SMES AND SOCIAL MEDIA OPPORTUNITIES: AN ORGANIZATIONAL OUTLOOK

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Abstract

Social media usage in SMEs and the impact thereof is viewed as an essential part of modern day organisational operations for SMEs to promote their business both domestically and globally. Social media is interactive and consumer-generated media, new media or citizen media, while conventional media is company generated media which flows in one direction. The research design chosen for this research is descriptive research in conjunction with a quantitative approach. The population will include all SMEs in Gauteng. The sample for the study encompassed of 400 SME owners who currently manage the small businesses in the Gauteng area. The respondents all agree that a large audience can be reached via social media, followed by the ability to create product/service awareness. The conducted research recommends that social media can be cost effective if the SMEs make use of their social networks (professional and personal) and use best practises that enable them to get their adverts or posts shared across social networks. The respondents report a sales, product awareness, consumer support and overall productivity increase. There seems to be an effect of age on the percentage increase in sales, product awareness, consumer support and overall productivity. Although the results show that most SMEs have access to internet only 54.8 % of the respondents use social media to promote their businesses. The research established that that the largest proportion of respondents are new to using social media to create awareness for their products.

Keywords: SMEs, Social Media Opportunities, Create Product Awareness, Social Media

1. INTRODUCTION

Strategic importance of SMEs is acknowledged globally for a variety of reasons such as creating employment, enhancing living standards and reducing poverty. Chong (in Justin, 2011) observes that South Africa is following a trend of developing the SME sector. Significant contribution of SMEs to national economic development has led to policy changes of developing countries including South Africa (ILO, 2011). The Department of Trade and Industry (2012) confirms that small businesses represent 98 per cent of the total number of firms in South Africa, employ 55 per cent of the country’s labour force, contribute approximately 42 per cent to total remuneration and contribute 35 per cent towards South Africa’s GDP. Despite the significant and importance of SMEs and their contribution to the economic growth of SA, SMEs are still faced with numerous challenges that inhibit growth. Apart from SME funding and limited access to finance, the Global Entrepreneurship Monitor (GEM) Reports (2001-2010) noted that South Africa’s SMEs also suffer from poor management and marketing skills which are a result of a lack of adequate training and education. South Africa has one of the highest SMEs failure rates in the world due to these factors. Successful marketing will generates the crucial sales for sustainable SMEs. Pearce & Byars (2012) reveal that 40 percent of new business ventures fail in their first year, 60 percent in their second year, and 90 percent in their first 10 years of their existence. Unfortunately, very little marketing is actually undertaken by SMEs due to the high costs of sustaining a business. Marketing is crucial for getting market coverage and market penetration. The costs of the market investment to the return on market investment are crucial to SMEs with very limited marketing budgets. Both domestic and global sales are dependent on the targeting of specific groups which usually evolves the use of Internet search engine and display companies providing advertising and routing to your companies sales page or contact details. There are five main issues with traditional Internet advertising using search engine and display networks, namely:

- The first is the cost and the difficulty is targeting specific groups according to your sales funnel.
- Understanding and applying keyword search methodology and SEO (Search Engine Optimization) most SME do not have the knowledge or the time to gain this knowledge to apply keyword and SEO successfully.
- Most sites set up by SMEs do not provide adequate customer or consumer experience to ensure high conversion.
- Most SME owners do not understand how to approach Internet marketing and Internet Customer interaction technologies.
- Even SMEs that do have budgets to source out the building of a web site, they usually do not get the service and technology to enable them to fully service both the desktop, tablet and mobile market.

Secondary research conducted (Lacho & Marinello, 2010:128; Scott, 2011:38) indicates that social marketing may offer a solution to this problem. However it seems that the small business sector has been slow to enter the social media world. A possible reason for this is may be limited
resources to mastering this new marketing tool. Social media platforms can provide SMEs with an opportunity to communicate to customers directly which is an added strategic function that search engine and display networks cannot provide. SMEs therefore have the ability to understand their customer’s needs. This is in my opinion essential for sustainable business. World Wide Worx (2012) indicates that 210,000 SMEs in South Africa have a website. The research shows that SMEs with a website are far more likely to be highly profitable. However, limited research was conducted concerning usage of social media of SMEs in South Africa. It is well known that SMEs mainly focus on the challenges from the funding perspective. Small businesses often fail to utilise marketing tools available for marketing purposes. The affordability and research that indicates the benefits of social media seems to be ignored by most SMEs. Social media challenges prevent SME owners to use this tool effectively.

