively to stakeholders.

RECOMMENDATIONS

Based on analysis above, the following recommendations have been put forward:-

The SMMES should invest on both infrastructure and human resources development through deliberate projects and programs and skills development among operators and participants using regular workshops and seminars. SMMES should be encouraged to apply E-Marketing to create leverage drawn from interaction between business and customers. The SMMES need also be encouraged to use all avenues, to generate end to end client relationship and target the right niche that can offer competitive advantages. This can be achieved through opportunities created through information technology E-marketing utilizations in order to build customers legality and good image in addition to product advertisement. SMMES marketers can use the E-marketing as a way of breakdown the barriers to the potential customers' accessibility. Where by the customers can access complete information related to products offered and interact with the business to actualize their transactions. SMMEs should be encouraged to open up for training and development to adopt E-marketing technology that can lead into effective strategic marketing through participation entraining programmers provided by many government institutions here in Tanzania. SMMES should be encouraged to open up for training and development to adopt E-marketing technology that can lead into effective strategic marketing through participation in training programs provided by many government institutions here in Tanzania. SMMES should full adopt E-marketing to reduce the current costs of communication and operations and to minimize the dangers associated with manual handling of marketing data accessing of vital information's

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