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**Effect of Digital Marketing on the sales and profitability of SMEs in  
Islamabad**



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## **Abstract**

(SME) small and medium enterprises are non-subsiary, independent firms which employ fewer than a given number of employees. This number varies around countries. The purpose of the study is to understand the influence of digital marketing on sales and profitability of SMEs in Islamabad. The dependent variable is the sales and profitability of SMEs while the independent variable is digital marketing, as the study focuses on the effect of digital marketing on the sales and profitability of SMEs. A survey was conducted to gather data for research. Quantitative analysis was done and the results were analyzed using SPSS. The results of the study show the influence of digital marketing with moderator usage of social media and interneton performance of SMEs. Both the factors have a significant positive effect on performance of SMEs. The study will help retailers and restaurant owners to focus on social media marketing and aim for more development of digital marketing. Similar studies have been conducted in other regions of the world but not in Pakistan. Insights from this study will help the local retailers and restaurant owners to place their trust in social media marketing.The idea of digital marketing having an effect SME performance was not solidified by proper research in the local scenario. Similarly, the idea of e-marketing playing a role in sales and profitability was not yet proved. This research aims at providing substantial evidence of that.

**Keywords** –Social media marketing, digital marketing, internet marketing.

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# 1. Introduction

## 1.1 Background:

Approximately there are more than 4.2 million Small and Medium Enterprises currently operating in Pakistan (Pakistan Economic Survey 2020-21). The government has provided Rs 6.9 billion to support the SMEs and plans to zero in on admittance to fund, business advancement administrations, abilities and human asset, innovation, market access, foundation and business venture. (Pakistan Economic Survey 2020-21). Due to this step, Small Scale sector is estimated to grow by 8.3 percent during Fiscal Year 2020-21. SMEs make up 90% of the total firms which contribute over 30% to the GDP of Pakistan, 25% to exports and share 35% contribution in manufacturing sector (Subhan, Mehmood, & Sattar, 2013). The greater part of the SMEs in Pakistan are associated with the creation of products that are exported. These SMEs contribute 30% of the total exports of the country. (SMEDA). Several studies have shown that Entrepreneurial Orientation facilitates new start ups and small firms (Lussier, 1995), to outplay the competitors and enhance a firm's performance (Sirmon&Hitt, 2003; Lumpkin & Dess, 2001; Zahra & Garvis, 2000; Shepherd & Wiklund, 2005). A portion of the qualities that differentiate

SMEs organizations from huge associations are (Hakserver, 1996): proprietorship, the executives and hierarchical design; capital assets; targets; markets; and clients. (Ahmed, I et.al, 2010). With rising trends of urbanization people from rural areas are migrating towards big cities at a large scale and thus the e-marketing is becoming a necessity to cater a large number of customers in a short period of time. Most of SMEs have not progressed to a phase where broadcast communications and interconnectivity are viewed as significant, despite the fact that there has been development around here. (Ahmed, I et.al, 2010). SMEs in Islamabad region have good potential for growth using digital and internet marketing, this paper aims to focus on how these enterprises can utilize the digital platform. The SME area isn't just a supplier of products and benefits, yet in addition a driver in advancing contest and advancement while improving the venture culture which is fundamental for monetary turn of events, industrialization and modernization. (KIPPRA, 2013; RoK, 2015). Marketing resources and capabilities influence the creation of competitive advantage because they can be unique, difficult to achieve, hard to copy and their worth can be appropriated by the organization. (Hooley et.al, 2005). Digital marketing has been promoted before as a cardinal methodology towards improved firm seriousness and consequently, execution because of its availability, usability and capacity to come to a huge interest group in a short time period. (Kawira, K.D. et.al, (2019). E-marketing is not only one of the important tools for big organizations, but on the other hand is necessary for small and medium enterprises (SMEs) to advance and support. (Khaskheli, A., & Jun, Y, 2016). Molla (2005) believed online business helps SMEs not only to exclusively reduce exchange cost but also assists with eliminating the middleman which gives ease of access to the products and services at the stores. To accept the importance of E-Commerce, more than 20% of SMEs in Pakistan carried out it in their business to take the upper hand locally as well as in global market. Khan (2014). Advanced electronic payment facility is crucial for the development and maintainability of E-business. Number of choices enables more web based shopping as clients feel straightforwardness and accommodation. (Khaskheli, A., & Jun, Y, 2016). The dormancy introduced by numerous large scale companies in adopting IT services has given many small scale firms to fill up the void by offering versatile and mobile based applications facilitating the utilization of traditional items and services for the customers. (Mustafa, S et.al 2018). According to Rahman, et.al (2015) SME's role in economy development is intensely subject to the support programs and policies given by the government. The utilization of digital means of marketing by



both SMEs and likely clients has opened the doors for SMEs and potential clients with the goal that SMEs can acquire business benefits by utilizing this form of marketing. (Thaha, A. R. et.al, 2021). The assembling and production businesses should effectively use IT abilities to fabricate capacities that empower computerized advertising, including internet promoting, adaptable assembling, and content administration capacities. Advanced marketing execution is determined by the abilities of supporting goals, which are dependent on the organization's IT advancements. (Wang and Cavusoglu, 2015). So, this study aims to focus on the potential of digital platforms of marketing in increasing the sales and profitability of SMEs in the Islamabad area.

## **1.2 Problem statement:**

Identifying the effects and consequences of online as well as offline marketing on factors, which help in successful results regarding sales and profitability of SME's. (Kawira, K.D et.al,2019). Moreover, the role of internet marketing in success of SME's in the Islamabad and Rawalpindi region. The independent variables include Internet marketing (banners, ads etc.), Social Media marketing (platforms like Facebook, Twitter, Instagram) and Digital marketing (both online and offline). Researchers in Pakistan and in other regions of the world have not done any significant research in the area of above mentioned marketing platforms and their role in the success of SME's in Pakistan. So, there was a research gap which could be fulfilled in this particular sector and region. The rise of digital marketing, social media and internet marketing worldwide including Pakistan as well, where the customers are inclining towards the digital side of marketing, has opened a door for this particular research. As Delgado-Verde (2011) stressed that for existence of a firm, the main determinant is knowledge. Currently, firms must rely upon the digital side of marketing as well, so the digital knowledge of marketing has become necessary to ensure profits for SME's. So, research in the Islamabad/Rawalpindi region would prove helpful to these Small and Medium Enterprises and the researchers as well who would wish to continue the research in this area. Also, providing insights on how to utilize the digital marketing platforms for better performance of SMEs in Islamabad/Rawalpindi.

## **1.3 Contextual analysis:**

The reason for selecting the SME sector of Islamabad/Rawalpindi is that SME's contribute over 55% of GDP and more than 65% of employment in developed countries with stable economy,

while providing 60% of GDP and almost 70% of total employment in low-income countries and this industry covers 95% of total employment and has 70% contribution in GDP of countries which are dominantly middle-income. (Ammad Zafar&Sadaf Mustafa, 2017).SME section is the establishment of Pakistan's economy to the extent its responsibility towards GDP, work period and passage improvement. Economy related admittance is a vital driver in developing the SME division which subsequently prompts monetary development of the country (Ammad Zafar &Sadaf Mustafa, 2017).SMEs comprise almost 90% of the businesses in Pakistan. They provide livelihood to 80% of the non-agricultural workforce and their portion in the yearly GDP is around 40%. (Mubarak, M, F et.al 2019). Confronted with the difficulties of monetary globalization and intensity, electronic business can offer quite a large number advantages to firms: decrease of expenses (both data trade, exchange and marketing expenses), reach to geologically scattered markets, decrease of conveyance times, closer relationship with the buyer through more customized promoting, capacity to contend in more aspects than cost, and some more. (Lorca, P et.al 2019). SMEs in the South Asia region form about 80% of employment. This industry plays a significant role in economic development and environmental sustainability in the region. (James, L 2020). This industry holds much significance in both the employment and economic development of Pakistan, so this paper will be focusing on its relationship with digital marketing.