The purpose of this paper is to determine whether SMEs are aware of social media opportunities to interact with customers. By using social media SMEs have a platform from which to establish their customers’ needs. A SME survey conducted in 2012 shows (World Wide Worx) that 410 000 SMEs in South Africa have a website, representing only 63 percent of active and formal SMEs. This research shows that SMEs with a website are far more likely to be highly profitable than those without. However, limited research was conducted and it seems that there is a gap in the literature exists and therefore in this research aims to determine whether SMEs are aware of social media opportunities to interact with customers. The research design chosen for this research is descriptive research in conjunction with a quantitative approach. The population will include all SMEs in Gauteng. The sample for the study encompassed of 400 SME owners who currently manage the small businesses in the Gauteng area.

2. LITERATURE REVIEW

2.1. Defining the SME

SMEs are defined in different ways, with reference to the number of employees or to turnover bands (as in the National Small Business Act 1996, which also allows for variations according to industry sector). In South Africa, a ‘small business’ is officially defined in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act) as a separate and distinct business entity, including cooperative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy (National Small Business Act of 1996). The NSB Act also categories small businesses in SA into distinct groups, namely; survivalist, micro, very small, small and medium, hence the use of the term “SMME” for small, medium and micro-enterprises. However, the terms ‘SMME’ and ‘SME’ are used interchangeably in SA. The SME definition uses the number of employees (the most common mode of definition) per enterprise size category combined with the annual turnover categories, the gross assets excluding fixed property. The National Small Business Act (Act 102 of 1996) provides definitions for various SMME categories as identified in Table 1.

Table 1. Definitions of SMEs given in the National Small Business Act

<table>
<thead>
<tr>
<th>Enterprise Size</th>
<th>Number of employees</th>
<th>Annual turnover</th>
<th>Gross assets, excluding fixed property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Fewer than 100 to 200, depending on industry</td>
<td>Less than R4 million to R50 million, depending upon industry</td>
<td>Less than R2 million to R18 million, depending on industry</td>
</tr>
<tr>
<td>Small</td>
<td>Fewer than 50</td>
<td>Less than R2 million to R25 million, depending on industry</td>
<td>Less than R2 million to R4,5 million, depending on industry</td>
</tr>
<tr>
<td>Very small</td>
<td>Fewer than 10 to 20, depending on industry</td>
<td>Less than R200 000 to R300 000, depending on industry</td>
<td>Less than R15 000 000 to R300 000, depending on industry</td>
</tr>
<tr>
<td>Micro</td>
<td>Fewer than 5</td>
<td>Less than R150 000</td>
<td>Less than R100 000</td>
</tr>
</tbody>
</table>


The most widely used framework in South Africa is the definition of the National Small Business Act, which defines five categories of business as follows:

**Survivalist enterprise**
The generated is less than the minimum income standard or the poverty line. This category is considered pre entrepreneurial, and includes hawkers, vendors and subsistence farmers. (In practice, survivalist enterprises are often categorised as part of the micro-enterprise sector.)

**Micro enterprise**
The turnover is less than the VAT registration limit (that is, R150 000 per year). These enterprises usually lack formality in terms of registration. They include, for example, spaza shops, minibus taxis and household industries. They employ no more than five people.

**Very small enterprise**
These are enterprises employing fewer than 10 paid employees, except mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees. These enterprises operate in the formal market and have access to technology.

**Small enterprise**
The upper limit is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices.
Medium enterprise

The maximum number of employees is 100, or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterised by the decentralisation of power to an additional management layer.

The promotion and development of SMEs in South Africa is currently the focus of much attention in a wide variety of fields because it is regarded as a major key to economic development and wealth creation, thereby contributing towards social prosperity and upward mobility. The demand for an entrepreneurial-driven economy in South Africa is increasing particularly because of the employment creation benefits it offers. The SME sector is globally regarded as the driving force in economic growth and job creation (Lunsche and Barron, 2010).

