HOW SMEs ARE USING ONLINE MARKETING TO IMPROVE THEIR COMPETITIVENESS IN KENYA: A CASE STUDY OF TEMBEA EAST AFRICA SAFARIS

BY
BILHA ACHIENG

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

FALL 2016
HOW SMEs ARE USING ONLINE MARKETING TO IMPROVE THEIR COMPETITIVENESS IN KENYA: A CASE STUDY OF TEMBEA EAST AFRICA SAFARIS

BY

BILHA ACHIENG

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Organizational Development for Executives (MOD)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

FALL 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa in Nairobi for academic credit.

Signed: ____________________________  Date: ____________________________

Name: Bilha Achieng
ID No: 647758

This final project has been presented for examination with my approval as the appointed supervisor.

Signed: ____________________________  Date: ____________________________

Name: Fred Newa

Signed: ____________________________  Date: ____________________________

Dean, Chandaria School of Business
ABSTRACT

This study sought to outline how small and medium enterprises are using online marketing to improve their competitiveness in Kenya. The study addressed the following research questions: To what extent has Tembea Kenya used online marketing; What factors have influenced the use of online marketing by Tembea Kenya; and What strategies can Tembea Kenya employ to ensure effective use of online marketing in Kenya?

This study used the descriptive research design. The target population of the study comprised of all employees that worked at Tembea East Africa Safaris who were 103 in number. The sampling frame of the study was obtained from the company’s human resource department. This study employed a census study, which meant a complete count meaning that the sample size for the study was 103 respondents. The study relied on primary data, which was collected using questionnaires. The respondents were given 3 days to fill the questionnaires. The study used descriptive analysis. The collected data was subjected to analysis using Statistical Package for Social Sciences (SPSS) for windows. Analysis involved percentages, means and standard deviation. Correlation analysis was also used to determine the relationships between the study variables. Inferential statistics that included the regression analysis was used to examine the degree of variance caused by the independent factors.

The study showed that Tembea East Africa Safaris online marketing takes into account their unique business environment. The company’s online marketing deals with constant engagement with customers and matching their needs. The company’s online marketing requires them to have an in-depth knowledge of their customers’ needs. In addition, the company markets itself by through the creation of a personal brand for the business that cannot be replicated.

The study also showed that the company owners perceive online marketing as an important function of the business. The company owners see the strategic benefits of using online marketing platforms. The adoption of online marketing is primarily driven by the nature of the company’s business industry. The external pressure from its competitors, suppliers and
customers has driven the company’s adoption of online marketing. Also, limited resources has hindered the company from gaining the benefits of online marketing.

The study revealed that the company has lowered their prices to attract more customers. As an organization, the company differentiates their products from competitors to attract more customers using their online platform. The company uses online marketing platforms to accomplish effective pricing strategies that are based on customer discrimination. The company has built direct links with its customers in order to discuss with them more about products and they offer personalized promotions.

The study concludes that Tembea East Africa Safaris had lowered its prices to attract more customers and it differentiated its products from competitors to attract more customers using its online platform. The company used online marketing to advertise its product bundles as well as a counter-measure that prevented its competitors from gathering their pricing strategy. It can be concluded that the company used the online platform to build direct links with its customers, which reduced the company’s need to be physically present in various countries in order to reach clients. It can be concluded that the company applied the use of a search engine-marketing tool to make itself more visible.

The study recommends that SME owners and managers employ the use of online marketing beyond the purpose of managing customers and competitor information to coordinate business activities. The study also recommends managers and owners of SMEs to understand and anticipate changes in the technological environment and utilize technologies that serve human needs.
ACKNOWLEDGEMENT

I would like to express my heartfelt gratitude to all the people who supported and assisted me. In particular, would like to thank Dr. Fred Newa, my supervisor for his patience and guidance from the beginning to the project’s completion. I would also like to thank my family and friends for their understanding, patience and support during the time I was undertaking my project. I cannot forget to acknowledge the reference of other writers for their work, which assisted me in coming up with the project. Most importantly I would like to thank the Almighty God for providing the resources and energy to make this project a reality.
DEDICATION

This project is dedicated to my family and friends whose encouragement and support gave me the motivation to carry on. They are all my inspiration and mentors.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENT'S DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>v</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>vi</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>ix</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>x</td>
</tr>
<tr>
<td>LIST OF ACRONYMS</td>
<td>xi</td>
</tr>
</tbody>
</table>

## CHAPTER ONE ................................................................. 1

1.0 INTRODUCTION .................................................................. 1

1.1 Background of the Study .............................................. 1

1.2 Statement of the Problem ............................................ 6

1.3 Purpose of the Study ................................................... 8

1.4 Research Questions .................................................... 8

1.5 Significance of the Study ............................................ 8

1.6 Scope of the Study ..................................................... 9

1.7 Definition of Terms .................................................. 9

1.8 Chapter Summary ..................................................... 10

## CHAPTER TWO ..................................................................... 11

2.0 LITERATURE REVIEW ...................................................... 11

2.1 Introduction .................................................................. 11

2.2 Extent of SMEs Use of Online Marketing .......................... 11

2.3 Factors influencing the use of Online Marketing in SMEs ... 16

2.4 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing ........ 21

2.5 Chapter Summary ..................................................... 26
# CHAPTER THREE

**3.0 RESEARCH METHODOLOGY**

- 3.1 Introduction
- 3.2 Research Design
- 3.3 Population and Sampling Design
- 3.4 Data Collection Methods
- 3.5 Research Procedures
- 3.6 Data Analysis Methods
- 3.7 Chapter Summary

## CHAPTER FOUR

**4.0 RESULTS AND FINDINGS**

- 4.1 Introduction
- 4.2 Response Rate and Demographics
- 4.3 Extent of SMEs Use of Online Marketing
- 4.4 Factors influencing the use of Online Marketing in SMEs
- 4.5 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing
- 4.6 Chapter Summary

## CHAPTER FIVE

**5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

- 5.1 Introduction
- 5.2 Summary of Findings
- 5.3 Discussions
- 5.4 Conclusions
- 5.5 Recommendations