Another reason for selection of the SME sector of Islamabad region with these variables, is that no significant research had been done here previously. This opened an opportunity for new researchers to study this field, in relation to the role of E-marketing (Digital, Social Media, Internet) in its sales and profitability.

#### **1.4 Gap analysis:**

No research has been done on the effect of above mentioned variables on sales and profitability of SME's in the Islamabad/Rawalpindi region. (Kawira, K.D et.al,2019) identified the above mentioned variables and incorporated them in their paper. They did the research in Kenya Tharaka-Nithi County, as a future gap they mentioned that more areas of the country can be looked upon for the same research. So, it was identified that no such research has been done in this particular region as well, paving the way for this research paper. Moreover, the usage and

availability of internet was overlooked in their research. So, this paper would also be discussing that variable.

### **1.5 Research questions:**

This research focuses on the following questions:

RQ 1: Is digital marketing deployed in the business?

RQ 2: What are some of the digital marketing strategies adopted by your business to market its products /services?

RQ 3: What impact does social media marketing have on the profitability of SMEs?

RQ 4: What impact does digital marketing have on the profitability of SMEs?

RQ 5: What impact does internet marketing have on the profitability of SMEs?

### **1.6 Research objectives:**

This paper aims:

- To find out if SMEs in Islamabad/Rawalpindi deploy digital marketing in their business.
  
- To find out the digital marketing strategies of SMEs.
  
- To determine the impact of social media marketing on the profitability of SMEs.
  
- To discover the impact of digital marketing on the profitability of SMEs.

- To discover the impact of internet marketing on the profitability of SMEs.

### **1.7 Significance of study:**

This research was needed because of the importance of SME's industries in the economic and employment development of Pakistan. As discussed in the contextual analysis and the background, SME sector is a big contributor in Pakistan's economic growth and offers great potential for digital marketing practices. The development of the Internet and the implementation of traditional marketing strategies have given rise to the emergence of digital marketing strategies for these companies. Few organizations are showing a better capacity to implement digital advancements to acquire an upper hand over the market in numerous enterprises. Conventional organizations, with their progressive, incorporated, mechanistic hierarchical designs cannot modify their structures swiftly which are vital for the implementation of digital marketing. (Mubarak, M, F et.al 2019). E-marketing has emerged as an essential part of the traditional marketing approach in today's day and age, as the world is shifting towards a digital revolution. However such advantages come with new difficulties as technological change alters the nature and construction of organizations and markets, raises worries around occupations and abilities, protection, security and social and financial collaboration. (Mubarak, M, F et.al 2019). It would be interesting to analyze how this particular business sector approaches the concept of E-marketing which include the above mentioned variables namely; Digital marketing, Social Media marketing and Internet marketing. As internet usage has increased in the last 5 years or so, digital presence and platforms of businesses have become a necessity for survival and excelling ahead. Mainly, the accessibility that digital marketing provides is what attracts the customers the most, as they do not have to stand in lines to wait for their turn anymore. A website provides easy access to the products and commodities a company has to offer with no time limits as internet services are available 24/7. All these factors play a big role in customer's choice when opting for any kind of product, not just the price but the cost of travelling, waiting and the hassle of going out determine a customer's choice. Shopping online is something that is highly favored in today's digitized world and connectivity facilities where a customer can use his smartphone to buy his favorite things while sitting on his couch. Mobile marketing utilizes remote medium to give clients time and accuracy area and with data that are imperative for their items, and so on. It

also licenses the betterment of the exchange level among buyers and their cell phones with the formation of additional channels of publicity. (James, L 2020).It would be interesting to analyze how this particular business sector approaches the concept of E-marketing which include the above mentioned variables namely; Digital marketing, Social Media marketing and Internet marketing.SME business owners in the market will better understand the psyche of the customers and provide services and products that result in maximum customer satisfaction, if they utilize proper channels of e-marketing. Social media marketing is the most up to date advertising instrument that is being utilized by business associations to enable brand image and recall ability. It is one of the best apparatuses as it has far impressive range than different mediums and is the least expensive as well.The rise of digital marketing, social media and internet marketing worldwide including Pakistan as well, where the customers are inclining towards the digital side of marketing, has opened a door for this particular research. So, this information will help in understanding the situation of SMEs in the country. SMEs should be implementing technology based marketing techniques in order to prosper and succeed in the modern business competition, but these tools have not been fully equipped by some of the firms. (James, L 2020).The subject of advanced advertising and SME research is generally connected with carrying out digitized business execution, with marketing channels overwhelmed by social media and company sites. (Thaha, A. R. et.al, 2021).The development of the Internet and the implementation of traditional marketing strategies have given rise to the emergence of digital marketing strategies for these companies.SMEs comprise almost 90% of the businesses in Pakistan. They provide livelihood to 80% of the non-agricultural workforce and their portion in the yearly GDP is around 40%. (Mubarak, M, F et.al 2019). SMEs in the South Asia region form about 80% of employment. This industry plays a significant role in economic development and environmental sustainability in the region. (James, L 2020).In Pakistan, this marketing strategy seems to be underutilized which paves way for researching about ways in which it can be implemented for the profit of the SME sector. As this research will be based on the use of e-marketing for the benefit and progress of the SME industry in Islamabad region, it holds much importance for aspiring researchers and current SME industrialists.

## **1. Literature Review**

## 2.1 Digital marketing

Digital marketing stands for the usage of electronic media by companies to advance the products or services into the market. The principal objective of this digital advertising is drawing in customers and permitting them to communicate with the company through digitized media.(Yasminet al., 2015). It is a sweeping term for the designated, quantifiable, and intelligent promoting of labor and products involving computerized advances to venture and convert leads into clients and safeguard them. (Todor, R. D., 2016). Online advertising makes it simple for financial specialists to screen and provide every one of the requirements and wants of possible purchasers. It also makes it simpler for likely purchasers to have the option to find and receive the necessary product details just by clicking and surfing the internet. (Thaha, A.R. et.al, 2021). Assuming a modern SME plans to have an economical competitive edge, its image should stand out from the ones of competitors, and the advertising effort, both conventional and digital, should reflect and enhance that edge. Subsequently, it goes along with picking the appropriate technique that should be reflected additionally in the online presence of a SME. (Dumitriu et al. 2019). According to (Pradhan et al., 2018)the capacity of SMEs to learn and secure information is a vital advance that eventually decides if SMEs can progress to a higher degree of improvement. Digital marketing works with many-to-numerous interchanges due to the elevated degree of networking and is normally used to advance items or other services in an ideal, pertinent, more direct, and financially savvy way (Baines et al., 2013). The appropriate use of digital marketing in SMEs can alter the position of their businesses globally and increase their profits. The changing times forced SMEs to embrace innovations that they didn't feel the requirement for previously. These selections likewise should be acted in a manner that doesn't abandon SMEs in business which implies, it should be adopted with a pace in accordance to the speed of the progressions occurring. (Zamani, S.Z, 2022). The more SMEs can utilize digital media, the more chances of competitive edge and development they are supposed to have. (Gareeb and Naicker, 2015). But the implementation of digital marketing comes at a price as the firms have to hire people with knowledge of the digitized world. New employees mean training, giving them time to adjust and altering the overall cultural procedures of the business. The digitized approach to marketing has removed all the time and geographical constraints, as people are now able to find their desired product anywhere in the world. Firms need to identify the correct partners and workforce which will guide them through their digital revolution journey.

Studies have revealed a connection between utilizing digital promoting methods and financial development. Advanced advertising gains new clients and gives individual contact to clients as well as provides information and subsequently accelerates development. (James, L 2020). Thaha, A.R. et.al, 2021 says that the fast development of Information Technology in the digital age has impacted various departments of life, including changes in consumer behavior in the market. Entrepreneurs must know the proper use of digital marketing to effectively target appropriate consumers.

H3: Digital marketing is positively related to the sales and profitability of SMEs.