2.2. Social Media Opportunities

Effective use of social media can bring great marketing opportunities for the SME. Moving with fast-paced developments in online technology and interaction tools can help to enhance product branding, boost business profile and create new business. Social media enable social networking by means of media such as blogs, podcasts, message boards, video blogging, wikis and Twitter (Scott, 2011:38; Witzig, Spencer & Galvin, 2012:113). Social networking is a convergence of individuals on a social media site to discuss a matter of interest amongst the group (Lacho & Marinello, 2010:128). The business community has taken note of the customisation of individual’s pages by adopting and incorporating the customisation into their own social networking pages where an organisation is able to share information, pictures, videos, and advertising (Lacho & Marinello, 2010:128; Scott, 2011:38). By customising social media page thereby attracting customers and engaging with customers, customer loyalty can be fostered. Customer loyalty can also be fostered and maintained by means of social media, due to interactions and engagement with the business in question, profitable customers are inclined to be increasingly loyal, accompanied by a requisite to be loyal (Witzig et al., 2012:114). Additionally, social media have a number of functions that can serve the business community well; functions of social media include (Lacho & Marinello, 2010:129; Witzig et al., 2012:114):

- Managing information that is publicly available about your professional profile
- Locate and become acquainted with potential customers. Service providers and recommended experts in your field
- Create and collaborate on organisational projects, gather data, share files and provide solutions
- Be visible and indicate availability of potential business opportunities and partnerships
- Gain insights into an interested field in discussions with likeminded professionals
- Make beneficial connections that may enable business deals
- Advertise job opportunities to find excellent human capital for the organisation

2.3. Is Social Media Crucial for Small Businesses to Create Product Awareness

Social media is ideal for SMEs as SMEs more so than larger organisations, focus on drawing the attention of customers and create product awareness. The aim of this paper is to determine whether social media provide SMEs with an opportunity to interact with customers and create product awareness. Carter (2011:20) observes that social media fosters drawing customers towards SMEs as deeper audience engagement is possible. Parsons (2010:6) indicates that half of all SMEs in the United Kingdom are using social media websites as a business tool. In other parts of the world, SMEs have been slower to adopt social media as a marketing tool (Bakeman & Hanson, 2012:106). Theunissen (in Property Points South Africa, 2012) suggests that organisations should implement a basic yet effective social media strategy involving Facebook, Twitter, a blog and an updated and user friendly website. The social media strategy variables can be used to create brand awareness, promote offerings, provide information, and provide interaction opportunities with consumers and a means to engage with customers. It seems that social media is crucial for small businesses to create product awareness.

Creating an attractive website does not guarantee individuals visiting a website, rather regular updates and marketing is the key to drawing individuals to visiting a SMEs website. Theunissen in (in Property Points South Africa, 2012) posits that “The vital part of any social media activity for SMEs is that it enables entrepreneurs to have one-on-one discussions with people who actively express an interest in their companies. As such, if they’re managed properly, they can act as a ‘call centre’ for their operations.”

3. RESEARCH FINDINGS

3.1. SME Awareness of Using Social Media

In questionnaire the question was asked: Do you use social media for marketing your business? The results are reflected in figure 1.

Figure 1. SME awareness of using social media

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Figure 1 shows that the majority (73.3%, n=22) of the respondents reported that they do use social media for marketing their businesses. On the question which social media websites the respondents are aware of the results were the follow below (Figure 2).
Figure 2. SME awareness to use Social Media platforms

Figure 2 reflects that LinkedIn is the website known to the largest proportion (89.7%) of respondents, followed by Facebook, Twitter, Google+ and YouTube, with all of them known to more than 70% of the respondents. Digg is the social web site that is known by the least number (6.9%) of respondents.

3.2. Social Media Usage for Marketing and Creating Product Awareness

Figure 3 confirms that Facebook is the social media platform on which the largest proportion (28%) of respondents spend more than 21 hours per week, followed by other unnamed social media platforms (25%). In the case of each of these social media platforms, there are respondents that do not have an account for it, with Pinterest being the platform for which the largest proportion of respondents does not have an account. WhatsApp and Google was also mentioned by the respondents but no indication of how many hours per week is spent on them, was provided.

On the question: How long have you been using social media for marketing? The result is below (Figure 4.)

Figure 4. Years of Social Media usage for marketing

Figure 4 reveals that the largest proportion of respondents are new to using social media for marketing with 29.0% (n=9) of them having used it for less than one year while on quarter (25.8%) have been using it for more than 3 years. Twenty two (22.6%) do not use social media for marketing at all.

Access to SME’s social media pages

The next question wanted to establish whether the respondents have daily access to their SME’s social media pages and the results is shown in Figure 5.