# REFERENCES

# APPENDICES

APPENDIX I: COVER LETTER
APPENDIX II: QUESTIONNAIRE
LIST OF TABLES

Table 4.1 Response Rate .......................................................................................................................................................... 32
Table 4.2 Rating of Online Marketing Use in the Organization ............................................................................................... 36
Table 4.3 Pearson Correlation Test for Online Marketing Use in the Organization ................................................................. 37
Table 4.4 Model Summary for Factors Affecting Extent of Use ............................................................................................... 38
Table 4.5 ANOVA Results for Factors Affecting Extent of Use ................................................................................................. 38
Table 4.6 Results for Regression Analysis Coefficients for Extent of Use ............................................................................ 39
Table 4.7 Rating of Factors Influencing the Use of Online Marketing ......................................................................................... 40
Table 4.8 Pearson Correlation Test for Factors Influencing Use of Online Marketing ............................................................... 41
Table 4.9 Model Summary for Influencing Factors .................................................................................................................. 42
Table 4.10 ANOVA Results for Influencing Factors ................................................................................................................ 42
Table 4.11 Results for Multiple Linear Regression Analysis for Influencing Factors ................................................................. 43
Table 4.12 Rating of Strategies Employed to Ensure Effective Use of Online Marketing .......................................................... 45
Table 4.13 Pearson Correlations for Online Marketing Strategies .............................................................................................. 46
Table 4.14 Model Summary for Online Marketing Strategies .................................................................................................. 47
Table 4.15 ANOVA Results for Online Marketing Strategies .................................................................................................. 47
Table 4.16 Results for Multiple Linear Regression for Online Marketing Strategies ................................................................. 47
LIST OF FIGURES

Figure 4.1 Gender ........................................................................................................ 33
Figure 4.2 Age Bracket ................................................................................................. 33
Figure 4.3 Level of Education ..................................................................................... 34
Figure 4.4 Duration with Organization ....................................................................... 34
Figure 4.5 Extent of Online Marketing Use ................................................................ 35
## LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD-ROMS</td>
<td>Compact Disc, Read-Only-Memory</td>
</tr>
<tr>
<td>CDs</td>
<td>Compact Discs</td>
</tr>
<tr>
<td>CRSs</td>
<td>Computerized Reservation Systems</td>
</tr>
<tr>
<td>EA</td>
<td>Eastern Africa</td>
</tr>
<tr>
<td>EAC</td>
<td>East African Community</td>
</tr>
<tr>
<td>FAQs</td>
<td>Frequently Asked Questions</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GDSs</td>
<td>Global Distribution Systems</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>ICTs</td>
<td>Information and Communication Technologies</td>
</tr>
<tr>
<td>ISP</td>
<td>Internet Service Provider</td>
</tr>
<tr>
<td>IT</td>
<td>Information and Technology</td>
</tr>
<tr>
<td>KATO</td>
<td>Kenya Association of Tour Organizations</td>
</tr>
<tr>
<td>KIPPRA</td>
<td>Kenya Institute for Public Policy Research and Analysis</td>
</tr>
<tr>
<td>Net</td>
<td>Internet</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>ROI</td>
<td>Return on Investment</td>
</tr>
<tr>
<td>SEM</td>
<td>Search Engine Marketing</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises (SMEs)</td>
</tr>
<tr>
<td>SMTEs</td>
<td>Small and Medium Tourism Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Saharan Africa</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The adage, “If a company cannot be found in Google, it does not exist,” seems to typify consumer behavior today. It should be clear that the utilization of digital channels is important for brands, and it should be a progression that Small and Medium Enterprises (SMEs) should follow too if they want to stay competitive and grow. However, it seems that many SMEs do not use the full potential of these new digital tools (Gilmore, Gallagher and Henry, 2007). SMEs are a significant part of the world economy. For example, in Europe 99 per cent of companies are SMEs (of which 92 per cent are micro-enterprises) and those companies provide more than 75 per cent of private sector jobs (European Commission, 2011); in the United States (US) economy, SMEs represent 99.7% of all employer firms and employ half of U.S. workers (Small Business Administration, 2014). The importance of these companies cannot be ignored.

The marketing reality of SMEs is far from that of large corporations and hence digitization is a greater challenge for them. Literature argues that traditional marketing theories are not even applicable to SMEs (Reijonen, 2010). SME marketing techniques are informal, reactive and spontaneous (Gilmore, Carson and O’Donnell, 2004), and there is a considerable gap between marketing activity in a typical SME and the best practice advanced by marketing theory (Parrott, Roomi and Holliman, 2010). SMEs are characterized as strongly sales focused (Hill, 2011; Reijonen, 2010) and the main goal of their marketing is just to create awareness of the firm and products (Reijonen, 2010). In general, marketing in SMEs has been characterized as disorganized and unplanned, although some SMEs do engage in formal and conventional marketing practices like marketing planning (Hill, 2011). Those SMEs that do make and follow a marketing plan should benefit as the activity has been found to be one of the key factors of successful marketing in SMEs (Parry, Jones, Rowley and Kupiec-Teahan, 2012). Hill (2011) predicted that formal marketing planning in SMEs would increase, as a younger generation with a more specialized management education became managers.
Traditional marketing refers to any type of promotion, advertising or campaign that has been in use by companies for years, and its methods include the use of print advertisements, such as newsletters, billboards, flyers and newspaper print advertisements, whilst using other forms like television spots or commercials, as well as radio spots advertising a business, product or service (O’Donnell, 2011). Web-based marketing or online marketing can be defined as the use of the Internet and related digital technologies to achieve marketing objectives and to support the transactions of marketing activities processes such as supply chain management, building customer relationships and enhancing service quality delivery (Harrigan, Ramsey and Ibbotson, 2012).

Online marketing offers numerous benefits when compared to traditional media channels. Internet marketing strategies may improve customer relationships, operational efficiency, marketing effectiveness, and a firm’s performance when implemented properly (Dlodlo and Mafini, 2014; Eid and El-Kassrawy, 2012). Some larger organizations are already benefiting from Internet marketing while small businesses are lagging behind in adoption (Boyles, 2011). Parrott et al. (2010) also note that, unlike traditional methods, online marketing also allows marketers to see in real time what is or is not working for their business online and thus they can adapt very quickly to improve the results.

Online marketing should be based on the consumer’s abilities to select and choose in the interaction with the multiple brands over the Internet, thus SMEs need to understand target marketing (Gilmore et al., 2007). This means that SMEs need to understand how websites build and keep audiences, and acquiring deeper insights into online consumers and their media, and buying patterns (Eid and El-Kassrawy, 2012). In addition, SMEs need to understand how new technologies and broadband adoption has enabled advertisers to make enormous creative leaps and create landmark campaigns (Harrigan et al., 2012; O’Donnell, 2011).