Web-based entertainment has changed investigation methods which grant brands to examine better with their buyers and reinforce their relationship with them. Palmer and Lewis (2009) state that social media provides online accessibility and platforms which aid two way communications, collaborations and sharing of information. Dahnil, M. I. et.al, (2014) defines social media marketing as an approach which includes using the available social networks and utilizing its options and features to fulfill marketing objectives while opting for the conventional publicity methods. Pioneers who possess detailed information about arising innovations can instigate their managers to think about their utilization. Those who are enthusiastic about new approaches towards internet business developing empower and uphold the process. (Tarafdar and Vaidya, 2006). The digital and internet publishing has been under the online media influence. With almost one-third of the world's population on social media, it is the easiest platform to reach maximum audience with a minimal budget. Users buy products and services based on the opinion which is circulating on the social media regarding that product. After buying a particular product users also post reviews online which are more helpful for other consumers. This digital word of mouth has gained a lot of popularity in recent times, as people tend to follow one another when it comes to social media buying decisions and criteria. Organizations have begun giving significance to what the buyers need instead of what the organization can offer. This client driven approach has helped numerous business associations. It also makes it simpler for likely purchasers to have the option to find and receive the necessary product details just by clicking and surfing the internet. Online ways of transmission are somewhat fresher than the conventional correspondence stations like Radio, Television and Newspapers. Virtual entertainment gives one of a kind chances to advertising. (Basri, W. S. M., & Siam, M. R. 2019).

Online media expects a combination part in the headway mix. It licenses associations to chat with their client base and at the same time, it grants regulars to talk with one another. Building on client conversations for the achievement of firm's goals and objectives has been the top priority of the firms. (Saravanakumar, M., & SuganthaLakshmi, T. 2012). Bruque & Moyano (2007) mentioned that SMEs will enable the flow of information necessary for utilizing the latest devices and simultaneously adjust the specialists' demeanor towards innovative change. Deficient and absence of specialized information, joined with little enthusiasm for the advantages of online business, stays a significant trouble for traditional SMEs. Organizations have been alert with publicizing; predominantly in expect purchaser reaction and keeping away from unforeseen goofs to hinder a viral client response in organizing destinations. The fast utilization of clients and the power of user produced content could make not just a great deal of chances for independent business ventures but additionally can help in overpowering the competitors. (Dahnil, M. I. et.al, 2014). This explains the importance of social media marketing's role in the development of both employees and the organization in the current market.

H2: Social media marketing is positively related to the sales and profitability of SMEs.

There has always been a comparison made between Digital and Internet marketing. Even though Digital marketing is also known as Internet marketing, online marketing, web marketing or data-driven marketing it would not be considered the same as Internet marketing. Digital marketing is a more extensive term that incorporates both the web and offline advanced tech and works utilizing a few channels, while Internet marketing exists just on the Internet. (Grubor, A., & Jakša, O. (2018). Kotler and Armstrong (2012) characterize internet marketing as the efforts of organizations to advertise their offerings and fabricate client connections through the web. It offers a few advantages to the new promoting world since it doesn't have impediment among manufacturers and clients. Web based marketing could actually speed up worldwide or global promoting. (Nurita, P., & Lundia, I. (2018). Currently, the road leading to purchase can be anyplace from 66% to 90% of the exchange before they contact the vender. The reason this is going on increasingly is that purchasers presently have such a lot of admittance to data that they can delay meetings with outreach groups until they, when all is said and done, become, somewhat, "specialists." (Bondarenko, et al. 2019). As Laforet and Li (2005) express, the conveyance of innovation based services gives off an impression of being related with high



fulfillment of the buyers. This has been demonstrated to be particularly evident where the purchases meant a lot to the customers. As internet usage has increased in the last 5 years or so, digital presence and platforms of businesses have become a necessity for survival and excelling ahead. Mainly, the accessibility that digital marketing provides is what attracts the customers the most, as they do not have to stand in lines to wait for their turn anymore. The digitized approach to marketing has removed all the time and geographical constraints, as people are now able to find their desired product anywhere in the world. This is an interesting opportunity to figure out how the established and conventional Small and Medium Enterprises, can or are using the facility of the web to enhance their business activities. The race to the top now requires a knowledgeable implementation of all the available web based advancements and chances. Internet marketing strategies should be based on the collaboration of human resource, innovative technology and flow of data, so that maximum output can be achieved by the companies. Few organizations are showing a better capacity to implement digital advancements to acquire an upper hand over the market in numerous enterprises. Conventional organizations, with their progressive, incorporated, mechanistic hierarchical designs cannot modify their structures swiftly which are vital for the implementation of digital marketing. (Mubarak, M, F et.al 2019). This change in perspective happens as the new advances are progressively being perceived as a practical method for conveying products and services (Tae-Gyu, 2006), as well as to accomplish noticeable uniqueness (Thorton and White, 2001). Those who are enthusiastic about new approaches towards internet business developing, empower and uphold the process. (Taraftar and Vaidya, 2006). The utilization of data innovation (Internet innovation) can be embraced by SMEs, for instance as intelligence about new items, keeping up great connections with clients (relationship promoting), and promoting sales through social media channels. (Nurita, P., &Lundia, I. (2018). Studies have revealed a connection between utilizing digital promoting methods and financial development. This depicts the impact internet market has on customers and the SME industry also is affected by this phenomenon so, this makes the use of internet marketing crucial.

H1: Internet marketing is positively related to the sales and profitability of SMEs.

## **2.2 Usage of social media and internet**

The importance of social media and internet presence is vital in today's digital world, companies weather large or small scale have come to depend on this medium for their digitized existence. Cashing on the widespread popularity and use of social media, companies can facilitate online presence and communication. Digital transformation means the mix of digital technology into all areas of a business, significantly affecting the operations and value delivery to customers. (NUR DP, E. (2021)). This digital word of mouth has gained a lot of popularity in recent times, as people tend to follow one another when it comes to social media buying decisions and criteria. Organizations have begun giving significance to what the buyers need instead of what the organization can offer. Something which can influence a firm's performance is the advancement of Internet innovation using web-based media by the business. Social media is an Internet-based media which works with the creation or sharing/exchange of information, considerations, work interests, different kinds of communication through virtual organizations and associations. (Carr & Hayes, 2015). Haley and Baldinger (1991) found that how much crowds like an ad campaign is the first indicator of purchase intention. This indicates, that the engagement level with an online campaign determines whether the customer is interested enough to complete the purchase. This is why, online presence and social media campaigns are designed specifically to attract as much audience as they can which ensures potential customers of the company. According to (Appel et al., 2020) social media and internet in the performance of SME's acts a facilitation for the customers as it provides access to the products or services without maintaining a physical presence of the company. Contrasted with customary perspectives on company to customer commitment, online brand connections are seen as comprising of more prominent mental handling, increased significance and a touch of emotional bonding. (Mollen and Wilson, 2010). The principal reason for the web based social forum in business setting is to draw in individuals. Commitment is the degree of inclusion, cooperation, closeness, and impact clients have on a brand over the long haul (Safko and Brake, 2009). The social giant innovations have been effective in empowering brands to be well known with, and among, dynamic members of the various networking sites through more significant levels of client brand association by the unique marketing organizations (Gensler, Völckner, Liu-Thompkins, and Wiertz, 2013). The age group comprising ages 18 to 29 have forever been the most probable clients of virtual entertainment by an impressive edge. Today, 90% of youthful grown-ups utilize web-based entertainment, in contrast with 12% in 2005, a 78-rate point increment. Perrin, A. (2015). Rogers (1995) devised the Theory of Diffusion of Innovations to make sense of the reception of

different kinds of developments. The hypothesis sees reception as a cycle by which a development is conveyed through specific channels over the long run among the individuals from a social framework. Major breakthroughs can be achieved by SMEs by boosting their performance through the proper use of social media and the internet.

H4: Social media marketing is positively related to the sales and profitability of SMEs with moderating role of usage of internet.