Social media usage - frequency

The next question wanted to establish the frequency of social media usage and the results is depicted in Figure 6.
Figure 5. Years of Social Media usage for marketing

![Graph showing years of social media usage for marketing with 6.5% for 6+, 22.6% for 3+, 16.1% for 2, and 22.6% for 1.]

Figure 6. Social Media usage frequency

![Graph showing frequency of social media use with 32.3% of respondents using social media multiple times per day, 22.6% using it once per day, 16.1% using it twice per day, and 6.5% using it every day.]

Figure 6 reflects that the largest proportion of respondents who always use social media do so to communicate their brand online, followed by those who use social media to increase the awareness of my business.

Is the use of social media marketing successful in your business?

This question was asked and the results are reflected in Figure 7.

Figure 7. Is the use of social media marketing successful in your business

![Bar chart showing the distribution of respondents' views on social media marketing success with 31.25% considering it successful, 34.38% very successful, 6.25% neutral, 6.25% unsuccessful, and 21.88% very unsuccessful.]

Figure 7 shows that the largest proportion (56.26%) of respondents consider the use of social media for marketing to be either successful or very successful in their businesses. Almost one third (31.25%) is undecided about its success and the remaining 12.5% consider it either unsuccessful or very unsuccessful.

3.3. Benefits related to social media

The last question consulted the respondents on what they believe to be the benefits related to social media (Figure 8).
Figure 8. Benefits related to social media

Figure 8 reflects that the biggest agreement among the respondents is that a large audience can be reached via social media, followed by the ability to create product/service awareness.

Figure 9. Increase in business productivity as a result of social media

Figure 9 gives an idea about the increase in business productivity as a result of internet marketing. The respondents report a 1% to 20% increase in all four of the listed areas range from 40.9% (n=9) for overall productivity to 61.5% (n=16) for sales. Larger proportions of respondents reported a 41% to 60% increase in all four of the listed areas than those who reported 21% to 40% increase in the four listed areas. Some respondents also reported a 61% and above increase in all four listed areas. These results are indications of the success with which SME's employ the Internet to market their businesses. Multivariate results of the data point out in Figure 10.

Figure 10 illustrates that the respondents report a sales, product awareness, consumer support and overall productivity increase. There seems to be an effect of age on the percentage increase in sales, product awareness, consumer support and overall productivity. In the case of sales and customer support, larger proportions of the respondents that are 40 years or younger reported increases of 40% or less while larger proportions of the respondents older than 40 years reported increases of more than 40%. In the case of product awareness and overall productivity, larger proportions of the respondents older than 40 reported increases of 40% or less while larger proportions of the respondents that are 40 years or younger reported increases of more than 40%.

Thus, on average it seems that older respondents are more successful in stimulating better sales and customer support through their internet marketing communication efforts than younger respondents while younger respondents are more successful in increasing product awareness and overall productivity of their SME than older respondents. The data is analysed according to gender to indicate, sales awareness, customer support and productivity after social usage in Figure 11.
Figure 10. Increase in business productivity as a result of social media

Figure 11. Increase in business productivity as a result of social media

Figure 11 shows that on average that female respondents are more successful in increasing sales, product awareness and consumer support with up to 40% due to their internet marketing communications while males seem to be able to effect increases of over 40% in sales, product awareness and consumer support. Both males and females seem to be equally successful to increasing overall productivity of the SME in both the 40% and lower and the over 40% category. Multivariate analysis of comparing the education level of respondents and internet usages and the results is reflected in figure 4.10 below.

It seems that on average, educational level has an effect on how successful the respondents are to increase their sales, product awareness, consumer support and overall productivity through their internet marketing communications. More specifically, the proportions of respondents that increase their sales, product awareness, consumer support and overall productivity by 40% or less decrease as the level of education increases and the inverse is true for the respondents who increase their sales, product awareness, consumer support and overall productivity by more than 40%. In fact, none of the Grade 10 / Standard 8 respondents increased their sales, product awareness, consumer support and overall productivity by more than 40%. Figure 12 shows it graphically.

Figure 12. Multivariate analysis of comparing the education level of respondents and social media usages

3.4. Social media activities - frequency

The next question inquires to social media activities, frequency and tools that SME are using. The results are shown in Figure 13.
It is clear from figure 13 that E-mail is the activity that is most often used by almost all (92.9%, n=26) respondents, followed by communicating with others (62.1%, n=18) and banking (57.1%, n=16). E-mail is also the one activity for which none of the respondents reported that they never, or even sometimes, use it. Although some respondents also engage in all the other social media activities only 3.6% for use it for training and 21.4% for advertising.