Harrigan et al. (2012) note that, these leaps are likely to continue as marketing and advertising are increasingly populated with individuals for whom the internet, was always there, and which played some role in forming their worldviews, just as television, film, radio,
and print did for previous generations. Based on these experiments the marketers are moving
towards the three new models of marketing: on demand model, which is based on
consumers’ abilities to select and choose their content and interactions with brands;
engagement model, where visitors are engaged in the product or service; and marketing as
service to consumers, where the simplicity of a website becomes an advantage.

Although a review of the literature indicates that online marketing offers numerous benefits,
researchers found that small businesses lagged behind in adoption (Dlodlo and Mafini, 2014;
Eid and El-Kasswawy, 2012). For example, Jarvinen, Tollinen, Karjaluoto and Jayawardhana
(2012) and Omar, Ramayah, Lin, Mohamad and Marimuthu (2011) showed that the use of
online marketing among SMEs was limited to e-mail, newsletters, and websites. Some SMEs
had a website, but they had limited knowledge of how to use it for marketing (Reijonen,
2010). Furthermore, Notta and Vlachvei (2012) determined that Greek Wine SMEs had
limited web marketing strategies and low e-commerce adoption rates. Parrott et al. (2010
emphasized the importance of social networking in a small firm’s marketing strategy, but
Pentina, Koh and Le (2012) found that SMEs had minimal desires to adopt or continue using
social networks marketing. The usage patterns among SMEs in Kenya show a slow
progression from the use of the Internet for communication (primarily electronic mail) to use
of the Internet for research and information search, to the development of websites with static
information about a firm’s goods or services (Macharia, 2009).

According to World Trade Organization (WTO) [2012], the Internet is revolutionizing the
distribution of tourism information and sales. An increasing proportion of Internet users are
buying online and tourism will gain a larger and larger share of the online commerce market
(Wang and Cheung, 2014). Obviously, the Internet is having a major impact as a source of
information for tourism (Buhalis and Schertler, 2009). However, the Small and Medium
Tourist Enterprises are facing more stringent impediments to the adoption of new
information technology, in particular, electronic commerce. Part of the problem relates to
limited resources and technology capabilities, the scale and affordability of information
technology, as well as the facility of implementation within rapidly growing and changing
organizations (Raisinghani, Melemez, Zhou, Paslowski, Kikvidze, Taha and Simons, 2013).
In addition, new solutions configured for large, stable, and internationally oriented firms do not fit well for small, dynamic, and locally based tourism firms (Wang and Cheung, 2014).

In Kenya, tour companies including travel agencies as well as specialty tour companies such as diving and adventure tour operators, have also been able to obtain a significant amount of new business through the Internet, much of which is organized through electronic mail (GOK, 2010). Tour companies use their websites as their primary channel for obtaining new customers or booking return visits (Scupola, 2008). The most successful websites have generic, easy to find names and have registered with search engines (WTO, 2011). The development of tourism in Kenya has been a success story and the industry has contributed to the growth of the country’s Gross Domestic Product (GDP), raised the foreign exchange earning capacity, and has created employment opportunities. There are 1612 SMEs registered with the Ministry of Tourism divided into nature trailers, curio entrepreneurs, ecotourism cites, travel agents, tour operators and hotels (GOK, 2010).

The tour and travel firms are registered by the Ministry of Tourism and then accredited to Kenya Association of Tour Organizations (KATO) which has been representing the interests of Kenyan travel agents since 1979 when its forerunner, the East African Society of Travel Agents, which had been in existence for 22 years was disbanded due to the collapse of the East African Community (EAC) [KATO, 2009]. KATO works to enhance and improve the Travel Industry business climate in Kenya by promoting the services of her members to the general public, protecting their rights and assisting them to optimize their businesses.

Tour operators in Kenya, the first one to hook on to, have launched innovative websites and portals to zero in on both domestic and foreign clients (O’Biren, 2013). Tourism is one industry, which has made use of the online marketing to the core. The online tourism industry has enormous potential, with many opportunities for the existing companies who have vested interests in the tourism industry, or new companies with an entrepreneurial idea (Forrester Research, 2011). People are already making bookings over the Internet, planning their holidays, reading magazines and newspapers, exchanging information and doing a variety of things they never thought they would be doing electronically (Wang and Cheung,
Emerging Information Technology-based tools require re-engineering of business processes as well as the development of strategic vision and commitment to enable tourism enterprises and destinations to develop competitiveness (Robinsol and Clarke-Hill, 2007). This study focused on Tembea East Africa Safaris Limited, a tour and travel company.

Tembea East Africa Safaris Limited is a travel and tour business that has its registration in both in Kenya and Tanzania. Their core business is to offer travel arrangements including domestic flight reservations, accommodation, transport and guidance to visitors and explorers in Eastern Africa (EA) Regions. The company is managed by a team of professional and experienced directors highly motivated and committed to ensure clients meet their expectations. It is staffed with competent personnel who are well versed in customer care skills. The company was formed in 2008 by a group of knowledgeable East Africans who understand the East African Eco System and Wildlife (www.safaribookings.com/profile).

One of the challenges faced by the organization is difficulty in addressing issues of trust and confidence with customers which according to Robinsol and Clarke-Hill (2007) states that small and medium tourism enterprises (SMTEs) are more vulnerable than large firms to problems linked to authentication/certification, data security and confidentiality and the settling of commercial disputes. However, a SME electronic commerce study done by Forrester Research (2011) reported that SMEs are significant players in business-to-business electronic commerce, which constitutes more than 80 percent of all electronic commerce activities. SMEs that can demonstrate their capabilities to use electronic commerce will have a competitive advantage in the electronic commerce marketplace (Grandon, 2014).

From the background study, the use of online marketing by SMEs is in its infancy. Omar et al. (2011) states that, it is important to explore the reasons behind the lagging adoption to understand why SMEs have low online marketing usage rates, and although studies have shown that the barriers inhibiting online marketing are lack of time, expertise, financial resources and lack of online knowledge and expertise, this study focused on determining how SMEs could use online marketing to improve their competitiveness while focusing on Tembea East Africa Safaris Limited.
1.2 Statement of the Problem

According to Schleberger (2011), online marketing has become central to efficient operation of most industrialized nations in the past few years. He further asserts that the tourism industry cannot function efficiently without appropriate implementation of online marketing, due to the changing internal and external threats and opportunities facing the tourism industry. Various opinions exist concerning the expected impact of internet on firms in general and on the marketing function in particular. Porter (2001) argues that implementing internet technology by firms is not a matter of an option but is vital if firms want to remain competitive. Additionally, while Ritchie and Bridley (2011) view the transformational impact of the internet on marketing as being modest, they explain that those firms that can integrate and align the internet with their overall strategy can create unique and lasting competitive advantage. It is critical that the tourism sector, provide quality services just like any other sector in the economy. Tembea East Africa Safaris Limited carried out its promotion using various internet platforms, but the extent of their use had not been fully examined and this study examined in detail the extend of online marketing by the organization.