### **2.3 Sales and profitability of SME's**

The ultimate performance of Small and Medium Enterprises can be measured by two factors; their sales and the overall profitability. As being profitable is the ultimate goal and vision of any business that exists, so the role and impact of the above mentioned variables (digital marketing, internet marketing, social media marketing) will be examined on this goal. Benefit is significant for the endurance of the SMEs. Without it, the continuation of a firm is dubious. While, growth is a proportion of a company's capacity to extend its market, and overcome the competing firms. Profits and development might impact one another. (Prijadi, R., & Desiana, P. M., 2017) (Samuel and Sarprasatha (2016) state that business communication and sustainability are the two directly and indirectly linked variables to a company's strong social media planning and usage. SMEs were crucial for the ability of the countries to progress financial turn of events and diminish neediness through this ability of SMEs to provide jobs for their people according to (Abor and Quartey (2010). Social media is not just a platform for entertainment but also allows the option of marketing opportunities and formulating strategies to these companies. (Oztamura and Karakadilar (2014). Information and corresponding technology (ICT) assume a vital part in this development. This is since ICT have emphatically changed the relationship among organizations and their clients. There are two powers that have prompted areas of strength for the in web based business: the extraordinary advancement of innovation, and the monstrous development of the quantity of the web traffic. (Lorca, P et.al 2019). SMEs can create an impact and hold a strong positioning if the e marketing tools are utilized carefully as the world is rapidly shifting towards a digital economy. The enterprises ought to invest a considerable amount of time and effort to maintain a strong presence on their online accounts to stand out for their objective clients. Confronted with the difficulties of monetary globalization and intensity, electronic business can offer quite a large number advantages to firms: decrease of expenses (both data trade, exchange

and marketing expenses), reach to geologically scattered markets, decrease of conveyance times, closer relationship with the buyer through more customized promoting, capacity to contend in more aspects than cost, and some more. (Lorca, P et.al 2019). Furthermore, they must be more transparent while connecting with their target audience and interact effectively while responding quickly to all queries of their clients. (Oztamura and Karakadilar (2014). Today, an ever increasing number of organizations become associated with online business as one of the instruments for business proficiency improvement (Barsauskas, et.al, 2008). This is on the grounds that electronic exchanges are completed at a lower cost than individual, phone or mail exchanges. Every company needs to increase its sales to excel in the market and it is a necessity for its survival and future operations. This is why, this variable was included in the study as the effect of all the e-marketing techniques on the profitability of SME's is being studied. Lorca, P et.al (2019) states that the genuine responsibility with web based business lies in the reception of both B2B and B2C online business. Hence, the execution of internet business might have various outcomes relying upon the level of responsibility.

## **2.4 Generational Theory**

This theory states that each generational group unleashes a new era lasting around 20–25 years, which brings new social, political, and economic climate. They make up part of a much larger group with their new methods and way of lives. Generational Theory itself has been created by social researchers as one component that can help make sense of social change: oversimplified portrayals state that this hypothesis portrays the 'time' that a person is born in to and what it means for the turn of events of their perspective. Knight, Y. (2009). This theory relates to the digitized era of today in which modern technologies and marketing techniques have seem to taken over the global markets. This theory depends on the possibility that significant authentic occasions and cultural advancements experienced in one's early stages impact individual way of behaving, and that these ordinarily experienced improvements shape shared personality attributes across limits of orientation and financial foundation. Demeijer, F. A., & Stoffels, H. C. (2019). As the study is based on the impact of e marketing which makes up the digital mediums like internet, social media and digital marketing, Generational Theory is a perfect fit. The shift towards digitization can be understood through the principles laid out in this theory.

## **2.5 Hypothesis**

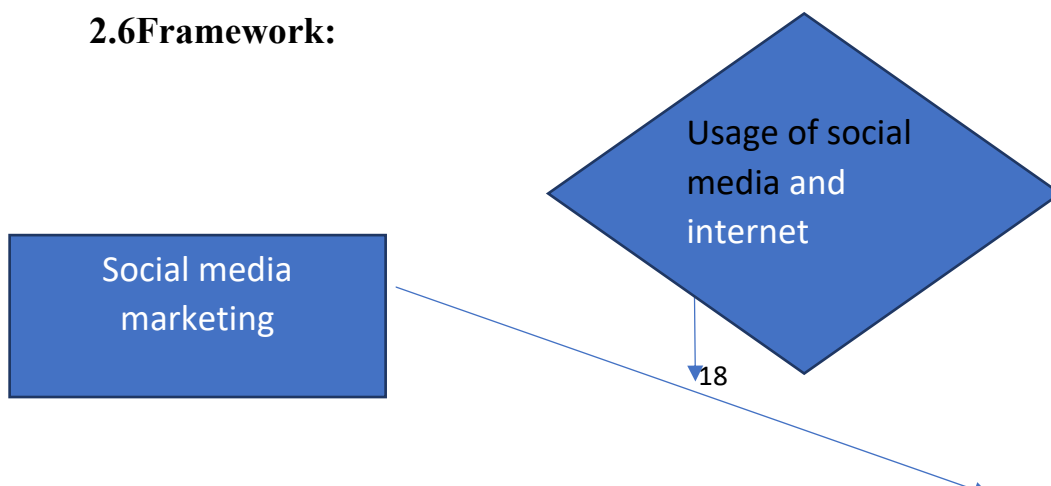
H1: Internet marketing is positively related to the sales and profitability of SMEs.

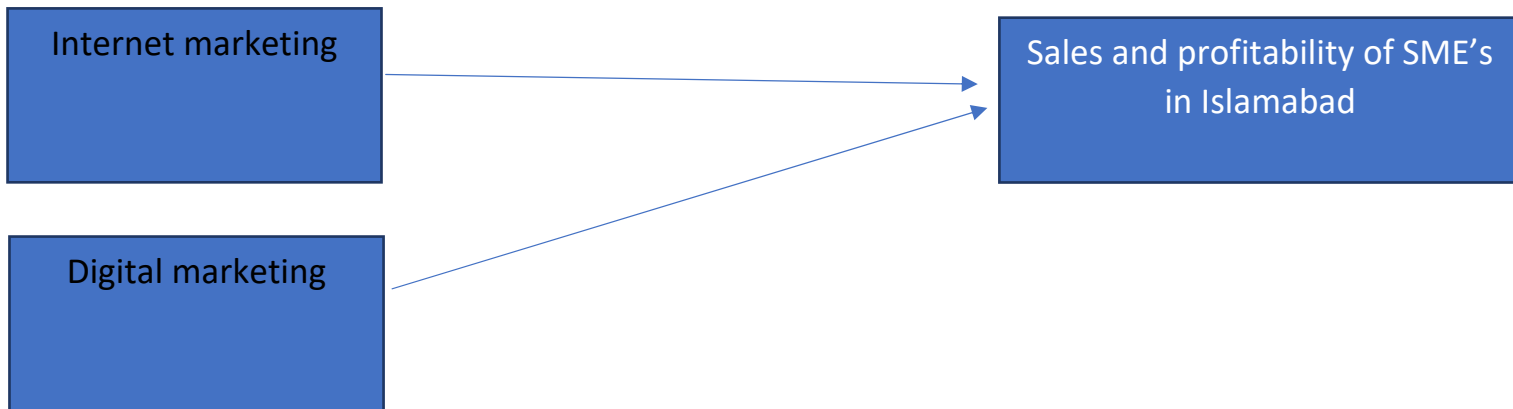
H2: Social media marketing is positively related to the sales and profitability of SMEs.

H3: Digital marketing is positively related to the sales and profitability of SMEs.

H4: Social media marketing is positively related to the sales and profitability of SMEs with moderating role of usage of social media and internet.

## 2.6 Framework:





### **3. Methodology**

This study will be descriptive in nature as the main reason is not problem solving but identifying the effect that e-marketing platforms and the usage of internet and social media have on the ultimate profitability and sales of Small and Medium Enterprises situated in Islamabad. The study of e-marketing's role will lead to the impact it has on the firms' performance and position in the market. Collection of data describing events is included in descriptive research. It then organizes, tabulates and describes the data collection. Cross sectional time zone is considered as a depiction of time where information is gathered in real time at one point in time. Questionnaires will be distributed to get data from the retail store and restaurant owners only once.