The proportions of respondents who appear not to know enough of the social to know what they are doing are small and for market research and buying on the web, nobody reported that they do not know. Buying on the web (53.6%) and e-commerce (45.8%) are the activities for which the largest proportions of respondents reported that they never engage in them.

4. CONCLUSION

The aim of this paper was to determine whether SMEs are aware of social media opportunities to interact with customers. Social media usage in SMEs and the impact thereof is viewed as an essential part of modern day organisational operations for SMEs to promote their business both domestically and globally. Social media is interactive and consumer-generated media, new media or citizen media, while conventional media is company generated media which flows in one direction.

The majority of the respondents reported that they do use social media for marketing their businesses. The conducted results reflect that LinkedIn is the website known to the largest proportion (89.7%) of respondents, followed by Facebook, Twitter, Google+ and YouTube, with all of them known to more than 70% of the respondents. Digg is the social web site that is known by the least number (6.9%) of respondents.

The conducted results confirm that Facebook is the social media platform on which the largest proportion of respondents spends more than 21 hours per week, followed by other unnamed social media platforms. In the case of each of these social media platforms, there are respondents that do not have an account for it, with Pinterest being the platform for which the largest proportion of respondents does not have an account. WhatsApp and Google were also mentioned by the respondents but no indication of how many hours per week is spent on them, was provided.

The results further reveal that the largest proportion of respondents is new to using social media for marketing their products. It is also concerning to discover that only 6.5% of the respondents are using social media pages to promote their businesses for longer than 5 years. 32.3% present of the respondents do not use social media pages for their businesses. It shows that the largest proportion of respondents who always use social media do so to communicate their brand online, followed by those who use social media to increase the awareness of my business.

The respondents all agree that a large audience can be reached via social media, followed by the ability to create product/service awareness. The conducted research recommends that social media can be cost effective if the SMEs make use of their social networks (professional and personal) and use best practises that enable them to get their adverts or posts shared across social networks.

The conducted research recommends that SME owners utilize YouTube channels to educate and train themselves on effective usage of Internet Marketing instruments, specifically the marketing use of Facebook and YouTube. Especially, when they are using social media to promote and create product awareness. Social media advertising instruments can be utilized effectively for marketing and customer interaction without spending large amounts of resources. Social media operators do provide paid marketing opportunities, but with the right approach to advertising using Social media a SME could advertise without spending additional marketing costs.

The conducted research recommends that SMEs rather use unpaid advertising on Social media networks entails posting and sharing of posts by network members, not targeted at the a specific SME target market but free exposure to general social networks. The conducted research also recommends the following strategy to utilize social media networks without paid social media advertisement. SMEs operating a wedding hair and makeup service model in the Tshipane area could utilize the following two social media networks in the following manner. The owners targets brides between the ages of 21 and 40 and utilize Facebook network and YouTube channel to promote business services. The owners create posts with portfolios of their products and services on Facebook, which then shares with her network. Their networks consist of both personal and customer contacts, if liked or shared by their personal or customer contacts the posts will then be exposed to an even larger network of social contacts. Customers who add the SMEs to their social network will then automatically see their posts each time on their Facebook news feed. On
their YouTube channel they promote their services by weekly adding video footage of new products, services or reviews of the latest hair and makeup products available. Potential customers searching for makeup or hair for weddings will be able to select and view their videos on YouTube. These potential customers can then like or leave a comment which will help SMEs gain popularity of their channel of videos. The higher popularity, the higher in the list of videos for their services and products entries (videos) which will show up when a potential customer searches on YouTube for hair and makeup for Weddings in the area. The approach taken here does not make use of the paid marketing services of the social media network. The approach though will result in exposure to a general market. Using paid marketing services the SME owner can target a specific group of the market segment - which is not possible with all social media tools.

The respondents report a sales, product awareness, consumer support and overall productivity increase. There seems to be an effect of age on the percentage increase in sales, product awareness, consumer support and overall productivity. Although the results show that most SMEs have internet only 54.8% of the respondents use social media to promote their businesses. The research established that the largest proportion of respondents are new to using social media to create awareness for their products.

REFERENCES