Limited access to markets also remains a severe constraint to SME growth and competitiveness in Kenya owing to a shrinking domestic market due to globalization (KIPPRA, 2012). Limited access to market information makes SME clients/customers less aware of opportunities in the market. Overall aggregate demand for the sector’s products is low and markets are saturated due to overproduction and dumping of cheap imports (GOK, 2011). Markets do not function well due to insufficient information, high transaction costs and stiff competition for similar products. High transaction costs are due to market inefficiencies and information asymmetry. SMEs face difficulties accessing markets due to limited market information, poor marketing capacity and poor market research leading to a discrepancy between the supply and demand (KIPPRA, 2012). Another challenge faced by the organizations was difficulty in addressing issues of trust and confidence with customers which according to Robinsol and Clarke-Hill (2007) states that SMTEs are more vulnerable than large firms to problems linked to authentication/certification, data security and confidentiality and the settling of commercial disputes. Given the various challenges faced
by SMEs in Kenya, this study examined the factors that affected online marketing adoption by Tembea East Africa Safaris Limited.

Africa, with its great wealth and unique resorts, can benefit from the ever increasing population of the Internet particularly in the United States of America (USA) and Western Europe where most of the tourists to Africa come from (WTO, 2011). Beck, Wigand and Konig (2005) undertook a survey to find the nature and extent of electronic commerce adoption by tourism organizations from South Africa, Kenya, Zimbabwe and Uganda which are all popular tourist destinations in Eastern and Southern Africa and found that, nationwide diffusion of Information and Communication Technologies (ICTs) was rather low by international standards and especially in East Africa (EA), as was underscored by a comparison with the average for Sub-Saharan Africa (SSA). Another survey was carried out by WTO (2011) of tourism organizations from USA and Western Europe. The surveys revealed that few of the African organizations were embracing electronic commerce and that, although some websites were comparable to those of their western counterparts, the majority had room for considerable improvements (Beck, Wigand and Konig, 2005). The African websites were found to be generally informative but lacked interactive facilities for online transactions (Maswera, 2008). As a result, this study focused on the various strategies that Tembea East Africa Safaris Limited could implement to maximize the impact of their online marketing.

As a tour and travel company, Tembea East Africa Safaris Limited faced stiff competition from other companies thus it needed to constantly reinforce its brand and play up their value offerings. The company had to also ensure that its online site is continuously updated with the latest technology and business trends, as well as balances its business overhead and upfront capital involved in creating its tour packages among other challenges. Given the various study gaps that had been highlighted above, there was a need for this study that sought to outline how SMEs were making use of online marketing to improve their competitiveness with a key focus on Tembea East Africa Safaris Limited.
1.3 Purpose of the Study
The purpose of this study was to find out how SMEs use online marketing to improve their competitiveness in Kenya.

1.4 Research Questions
The following research questions were addressed:

1.4.1 To what extent has Tembea Kenya used online marketing?
1.4.2 What factors have influenced the use of online marketing by Tembea Kenya?
1.4.3 What strategies can Tembea Kenya employ to ensure effective use of online marketing?

1.5 Significance of the Study
1.5.1 Small and Medium Enterprises
This study may be of significance to all SMEs in Kenya. It gives the SME owners a foundation on the use of online marketing to sell and inform consumers about their products and services. These organizations may have a deeper understanding of how to engage the new age consumers, as well as the best channels available to them to reach their desired consumers.

1.5.2 Policy Makers
The results of this study may be of significance to policy makers. The results of the study have indicated the preferences of the new age consumers and the kind of information they require from their sellers. This may facilitate the formulation of better marketing strategies by various SMEs.

1.5.3 Consumers
The results of this study may be of significance to consumers and customers. The results of the study have shown how organizations used online marketing to gain competitiveness. This may enable consumers to understand how organizations work and thus improve their decision-making on the online platforms.
1.5.4 Future Scholars
The results of this research have added to the available information in the market about SMEs and online marketing. This study has strengthened the pillar of marketing and capturing the new age consumers. Scholars in the business field have an opportunity to refer to a current study in the marketing field.

1.6 Scope of the Study
The study was based in Nairobi and it targeted SME owners who used online marketing to carry out their day-to-day business. This population demography was selected because of their knowledge in using online platforms. Ascertaining the best mode of reaching/ capturing their attention in terms of marketing may educate the owners on what modes of online marketing they need to adopt to reach the larger mass of their markets. The study focused on Tembea East Africa Safaris Limited and the research was carried out between April 2016 and August 2016. The results of the study were limited to the organization and thus set a base for other tour companies.

1.7 Definition of Terms
1.7.1 Traditional Marketing
This refers to any type of promotion, advertising or campaign that has been in use by companies for years, and its methods include the use of print advertisements, such as newsletters, billboards, flyers and newspaper print advertisements, whilst using other forms like television spots or commercials, as well as radio spots advertising a business, product or service (O’Donnell, 2011).

1.7.2 Online Marketing
Also referred to as, ‘web-based marketing’, this can be defined as the use of the Internet and related digital technologies to achieve marketing objectives and to support the transactions of marketing activities processes such as supply chain management, building customer relationships and enhancing service quality delivery (Harrigan et al., 2012).
1.7.3 Internet
This is a global network connecting millions of computers. It can also be defined as global system of interconnected computer networks that use the Internet protocol suite (TCP/IP) to link billions of devices worldwide (Lloyd and Kroeze, 2008).

1.7.4 Competitiveness
This is the ability of an organization or tour firm to increasingly attract visitors while providing them with satisfying memorable experiences and to do so in a profitable way, while enhancing the well-being of the destination’s residents and preserving the natural capital of the destination for future generations (Jarvinen et al., 2012).

1.7.5 Adoption
Adoption of technological innovations is the process consumers use to determine whether or not to adopt an innovation. This process is influenced by various factors such as personality traits and demographic or socioeconomic factors, the characteristics of the new product, such as its relative advantage and complexity, and social influences, such as opinion leaders (Harrigan et al., 2012).