The study will be conducted without the researcher's biasness and remain impartial throughout.

#### **3.1 Research Philosophy**

Research design is quantitative as the data will be collected through a questionnaire and it will be conducted at one time basis, rather than conducting it multiple times. This method requires certain adequate statistical standards for validating the approach. An example would be number of respondents that are necessary to get statistically significant results as the data would be

numerical and thus, be quantifiable. Minimum number of respondents suitable for this research is 150 and convenience sampling technique would be applied. The responses recorded will also be numerical and will be quantifiable. It is easy to perform mathematical and statistical calculation on quantitative data to get accurate results for a study. This research involves deductive methodology as information will be gathered for test. In the rational methodology hypothesis are created on a previous hypothesis and afterward they are tried in light of exploration. The prior hypotheses were taken from investigations of researchers that tried those speculations on different nations. Now that hypothesis will be tried in Pakistan with the assistance of exploration based information. As opposed to this inductive methodology centers around theory developing. Past researches had speculations which simply needed to be tried for that reason, deductive methodology was viewed as a better option.

### **3.2 Population**

The research will be conducted in the SME industry of Pakistan. For this two cities of Pakistan, Islamabad and Rawalpindi will be targeted. Data will be collected from the restaurant and retail store owners in Islamabad and Rawalpindi. So the population for this study includes all business owners of Islamabad and Rawalpindi that are running these two businesses. It includes people of all genders and age groups. Other cities were not included due to constraint of resources like time and money. The two cities provide a decent number of population to select a statistically significant sample.

### **3.3 Sample**

From the population a small sample was selected to make the search process easier. Among all the restaurants and retail stores of Islamabad, questionnaires were distributed to 150 random restaurant and retail store owners. These 150 businesses had both male and female respondents and belonged to different age groups. Data was collected using convenience sampling technique from 150 restaurant and retail stores collectively. Questionnaires were distributed through Google docs and were explained to the respondents to remove any ambiguity. The respondents were assured that their details will be kept confidential. They easily filled out the questionnaires on their phones and their responses were uploaded. It was made sure that there was no influence on the responses in any manner.

### **3.4 Unit of Analysis**

Unit of analysis are the respondents i.e. the retail store and restaurant owners. It is the major entity that is being analyzed in a study. It includes the 'what' or 'who' that is studied in the research. In this study, the unit of analysis were the individual owners who are running the said business in the city. Analysis was conducted on the responses of these individuals. They were practicing different modes of digital marketing.

### **3.5 Instrument**

The instrument used for data collection in the study is questionnaire. A close ended structured questionnaire was used for this purpose. It had questions related to independent and dependent variables. The questionnaire has been adapted from a previous study which was conducted in Kenya by Olonde, J. O. (2017). Adaptation will eliminate the need of reliability and pilot testing of a questionnaire. Every item was measured using a five-point Likert Scale. This Likert scales had the following five options, strongly disagree, disagree, neutral, agree and strongly agree.

### **3.6 Methodology**

The responses collected from the responders are in form of numeric data. Statements have been assigned numbers with the help of Likert scale. For testing the hypotheses of this study correlation and regression will be performed on the data thus collected. This data will be entered into SPSS and it will be used to perform calculations on all the responses collected from the business owners. Correlation will help in determining whether the variables are related or not and if they are related what is the nature and strength of that relation. Regression will identify what effect the independent variables have on the dependent variable. Statistical calculation will be performed in SPSS to generate results and check if the hypotheses are accepted or not.

### **3.7 Choice of Variables**

The variables used for the study were chosen on the basis of already conducted researches that have made an attempt to prove that there is a significant impact of social media marketing, internet marketing and digital marketing on profitability of SMEs. All scales were developed for previous studies and adapted for this study. The source of these variables is mentioned below:

<b>Variables</b>	<b>Sources</b>
------------------	----------------



Social media marketing	Oztamura and Karakadilar (2014)
Internet marketing	Mubarak, M, F et.al (2019).
Digital marketing	Njau and Karugu (2014)

### 3.8 Demographic characteristics

Demographic characteristics will provide information regarding the gender, age and education of the respondents. A total of 150 respondents filled out the questionnaires. Out of the 150 respondents 95% were male and 5% were female (Table 1). As far as the age is concerned majority of the respondents fell into the age group 51 – 60 years (41.3%) followed by 40– 50 years (36.7%). 20.7% of the respondents were aged between 30 – 40 years. Majority of the respondents had an intermediate degree which formed about 57.4% of them while 29.7% respondents were matriculation degree holders. (Table 3).

**Table 1**  
**Gender of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	143	95.0	95.0	95.0
Female	7	5.0	5.0	100.0
Total	150	100.0	100.0	

Out of the 150 respondents 143 were male and 7 were female. High number of male respondents is due to the prevalent retail store and restaurant business culture of Pakistan. Since men own and are managing the majority of retail stores and restaurants in the country, same trend was observed in the twin cities. This is the reason that majority responders encountered were males.

**Table 2**  
**Age of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	2	1.3	1.3	1.3
31-40	31	20.7	20.7	22

41-50	55	36.7	36.7	58.7
51-60	62	41.3	41.3	100.0
Total	150	100.0	100.0	

62 out of 150 respondents belonged to 51 – 60 year age group followed by 55 people who were in the 41 – 50 year age group. Majority of Pakistan’s restaurant and retail store owners comprises of adults and falls in this age group. The age brackets that started from 20-30 only comprised of 2 respondents as the youth is unlikely to open up a restaurant or a store due to lack of financial capability and experience. Building and maintaining a SME business takes years of working, financial investments, hiring a work force and time to be well established this is why a higher number of responders were from this age group.

**Table 3**  
**Qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Matriculation	45	29.7	29.7	29.7
	Intermediate	86	57.4	57.4	87.1
	Bachelors	19	12.9	12.9	100.0
	Total	150	100.0	100.0	

Out of 150 respondents 86 of them held an Intermediate degree and 45 were metric pass. The majority of the people could not understand concepts like social media marketing, internet marketing etc. they were only familiar with Facebook but did not have a clear idea of how marketing is done on it. It took about 5-10 minutes to explain the questionnaire to them and explain the variables like digital marketing, internet marketing and social media marketing.

### **3.9 Reliability Analysis**

A reliability analysis was run in SPSS to determine the validity of the questionnaire. The questionnaire was adapted from. All the items of the study were entered into SPSS. The results

of the reliability i.e. Cronbach’s alpha exceeded the cut off value of 0.7 (Table 4) which indicates that the items in the questionnaire are valid and can correctly determine the results of the study.

**Table 4**  
**Reliability Statistics**

Cronbach's Alpha	N of Items
.757	15

### 3.10 Descriptive Analysis

Descriptive statistics of 150 respondents’ age, gender and qualification were run to calculate the mean and standard deviation. The results are displayed in Table 5. In gender 1 = male and 2 = female. In age 1 = 20 – 30 years, 2 = 31 – 40 years, 3 = 41 – 50 years and 4 = 51 – 60 years. In education 1 = matriculate, 2 = intermediate and 3 = bachelors.

**Table 5**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Sex of respondents	150	1	2	1.54	.500
number of years	150	1	4	1.79	1.101
Qualification	150	1	3	2.33	.680

### 3.11 Correlation Analysis

Correlation analysis was conducted to determine the nature and strength of relation between two variables and to determine the linear dependence. Correlation values range from -1 to +1. Correlation values from 0 – 0.19 are weak relationships, 0.2 – 0.39 are moderately weak

relations, 0.4 – 0.59 are moderate relationships, 0.6 – 0.79 are moderate strong relationships and values between 0.8 – 1 signify strong relationships (Saunders et al., 2012).

Each variable had individual items. There was a question for each item and the value assigned to those questions was added in SPSS. Before running correlation analysis mean of all items were taken. These mean values of variables were put in SPSS to calculate correlations. Since none of the value is above 0.8 so it can be said that issue of multicollinearity does not exist. This is also signified by Durbin-Watson in Table 7. The value between 1 and 3 indicates that there is no issue of multicollinearity.