1.8 Chapter Summary
This chapter gives a brief relationship between SMEs and online marketing. The chapter touches on online marketing as the new medium of reaching the new age consumer. The chapter also gives readers the scope and significance of the study as well as offering definition of key terms that have been used. Chapter two offers a literature review based on the three research questions. Chapter three mainly described the research design and the methodology, which was applied in the study. Chapter four presents and explain the data analyzed on the basis of the above research questions and chapter five provides the discussions, conclusions and recommendation on the topic with reference to the findings.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This study sought to determine how SMEs were using online marketing to improve their competitiveness in Kenya. This section is guided by the research questions that sought to determine the following: To what extent have SMEs in Kenya used online marketing?; What factors have influenced the adoption of online marketing by SMEs in Kenya?; and What strategies can SMEs employ to ensure effective use of online marketing in Kenya?

2.2 Extent of SMEs Use of Online Marketing
Marketing theories drawn from conventional textbooks (Brassington and Pettitt, 2007; Jobber 2009; Kotler, Wong, Saunders and Armstrong, 2008) continue to focus primarily on marketing planning, marketing research and the implementation of marketing mix such the 4Ps (price, place, product, promotion) which are more appropriate for large organizations is different to that of SMEs. SME marketing takes into account the unique business environment, characteristics of owner/managers (such as skills and abilities) and resources (O’Dwyer, Gilmore and Carson, 2009). Marketing in SMEs is identified as engagement with customers, matching customer needs, networking (Gilmore, Carson and Grant, 2011) relationships with customers (Day, Dean and Reynolds, 1998) and through the self-marketing of the SME owners (Shepherd, 2005). SMEs therefore, are practicing marketing but in their own unique style reflecting their ability to offer products and services that exactly suit their customers, by having in-depth knowledge of their customers’ needs and being able to communicate with their customers on a personal basis.

This marketing approach resonates with service dominant logic (Vargo and Lusch, 2012) where goods are seen as a mechanism for service, defined as the application of competencies such as knowledge and skills for the benefit of a party. The service is co-produced and value co-created. Added to this is the importance of self-marketing by the business owner in which they can create a personal brand for the business, which cannot be replicated, meaning that, SMEs do engage in marketing but their ‘4 Ps’ marketing model is based around four different attributes that include: Personal; Practice; (Co)Production; and Perseverance.
The personal brand of the owner who personifies the business with a unique set of skills, which cannot be replicated. SMEs co-produce their business with their customers with much of their work shaped to exact customer requirements such as bespoke Information and Technology (IT) systems or specific ranges of goods. SMEs focus on the execution of the business in hand rather than spend time planning or strategizing and SMEs persevere with their businesses and build long-term customer relationships (Gilmore et al., 2011; Vargo and Lusch, 2012).

According to Harrigan et al. (2012), online marketing involves the use of Internet technologies to reach out to customers. Online marketing is a combination of using the Internet and marketing to sell products and advertise the company. The same basic principles as traditional marketing apply, except that everything happens at a much greater speed, and the company has to contend with others all over the world and not necessarily only with those in its direct business area (Lloyd and Kroeze, 2008). Internet marketing can be used to enhance personalization. Personalization raises the value of a user’s online experience, improving customer loyalty and leading to more customer contacts (Eid and El-Kassrawy, 2012). Having realized the astonishing growth and importance of the Internet, marketers are challenged with its effective integration into their marketing communication mix (Grandon, 2014).

2.2.1 Online Marketing Use by SMEs

Online marketing use may facilitate external knowledge acquisition and intra-firm knowledge dissemination to improve a firm’s learning capacity (Liao, Welsch and Stocia, 2013). Online marketing usage for communication (with both customers and suppliers) is one potentially important component of SMEs’ market-sensing activity. Johnson, Lee, Saini, and Grohman (2013) noted the importance of market-sensing activities in SMEs’ responses to environmental demands. Suppliers as a source of information are particularly critical for SMEs, given their lack of Research and Development (R&D) and marketing-research resources.
In contrast to online marketing usage for communication, using the Internet for transactions is not as likely to serve as a critical market-sensing activity for SMEs. Prior research has shown that SMEs use the Internet more for marketing communications and customer-relationship management than to advance business processes such as automating transactions (Adams and Deans, 2011). A relatively low percentage of SMEs use the Internet to complete businesses transactions compared to those that use it for communications (Deans, Gray, Ibbotson and Knightbridge, 2013; Ramsey and Ibbotson, 2012).

In cases where the Internet is used for transaction purposes, the typical order taking and processing of SMEs is more routine and static in nature (Adams and Deans, 2011). While large firms may convert this relatively static process into a more dynamic process of discovery through data mining, SMEs typically lack the resources and capabilities required to transform transaction information into a more dynamic market-sensing ability (Bhandari et al., 2014). Acquiring resources and capabilities needed to convert routine transaction data into dynamic information entails at least two substantial and potentially prohibitive costs. First, development and maintenance costs are much higher if carefully detailed and formatted back-end data-base management features are required (Liao et al., 2013). The second major cost is greater than the first: acquiring the human-resource expertise needed to use and interpret advanced data-mining software effectively can be very expensive (Bhandari et al., 2014). As a result of these costs, the more dynamic online marketing function (that is, facilitating external and internal dialogues regarding current and future scenarios) is more likely than online transactions to be implicated in strategic flexibility for SMEs.

2.2.2 Online Marketing in Tourism Industry

Travel and tourism products are ideal for marketing on the Internet. This is because tourism is an information-intensive industry and the Internet is the most effective and efficient means in information exchange worldwide (Rayman-Bacchus and Molina, 2011). The Internet can greatly facilitate the promotion and distribution of tourist products and potentially enable tourism destinations and enterprises to compete on a level playing field (Quelch and Klein, 2010).
Tourism is very information-intensive and information is often dubbed the “life-blood” or “cement” of the industry which holds together the different producers within the travel industry - airlines, tour operators, travel agencies, attractions, car rental, cruise lines, and other supplies (Doolin, Burgess and Cooper, 2011). The perishability of tourism products and the often erratic tourist demand make the task of balancing tourism supply and demand far more significant than any other sector. That is probably why tourism became one of the first industries to widely apply IT and conduct electronic commerce from the 1960s in the form of Computerized Reservation Systems (CRSs) and then Global Distribution Systems (GDSs) (Doolin, Dillon, Thompson and Corner, 2012).