**Table 6**  
**Correlations**

	SocialMediaMarketing	Internet Marketing	Digital Marketing	Sales and Profitability of SMES	Usage of Internet and Social Media
SocialMediaMarketing	1	.280**	.255**	.575**	.033
Internet Marketing	.280**	1	-.294**	-.162*	-.234**
Digital marketing	.255**	-.294**	1	.583**	-.002
Sales and Profitability of SMEs	.575**	-.162*	.583**	1	.090
UsageOf Internet and SocialMedia	.033	-.234**	-.002	.090	1

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

\* . Correlation is significant at the 0.05 level (2-tailed).

The values in the above table show that all the independent variables have a significant relationship with the dependent variable. Variables including social media marketing and digital

marketing have a positive correlation while internet marketing has a negative correlation with sales and profitability of SMEs.

According to Table 6 following is the nature and strength of correlation between variables:

Social media marketing has a moderately strong positive relation with sales and profitability of SMEs. This means that with the increase in social media marketing consumers would be inclined to buy more of a retail outlets products and increase their dining in restaurants while less social media marketing will lead to negative purchase decisions. This relationship is directly proportional.

Internet marketing has a weak negative correlation with sales and profitability of SMEs. This signifies that more internet marketing activities by the company would have a negative effect on purchase decision of consumers. This seems to be due to the fact that customers these days do not prefer going on specific websites for a retail store or restaurant, they tend to follow the social media handles of the restaurants for their queries and decision making. So, the majority of business owners of restaurants and retail stores also prefer just using the social media pages rather than developing their websites.

Next, digital marketing is seen to have a moderate positive relation with purchase decision. Increase in digital marketing activities will cause a significant increase in the sales of these businesses as consumer would be inclined to buy more as more awareness would be created through digital means.

### **3.12 Regression Analysis**

After correlation, regression analysis was run on the data to establish cause and effect relation between dependent and independent variables. It determines how much change is brought in dependent variable by a unit change in independent variable. Table 7 below shows that the value of  $R^2$  is 0.733 which means that 73% change in dependent variable is because of independent variables and the other 27% is due to unknown/unidentified factors.

**Table 7**  
**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.862 <sup>a</sup>	.743	.733	.25529	2.103

a. Predictors: (Constant), UsageOfSocialMediaAndInternet, SocialMediaMarketing, InternetMarketing, DigitalMarketing

b. Dependent Variable: SalesAndProfitabilityOfSMEs

To check moderator effect on the relation, interaction terms are created by multiplying the mean values of independent variable with the moderator. These terms are named interaction1, interaction2, interaction3 and interaction 4. Regression analysis of each independent variable is calculated separately. Regression analysis of the variable internet marketing is calculated in equation 1.

### 3.12.1 Equation 1

**Table 9**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.162 <sup>a</sup>	.026	.020	.48882

a. Predictors: (Constant), InternetMarketing

b. Predictors: (Constant), InternetMarketing, interaction1

In the table 9, “R” represents simple correlation. Value of 0.162 shows weak correlation. This signifies that more internet marketing activities by the stores and restaurants would have a negative effect on the sales and profitability of the business. This result can be attributed to lack of popularity of website visits for retail stores and restaurants among the population. Consumers

tend to follow the social media handles of the restaurants for their queries and decision making. So, the majority of business owners of restaurants and retail stores also prefer just using the social media pages rather than developing their websites. The R square shows how much of a change is brought in the dependent variable because of the independent variable. R square shows how much variance in dependent variable is explained by independent variables for our model. This would shrink a bit for the whole population therefore, adjusted R square is a better measure. Internet marketing can bring 2% change in sales and profitability of the SMEs.

**Table 10**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.952	.179		16.464	.000
	InternetMarketing	-.123	.061	-.162	-2.002	.047
2	(Constant)	3.007	.165		18.276	.000
	InternetMarketing	-.495	.089	-.656	-5.587	.000
	Interaction1	.110	.020	.637	5.430	.000

a. Dependent Variable: SalesAndProfitabilityOfSMEs

After calculating regression for internet marketing it was observed that the relation with sales and profitability of SMEs is significant as  $p = 0.000$  and  $p < 0.05$ . Although the relation is significant but the correlation is negative which is opposite to the proposed hypothesis. Therefore, H1 is rejected.

This negative correlation can be linked to lack of trend of searching for websites of retail stores and restaurants and thus, business owners are reluctant on developing their websites.

### 3.12.2 Equation 2

**Table 11**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612 <sup>a</sup>	.374	.370	.39190

a. Predictors: (Constant), SocialMediaMarketing

b. Predictors: (Constant), SocialMediaMarketing, interaction2

In the table 11, “R” represents simple correlation. Value of 0.612 shows a moderately strong positive correlation. This means that with the increase in social media marketing consumers would be inclined to buy more of a retail outlets products and increase dining in the restaurants while less social media marketing will lead to negative purchase decisions. This relationship is directly proportional. The R square shows how much of a change is brought in the dependent variable because of the independent variable. R square shows how much variance in dependent variable is explained by independent variables for our model. This would shrink a bit for the whole population therefore adjusted R square is a better measure.

**Table 12**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.320	.245		1.307	.193



	SocialMediaMarketing	.911	.097	.612	9.407	.000
2	(Constant)	.700	.255		2.745	.007
	SocialMediaMarketing	.499	.143	.335	3.488	.001
	Interaction2	.081	.021	.363	3.780	.000

a. Dependent Variable: SalesAndProfitabilityofSMES

After calculating regression for social media marketing, it was observed that the relation with sales and profitability of SMEs is significant as  $p < 0.05$ . This proves the hypothesis that there is a positive relation between social media marketing and sales and profitability of SMES. This proves the hypothesis right and therefore, H2 is accepted.

### 3.12.3 Equation 3

**Table 13**  
**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.468 <sup>a</sup>	.219	.214	.43781

a. Predictors: (Constant), DigitalMarketing

In the table 13, “R” represents simple correlation. Value of 0.468 shows a moderately positive correlation. Increase in digital marketing activities will cause a significant increase in the sales of the firms as consumer would be inclined to buy more. The R square shows how much of a change is brought in the dependent variable due to the independent variable. R square shows how much variance in dependent variable is explained by independent variables for our model. The explanation is for our chosen sample only. This would shrink a bit for the whole population therefore adjusted R square is a better measure. Digital marketing can bring only 21.4% of change in the Sales and Profitability of SMEs.

**Table 14**  
**Coefficients<sup>a</sup>**

	Unstandardized Coefficients	Standardized Coefficients		

		B	Std. Error	Beta		
1	(Constant)	1.939	.109		17.785	.000
	DigitalMarketing	.269	.042	.468	6.442	.000
2	(Constant)	1.695	.081		20.948	.000
	DigitalMarketing	.173	.048	.301	3.615	.000
	interaction3	.172	.015	.986	11.840	.000

a. Dependent Variable: SalesAndProfitabilityOfSMEs

After calculating regression for digital marketing, it was observed that the relation with sales and profitability of SMEs is significant as  $p = 0.000$  and  $p < 0.05$ . This proves the hypothesis that there is a positive relation between digital marketing and sales and profitability of SMEs. Hence H3 is accepted.