Travel and tourism organizations have been quick to grasp the potential of marketing and selling their products via the Internet (Pentina Koh and Le, 2012). They have realized that they are selling a global product, for which the Internet is ideal because it costs no more to be on sale globally than it does locally when using the Internet. The tourism industry is fast learning that the Internet can satisfy the acute need for information at all stages of the tourism product’s life cycle far better than any other existing technology (Wang and Cheung, 2014). They further state that, the Internet and its inherent interactivity empower people to find information quickly and precisely on any destination or activity that arouses their interest. Consumers expect instant information. They also increasingly seek the possibility to design or customize the tourism product sought and to pay for it online.

Before the internet in Kenya was discovered, travelling had been considered quite risky because tourists had limited knowledge of the places they wanted to visit. Tourists had limited knowledge about terrain, climate, culture, and other factors that drive or inhibit traveling (Njung’e and Liswani, 2013). Tourism industries like tour companies and travel agencies had old methods and ways of making bookings and reservations. Only well-known destinations were visited and those who dared and went to a remote place had no idea what to expect once they arrived. Generally, lack of information about different parts of the world limited travelling (Rayman-Bacchus and Molina, 2011).
2.2.3 Implications of Online Marketing

The discovery and the use of the internet has contributed greatly to the development of tourism growth in Kenya for the past years because it has promoted tourism and motivated tourists to come to Kenya. Travelers can have now access to information online before making their bookings (Njung’e and Liswani, 2013). Another way of looking at the role of the internet in the travel industry is looking at Doolin et al. (2012) contention that the web is becoming a collective “travel square” because more and more travelers are turning to online travel to fulfill their travel related tasks such as seeking information, making travel transactions and finding travel companies.

One benefit of online marketing is that, it is definitely far more cost-effective to use the Internet when considering business-to-business communication and marketing. Certain costs are incurred when using the Internet including the monthly subscription to an Internet Service Provider (ISP), the initial outlay of buying a computer, computer training, the cost of regular usage (for instance, the cost of a local phone call to use the Internet), and the cost of designing and regularly updating a website (Rayman-Bacchus and Molina, 2011). However, there are other costs which will automatically be saved such as the time cost, convenience costs, and a wide variety of information, which greatly outweigh the monetary costs, thus making the Internet an effective tool (Doolin et al., 2012).

Customer support is possible at a lower cost. It is not cost-effective to employ staff at help desks awaiting queries that never arise. Instead, clients can be encouraged to e-mail the company if they have a problem or query, if the website has not already answered all their questions (Doolin et al., 2011). The website should be informative enough to answer basic questions in the Frequently Asked Questions (FAQ) section. Cost reduction is more measurable and controllable than many other customer-support systems, since firms can monitor its impact on their web sites (Doolin et al., 2012).

Another benefit of marketing via the Internet is that companies can trace where their customers came from, how long they spent on the website and what page of the website the visitors came to first. This is an ideal way to collect data on market needs, wants, preferences
and desires (Swarbooke, 2009). Web traffic analysis software is helping tourism operations to focus on their target market as never before. It is promoting an understanding of the traffic on their website and enabling them to make the necessary changes that are critical to increasing website traffic. Apart from these benefits, however, one should bear in mind that the web and e-communications are more effective for customer retention than acquisition (Quelch and Klein, 2010). The implication here is that traditional means of informing consumers about the product should not be neglected.

2.3 Factors influencing the use of Online Marketing in SMEs

2.3.1 Organizational Factors
Various studies have reported that SMEs are generally lagging behind to large organizations as far as the adoption and usage of online marketing is concerned. Recent research work by Kapurubandara (2009) identified a variety of factors that could be grouped into several categories. Chau and Turner (2001) and Organization for Economic Cooperation and Development (OECD) [2002] identified factors relating to three major categories: owner/manager characteristics, firm characteristics and costs and return on investment (Akkeren and Caraye, 2010). Some of these inhibitors are discussed in some detail in the next sections.

2.3.1.1 Owner / Manager Characteristics
The adoption of online marketing by SMEs is a decision made by the business owner and the manager. Successful companies that embrace IT and online marketing are often those whose owners take on the role as innovation champion. SMEs owner perceive online marketing as an important function for their business (Ramsey and McCoyle, 2013). However, many SMEs prefer the comfort of what they perceive as familiar over indulging into any new venture. They are reluctant to “think outside the box” in order to seek new business solutions (Cyert and March, 2012).

Some SMEs do not perceive (or are not convinced by) the potential strategic benefits of being the first to utilize new technologies and marketing platforms. Some do not perceive the relevance of using new technologies to their business, although they understand the online
buying and selling functions offered by online marketing facilitated by new technologies (Ramsey and McCole, 2013). Gary (2013) argues that whether the adoption is driven by business demand or technology push, the SMEs need to be personally ready before moving on to the next stage and that the process involves learning and new knowledge.

2.3.1.2 Organization / Firm characteristics

A number of factors influencing adoption of online marketing has to do with the organization itself. For instance, the age of the organization is a major factor - the older the organization, the higher the level of adoption. Freeman, Caroll and Hannan (2013) stated that older organizations have an advantage over younger ones because reliability and accountability tend to increase with age, and failure rates tend to decrease as firms grow older.

The nature of the industry, the size, the common practice, and the traditional way of doing business impose a significant impact on the adoption of new technologies and online marketing. The high level of intangibility of the service/product mix can be viewed as one of the major impediments to future utilization of online marketing (Gary, 2013).

Ramsey and McCoile (2013) addresses the unique nature of an industry in relation to utilization of online marketing he found that, adoption has also been found to be largely dependent on external pressure from the business competitors as well as its supply chain. Thong and Yap (2005) note that, business might adopt online marketing as a result of their competition using it as not to lose their competitors advantage. Fillis, Johannson and Wagner (2014) speculate that there may be a sense that business is dictated mainly by the end customer, supplier or distributor who does not want to embrace online marketing as a business technology, instead preferring conventional, traditional methods. If an organization has large amount of data and transaction, then it is more likely to adopt online marketing which can help streamline operations and offer process efficiencies within the organization (Thong and Yap, 2005).
2.3.1.3 Limited Resources
Limited resources like financial, time, management, training, and personnel are often highlighted as major factors impacting the decision to adopt online marketing. Lawrence (2012) argues that resource limitations such as time and capital coupled with preferences for traditional mechanisms to do business, inhibited firms from gaining benefits from introducing online marketing technology. SMEs have been seen as spending little on technology, therefore they do not use the optimum solutions for much of their business. SMEs are also concerned with Return on Investment (ROI). The pressure to show a return on the investment often leads to SMEs being more concerned with medium-term survival rather than long-term viability (Akkeren and Caraye, 2010). As a result, owners are often hesitant to make substantial investments when short-term returns are not guaranteed, as is the case of online marketing. As a result, they are unable to invest in new technologies that could actually help put them on the fast track.

2.3.2 Demand Factors
Consumer demand is the fundamental determinant of all forms of businesses. Whether an industry is initially supply-led or demand-driven, consumers are the key force in deciding the scale, structure, style and speed of its development (Swarbooke, 2009). The small size of Internet business transactions in the world economy at present, is caused, to a great extent by insufficient demand, though more limited by consumers’ willingness than their ability to shop on the Internet (Rayman-Bacchus and Molina, 2011).

Issues of trust, security and privacy are amongst the most critical determinants to the success of online marketing adoption by online consumers (Bharat and Abhijit, 2010; Oreku, Li, Kimeli and Mtenzi, 2009). According to Choudhury (2008) security can be described in two categories: protection of transactional detail of the customers and privacy of the personal information of the customers. Security concerns have allowed partial application of online marketing where only electronic mails are accepted online without electronic payments (Mukti, 2010). In many developing countries, the Internet and the networking jargon are still being regarded as complex phenomena by many SMEs who may presume them to be predators for their data (Tan, Tyler and Manica, 2007). Most consumers and SMEs in
developing countries are unaware of what technologies, including online marketing, can be of benefit to them due to lack of education and sometimes ignorance (Bella et al., 2011). They often assert that perceiving the good of the technology before actually using it is rather difficult.

2.3.3 External Factors
The external environment of the SME organization also impacts some challenges to online marketing. It describes the realm of business engagement of the firm (Scupola, 2009). This describes factors such as: technological and governmental.

2.3.3.1 Technological Factors
Many of the current constraints and problems of conducting online marketing and other business transactions are caused by the Internet technology itself (O’Donnell, 2011). The Internet’s slow speed, often dubbed as the “world wide wait”, slows down the growth of the web-based businesses as users are often not prepared to wait for too long to see the information appears on the screen (Gilmore et al., 2007). The slowness of the Web is a combined results of three factors: the increasing number of Internet users, the increasing frequency of use, and the increasing richness of the information (from simple text to full color pictures and videos) being transferred over the Internet (Macharia, 2009). Technology will not reduce these growing demands on the Web, on the contrary, technology will constantly expand the Web’s capacity for accommodate and even stimulate the increasing demand (O’Biren, 2013).

2.3.3.2 Governmental Factors
The nature of the Internet enables no one to control its structure and content, while as a recent phenomenon, laws and standards are yet to be developed and adopted to facilitate and regulate its commercial use (Wang and Cheung, 2014). Some of the problems highlighted above are partly attributable to or greatly escalated by the lack of effective government involvement in promoting, facilitating and regulating online marketing on the Internet (Scupola, 2008).
The government can play an active role in online marketing by providing the necessary infrastructure for conducting Internet business. Uncertainty in many countries with regard to policies for investment, ownership, technology selection and general public access to the Internet has restricted the development of Net-based business and the penetration of Internet itself (Eid and El-Kassrawy, 2012). Especially in the developing world, the huge investment required to establish the network and to make full use of it is out of reach of many businesses. In such circumstances, government could provide start-up funding for small companies that would facilitate the adoption and use of both online marketing and e-commerce (Swarbooke, 2009).

Governments across the African continent have been slow in realizing the potential of the Internet for economic growth and even slower in providing the necessary regulatory framework appropriate for conducting Net-based business. Although existing business laws and regulations are applicable to e-commerce, very few have been created for online marketing, the particular nature of Internet-based business does requires special treatment, especially in the areas of security, fraud, sabotage, and data and consumer protection (WTO, 2011). Without the confidence and trust of those participating in the process, it will be impossible to achieve sustainable growth in online marketing as well as e-commerce. However, censoring indecent and potentially criminal material on the Internet were often the main reasons chosen for regulation. In the advanced Net-economies, the Government put forward a draft Electronic Communications bill, which deals with a wide range of issues central to the healthy development of online marketing, including consumer protection, information security, authentication and digital signatures, confidentiality, encryption, taxation issues, intellectual property rights, technical standards, illegal content and so on (WTO, 2012).

Legislation is of fundamental importance, but legal provisions only mark the boundary of unacceptable business practices and protect the consumer by redressing any illegal treatment. Consumers want to buy from companies that are not only law-abiding but more importantly are reliable and offer quality and value. Nevertheless, it is extremely difficult, if not impossible, to judge a company by its online marketing activities (WTO, 2012; 2011).
Therefore, other (non-legal) measures must also be taken to boost consumer confidence in online shopping. The United Kingdom (UK) Government is trying to promote the ideas of ‘e-hallmarks’ which will guarantee that its users are legitimate traders offering assurances on security of payments and communications and giving accurate information on goods, prices and a returns policy (Swarbooke, 2009). However, many business organizations oppose the idea, wanting instead to rely on self-regulation without government intervention.

2.4 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

The Internet can dramatically lower entry barriers for new competitors. Companies can enter into online marketing easily because they do not need sales forces and huge capital investments as they do in offline markets. As the number of people with Internet access increases, the competition for online business in many industries will also increase. The Internet also brings many more companies into competition with one another by expanding geographic markets (Porter 2001). Thus SMEs need to employ different strategies in order to remain competitive.

2.4.1 Product Strategy

Online marketing has made it possible for consumers to carry out a complete search of product offerings by companies at virtually no cost (Allen and Fjermestad, 2010). Because consumers can easily compare prices and find close substitutes, SMEs are forced to lower prices, since they cannot achieve competitive advantage simply by exploiting consumers’ search costs, as they did in the physical market (Viswanathan, 2012). An alternative is for these SMEs to make consumers’ product comparison more difficult by differentiating their products from others (Schiesel, 2011), thorough bundling and/or innovation.

2.4.1.1 Product Bundling

Product bundling is a strategy that promotes the benefits of the whole package, thus keeping buyers from comparing individual items (Schiesz, 2011). The concept of bundling has also led to a revolution in travel packaging: consumers have greater access to a larger variety of travel packages as both the package development and distribution have increased dramatically by the suppliers (Gillen and Morrison, 2013). Virtually all types of firms in the
industry, from suppliers such as hotels and airlines to intermediaries such as travel agents and online service providers, are encouraging customers to purchase travel “packages” rather than a single component of travel (William, Kwortnik and Rose, 2007). SMEs in the tourism industries can use online marketing to advertise their product bundles and inform their consumers on how to obtain significant savings by booking more than one component of travel together compared to booking the same components separately (Gillen and Morrison, 2013). They further state that, those savings can be prominently displayed as one bundle travel package component (air, hotel, car rental, and activities) into one package.