### 3.12.4 Equation 4

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661 <sup>a</sup>	.437	.434	.37160
2	.811 <sup>b</sup>	.657	.653	.29091

a. Predictors: (Constant), SocialMediaMarketing

b. Predictors: (Constant), SocialMediaMarketing, interaction4

In Table 15, R represents simple correlation. Value of 0.661 shows a moderately strong positive correlation. This result means that the better the social media marketing and campaigns will be, the better response will be shown by customers which will increase the sales as they both are positively related and increase in one variable causes an increase in another variable. The R square shows how much of a change is brought in the dependent variable because of the independent variable. R square shows how much variance in dependent variable is explained by independent variables for this model. Social media marketing alone can bring about 43% of impact on the sales and profitability but with the introduction of moderator this effect is increased to 65.3%.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.884	1	15.884	115.031	.000 <sup>b</sup>
	Residual	20.437	148	.138		
	Total	36.321	149			
2	Regression	23.881	2	11.940	141.090	.000 <sup>c</sup>
	Residual	12.441	147	.085		
	Total	36.321	149			

a. Dependent Variable: SalesAndProfitabilityOfSMEs

b. Predictors: (Constant), SocialMediaMarketing

c. Predictors: (Constant), SocialMediaMarketing, interaction4

**Table 17**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.559	.102		15.312	.000
	SocialMediaMarketing	.466	.043	.661	10.725	.000
2	(Constant)	1.666	.080		20.701	.000
	SocialMediaMarketing	.121	.069	.171	1.739	.000
	interaction4	.170	.017	.955	9.720	.000

a. Dependent Variable: SalesAndProfitabilityOfSMEs

After calculating regression for social media marketing, it was observed that the relation along with the moderator is significant as  $p = 0.000$  and  $p < 0.05$ . This proves the hypothesis that there is a positive relation between social media marketing and sales and profitability of SMES with moderating effect of usage of internet and social media. Introduction of usage of internet and social media has brought the beta down from 0.661 to 0.171 but the relation still remains significant. This proves our fourth hypothesis, hence H4 is accepted.

## Results of Hypothesis

Hypothesis	Results
H1: Internet marketing is positively related to sales and profitability of SMES.	Rejected
H2: Social media marketing is positively related to sales and profitability of SMES.	Accepted
H3: Digital marketing is positively related sales and profitability of SMEs.	Accepted
H4: Social media marketing is positively related to sales and profitability of SMEs with moderating role of usage of internet and social media.	Accepted

## 4. Discussion and Conclusion

This paper aimed at finding the impact of digital marketing methods that effect sales and profitability of SMEs in Islamabad. A gap was identified in the study of Olonde, J. O. (2017) who conducted research on digital marketing factors which impacted the performance of SMEs in Kenya. He mentioned in his study's future direction that it can be conducted in other contexts and with addition of different variables. The SMEs in Pakistan have been showing exponential growth in the direction of e-marketing. As the shift towards the digitized era is on the rise worldwide, even Pakistan is moving towards this new era. This presented a good opportunity to conduct this research in Pakistan. There hadn't been any research in the Small and Medium Enterprise sector of Pakistan that focused on the use and implementation of digital marketing, internet marketing and social media in the business context. The following variables were selected to be made a part of the study and observe what influence they had on the performance of SMEs, internet marketing, digital marketing and social media marketing with usage of social

media and internet moderating the relationship. For conducting this study two major cities of Pakistan i.e. Islamabad and Rawalpindi were selected. These cities have many large retail stores such as Carrefour, Metro, malls like Centaurus, Safa Gold and Giga which have several retail outlets and countless cash and carry's that serve the retail requirements of the people of these twin cities. Along with that Islamabad has a lot of restaurants where people come in large numbers specially on weekends and holidays. From that population a sample of 150 business owners belonging to both genders and different age groups was selected for this study. The instrument used for data collection was questionnaire. A questionnaire was adapted from the study of Olonde, J. O. (2017) as it had all the necessary questions relating to the variables of this research paper. These questionnaires were distributed to the respondents through Google docs who were selected at random. Convenience sampling technique was used and the questions were explained to the respondents so that it removes any ambiguity. The respondents filled the questionnaires on their smart phones and simply submitted their responses which made this whole process a lot easier. The responses of the sample population were added into SPSS software where statistical calculation were performed on the data. Since this was a quantitative research, all data was numerical which made it possible to perform the calculations. The first calculation performed was a reliability test of all the items in the study. The reliability test crossed the threshold of 0.7. The Cronbach's alpha for elements of this study was 0.757. Next, the descriptive and frequency calculations were performed. This calculation produced the mean values for demographic statistics. The demographic data of the sample population showed that majority of the responders were males. This statistic is due to the fact that most store and restaurant owners in Pakistan are males. As far as age is concerned majority of the respondents fell into the age group 51 – 60 years. 57.4% of the population held an intermediate degree while 29.7% were metric pass. The next major statistical calculation that was performed on the data was correlation analysis. In correlation analysis the first variable internet marketing showed a weak negative relation with the dependent variable sales and profitability of SMEs. This means that if internet marketing is increased sales and profitability will be adversely affected. This result can be linked to the fact that people use social media pages of restaurants and retail stores to get the necessary information and hence the business remains reluctant on developing and maintaining the websites. Therefore, it is not considered by owners while marketing for their stores and restaurants. The next variable social media marketing showed a moderately strong

positive correlation with sales and profitability of SMEs. In this digital age, many consumers get their product knowledge from social media. They follow the much in trend ROPO model that is they research online and purchase offline. This is what the results of the study signify. More social media marketing will positively affect performance of SMEs and they will be able to gather more customers as a result. Digital marketing was the next variable and it also showed moderately strong positive correlation with the dependent variable. This explains the awareness that is created through digital means helps in spreading the promotional content of the stores and restaurants. So, most of the respondents are applying some modes of digital marketing for their businesses. After correlation, regression analysis was performed on the data. After analysis it was determined that there is no significance in the relationship between internet marketing and sales and profitability of SMEs. This result in the Pakistani context could be linked to the fact that people use social media pages of restaurants and retail stores to get the necessary information and hence the business remains reluctant on developing and maintaining the websites. Therefore, it is not considered by owners while marketing for their stores and restaurants. Social media marketing resulted in having a positive significant relation with the dependent variable. This finding was also supported by (Dahnil, M. I. et.al, 2014) in their research. It was also found the usage of social media and internet moderates this relationship. Another objective that this study had was to study the relationship between digital marketing and sales and profitability of SMES.

As digital means of marketing have been used by business owners this was proved to be a positive relationship as well and the results of the study support this narrative. Many research studies of various scholars support this finding (Todor, R. D., 2016), (Nurita, P., &Lundia, I. (2018)etc. The results of this paper have shown what means of e marketing effects sales and profitability of SMEs. Most of the results are in line with the previous studies held. This was the first of its kind study held in the Pakistani retail market and restaurant business where these factors were collectively studied. The moderator usage of social media and internet has been shown to increase the impact of social media marketing on the performance of SMEs, as more time spent the internet and visiting social media pages will gather more attention span from the customers which in turn will increase the probability of their intention to buy from a retail store or visit a restaurant.

### **3.1 Implications**

The results of this study has practical implications in many fields and disciplines. For instance, as this study was based on the retail sector and restaurant industry it holds great importance for the people who are actually running these two businesses and also for upcoming businessmen who intend to step in this field of work. The retail store and restaurant owners, managers and the manufacturers of consumer products can learn from these insights of e marketing techniques and means and acquire more customers and modify their old ways of marketing. They can understand the role of social media marketing in the performance of their firms and adapt to the digitized era. This study will impress upon the retail and restaurant managers that how important social media marketing is for their brands in this digital era. Social media marketing showed a moderately strong positive correlation which means that the more managers promote their products online on social media the more awareness will be created and also engagement of the customers will be increased. And this awareness will lead to purchase intention that will ultimately result in an actual purchase. Along with social media, online portals are widely in trend and people prefer buying household items online which decreases their time and effort of actually going out to the store to buy commodities. This study will solidify their belief in this tactic as it provides an empirical evidence that customers favor the online digital market place and stores.

The results also holds importance for customers as they will be able to avail better services and products in retail stores and their favorite restaurants as it has shown evidence that e marketing will have a positive impact on the business, so the owners will try to improve their services and online marketing. This study will communicate the trend of e marketing to the retail store and



restaurant managers and they will focus on tailoring their product offerings according to the latest demand trends.

This study also has academic implications. It has made major literary contributions in the existing literature. Previously there was no study of this kind done in Pakistan. The results of this study will provide insights to students and researchers and will provide them empirical evidence of the effects of various factors of e marketing on sales and profitability of SMEs. The results of this study can be used by future researchers and can be quoted in their research work. It has provided a strong base for future research. This study can also be taught to marketing students in universities to help them in learning what importance various digital marketing factors have on the performance of SMEs.

#### **4. Limitations and future research**

This study has a few limitations. The research was conducted only in one city of Pakistan due to limited time and travel requirements with limited number of retail stores and restaurants which were selected. Pakistan has many other metropolitan cities like Karachi, Lahore, Faisalabad where this study can be conducted to see if the results hold true in those cities as well. This research can also cross boundaries of Pakistan and the same research can be carried out in other developing countries of Asia, Middle East and Africa to see what difference context makes. When a similar study was conducted in Kenya, mobile marketing was included in the variables and was found to positively affect sales and profitability of SMEs. It would be interesting to see what differences surface when it is carried in other countries. This study had a limited number of population and samples. Moreover, the sample size may not be enough to depict the performance of a bigger number of retail stores and restaurants. In the future more people can be made a part of the research process to see the effect of these variables on sales and profitability. Time is another factor that is a limitation. The results of this study will not be definitely the same if this study is conducted five or six years from now. The factors which are considered as independent variable are also limited. There are numerous other factors which can be included to widen the scope of research. Factors like, restaurant image and brand name can be added in the framework and their effect on sales and profitability can be studied. Moderators such as time spent on the internet and social media by the customers can also be added. This study only involved owners of retail

stores and restaurants which limits the audience. More SME businesses like startups, home based industry etc can be added in the future. Also, researchers can conduct studies in different contexts, include other stakeholders like management, employees and increase the sample size. The data in this study was gathered through quantitative techniques and used structured questionnaires. Future studies can try other research methodologies like qualitative study to validate the findings of this research.

## **5. Reflections**

The objectives of this thesis were very well defined from the beginning. As a researcher I had a clear idea of what I wanted to achieve with this study when I selected this topic. The purpose of this study was to select the e-marketing factors that could affect sales and profitability of SMEs in Islamabad. For this purpose, three variables were selected. These variable were internet marketing, social media marketing and digital marketing. To take it a step further a moderator i.e. usage of social media and internet was introduced in the equation as it would impact the relationship of social media marketing with the dependent variable. The objectives of this study were to study the impact of these individual variables on sales and profitability of SMEs and how usage of social media and internet was moderating this relationship. The results of this study show that these objectives were fulfilled with absolute clarity and validity. The whole research process that consisted of quantitative methodology and data collection through structured questionnaire was guided in the direction of objective fulfillment. The data thus collected from responders was fed to SPSS. After calculation, the accurate results solidified the fact that the objectives set in the beginning of the study had been achieved. The objective was never to prove all the hypotheses right but to gather insights from the Pakistani restaurant and retail store owners in the context of e-marketing which had never been done before.

The outcomes of the research were mostly as per the initial expectations. As far as internet marketing is concerned, it had to be explained to the responders. Most of the responders were educated enough to understand the questions and despite a general absence of the exact concept, once all the variables were explained to them, they said, they feel that some of them are

becoming necessary for organizational growth. However, still a large portion of the responders did not feel that internet marketing was applicable in their business practice. The next variable social media marketing was the most recent and talked about variable. The popularity of this concept showed when they quickly grasped the concept like marketing through Facebook. The results showed that social media came out to be a major influencer. Digital means of marketing were also explained to some extent and they were aware of some of the means, and admitted to using some of them. The moderator variable was expected to affect relationships. No matter which country you are conducting this research in, people will be well aware of the digital marketing phenomenon and means of social media marketing.

I tried to plan this research process as much as I could but because this was the first formal research experience, there were many drawbacks in the execution. The main problem lied in technical aspects of the research. I was learning and doing research at the same time which proved to be somewhat of a challenge. Due to poor execution I fell behind my time table and that created a lot of work to be done in too little time which was exhausting at times. Much of the time was spent on narrowing down past literature to read. Then all of that literature had to be read and important points relating to this study had to be jot down. Many hours were spent in the library and at my laptop looking at research papers and previous theses. Then came the field visit part. It also took extensive planning. It started from creating a valid and reliable questionnaire. Then I had to select the retail outlets and restaurants where I had to go to collect data from responders. It wasn't an easy task to convince people to fill up research questionnaires. It took two weeks' time to gather the required data. Then came the hardest part. That was feeding data into SPSS and running calculations. I used all the help I could get in performing accurate statistical calculations. All resources starting from my supervisor, friends, printed literature and past papers to online publications were referred.

The part where I had to go through past literature and studies really went well. All the time spent in the library and on my laptop proved to be fruitful as I got many helpful references. The initial planning stage regarding the topic selection and structure of the study was a bit tricky as I had to go through multiple topics to finally selecting the one I thought was best suited. The part where data was to be collected proved a tedious task. I had to go to different retail stores and restaurants in the city and gather data from owners, managers etcon the spot. Sometimes I had to wait for the

owner to come. It was a difficult task but could've been done better with a bit more planning. Now with experience on hand the geographical area chosen for research can be expanded further to engulf people of other cities. The methodology chosen was perfect for this type of study. The data analysis could have been much better and quicker if I were better versed with the use of SPSS and was experienced. This was an area of improvement that demanded my specific attention. Nonetheless, the analysis showed accuracy in results at the end.

As a researcher I considered the opinions of all the previous scholars who had contributed knowledge in this field. I went through their research papers and tried to understand their point of views. I read multiple opinions on a single constraint. I made sure that I remained impartial while going through the study of others. My first and foremost objective was to reduce my personal bias while data collection and analysis. The analysis was purely based on the responses of sample population. As a researcher I kept minimal interference in the results thus produced. This increased the accuracy, reliability and validity of this research thesis.

In terms of management experience, knowledge regarding time management was gained. To produce a 15000 – 20000 word thesis in a limited amount of time is not an easy task. Much thought went into planning and devising a time table for all the activities. There were times where I fell behind the planned outline but I had to rush and sometimes skip a few steps to stay on course. The personal monitoring and control procedures were highly effective. I gained data management and data processing skills during this thesis. I developed a lot of patience in the process of completing this study. To gather data of 150 respondents was a huge task and then managing and processing it was even difficult, but these were the learnings that happened along the way as I proceeded with my research work.

In the light of my experiences this thesis can be improved exponentially. Now I have more knowledge on how to plan the research process. I am better at techniques of data collection and research than I was six months ago. I have more knowledge regarding the use of SPSS. I can experiment with different other variables and collect data from a larger sample. However, this whole experience was really fruitful. Obviously there is always room for improvement. This study can also be improved if done again with better techniques and study in the future.

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## Appendix:

### Questionnaire

<b>1.</b>	Email marketing can increase sales revenue in a business.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>2.</b>	Mobile marketing can increase sales revenue in a business.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>3.</b>	Social media marketing can increase sales revenue in a business.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>4.</b>	Search engine optimization increases sales	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree

revenue in a business.					
<b>5.</b> Pay Per Click increases sales revenue in a business.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>6.</b> Online advertising increases sales revenue in a business.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>7.</b> Adopting internet marketing allows firms to increase their sales volumes and profitability.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>8.</b> Use of internet marketing strategies enhance a firm's competitive advantage.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>9.</b> Marketing through the internet greatly promotes the ability of business firms to attract and retain customers.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>10.</b> Mobile phones are key in promoting market penetration.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>11.</b> Businesses are able to increase profitability through mobile phone marketing.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>12.</b> It is possible to attract and retain customers by effectively utilizing the	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree



social media platforms.					
<b>13.</b> Firms using the platforms as Facebook and Whatsapp as marketing tools are more likely to achieve higher sales volume.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>14.</b> Social media is an effective way for business firms to grow their profitability.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree
<b>15.</b> Digital marketing strategies positively and significantly increase clients' base, sales volumes, profitability and hence firm performance.	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree

This questionnaire is adapted from Olonde, J. O. (2017). *Impact of Digital Marketing on Sales Growth of Small and Medium Enterprises in Nairobi, Kenya.*