Tour companies can also use online marketing to make their bundling more difficult and unique from their competitors (Gillen and Morrison, 2013). William et al. (2007) state that SMTEs can use the online marketing platform to ensure that competitors do not gather their pricing intelligence of products as well as cut out intermediaries (agents) and work directly with customers. This will ensure that they do not cannibalize their own profits and increase customer reliability and better customization of their bundles.

2.4.1.2 Innovation

Another strategy is innovation or the introduction of niche products, which also counteracts the threat of product substitutes, new entrants into the market, and competition among existing firms (Allen and Fjermestad, 2010). By using the direct access to consumers, enabled by the Internet, SMEs can collect information, identify target consumers, and better introduce products or services to meet consumers’ needs (Schiesel, 2011). SMEs can also collect information on new products desired by small segments of the market, and by creating products that meet the needs of consumers in these niche markets, SMEs can command higher prices (Sinha, 2010). Another strategy associated with niche products or innovation is customer-centric strategy. Compared to a product-centric strategy, which pushes products to consumers, customer-centric strategy pulls information from consumers to improve and customize products (Viehland, 2010).

Smith (2011) states that, in today’s saturated tourism markets customers look for experience rather than destination driven products. Hence, in the future it will be important to create a
rewarding tourism experience through innovation and product development instead of offering singular tourism elements. Pine and Gilmore (2009) state that, new holiday forms offering experience will become the main motive for the holiday decision. SMEs looking to using innovation as a strategy of online marketing should according to Smith (2011) focus on the creation of experience that should cover: entertainment; educational; aesthetic; and escapist elements that are placed on the company websites. Pentina Koh and Le (2012) state that, given the intangibility of tourism products, the tourist may feel uncertain about the quality of the services, thus, tour companies can enhance the value of their product offering through adding sensations like: design; fragrance; light; color; and emotional attachment. As a consequence of such product changes, the emotional value of the “tourism experience” will be enhanced.

2.4.2 Price Strategy
According to Bakos (2008), lower search costs for price and product offerings in Internet marketplaces promote price competition among sellers. The Internet thus significantly affects competition, and intensive price competition can eliminate sellers’ profits. To overcome these threats, SMEs have to employ appropriate pricing strategies for selling products over the Internet as well as employ cost leadership strategy.

2.4.2.1 Price Discrimination Strategy
SMEs can employ a price discrimination strategy that makes it difficult for buyers to compare the prices of alternative product offerings (Viehland, 2010). By collecting information about buyers from their online marketing ventures, SMEs can perform more effective price discrimination. Sinha (2010) suggests two strategies for price discrimination: price lining and smart pricing. Price lining refers to the practice of offering the same products or services at various price points to meet different customers’ needs. For example, American Online charges five different rates that vary according to subscriber usage. Smart pricing refers to the practice of charging various prices from market to market, depending on market conditions and differences in how customers value the product.
2.4.2.2 Cost Leadership
Companies can also protect profits by achieving cost leadership in a particular market or industry. If sellers cannot price discriminate, the lowest price sellers can charge is the marginal cost of production (Viehland, 2010). As competition intensifies, companies may have to lower their production costs to protect profits. Or companies may have to improve their product or service offerings with added values. Even in intensive price competition, better products or services will raise customers’ switching costs and still command higher margins (Sinha, 2010).

Attainment of a position of cost leadership depends upon the arrangement of value chain activities. The broad scope of cost leaders means that SMEs can attempt to serve a large percentage of the total market using their online marketing platforms (Viehland, 2010). According to Gillen and Morrison (2013), companies pursuing a low-cost strategy will typically employ one or more of the following factors to create their low-cost positions: accurate demand forecasting combined with high capacity utilization; economies of scale; technological advantages; outsourcing; and learning/experience effects. By utilizing their online marketing platforms, SMEs can determine accurately their demand forecasting and thus price their products and services to meet the needs on their niche markets.

2.4.3 Promotion Strategy
Traditional mass marketing using television commercials, trade allowances, discounts, coupons, and sweepstakes is no longer successful in the Internet market, even in consumer-packaged-goods segments, where rival products now differ very little, since consumers can easily acquire information on the price and characteristics of products (Viehland, 2010). Sales promotions with coupons and discounts seldom build customer loyalty to brands because customers conclude that the lower prices are a fair reflection of the company’s costs. When the promotions are over, customers evidently believe the regular prices are excessive and turn to rival products (Sinha, 2010). Thus mass marketing and sales promotions result in expensive, inefficient brand management.
To manage e-brands effectively and efficiently, companies have to employ promotion strategies different from those used by traditional marketing. One tactic is to build a direct link with consumers and enter into a dialogue with them about products (dialogue-based marketing or one-to-one marketing) using their online marketing platforms (Elliott and Rutenberg, 2010). They further state that, this allows companies to provide customers with information about their products, collect information about their customers, and engage in data mining. Allan and Fjermestad (2010) state that, SMEs can then customize products to meet customer needs and offer promotions tailored to specific customer groups using the acquired data, a process that according to Sinha (2010), helps to build a base of loyal and profitable customers. Allan and Fjermestad (2010) also argue that the benefits of personalized promotions will be greatest when customers are interested in detailed product information or the product is marketed as state-of-the-art. The Internet encourages companies to employ this marketing based on direct, personalized relationships with customers (so-called ‘relationship marketing’).

2.4.4 Place Strategy

For most companies, place refers to the supply chain (or value chain). The place aspects of the marketing mix, are closely related to the distribution and delivery of products or services (Gosh, 2008). The Internet and its associated application software have significantly changed the way companies’ products or services are delivered by reducing transaction and distribution costs (Elliott and Rutenberg, 2010). One way for SMEs to differentiate their products from rival companies is faster and more efficient delivery of products to their customers.

Online marketing allows companies to jump over parts of the traditional supply channel (Bakos, 2008). Online marketing location for tour companies can refer to a place where links are placed on other websites. Placing a link on www.google.com home page would generate high consumer traffic for SMEs to gain more potential customers and thus, knowing the organization’s customer and knowing where they visit would help SME owners to understand where to place their online links and advertisements (Gosh, 2008).
In order for SMTEs to maximize their potential on the online marketing platform, they can reduce their need to be physically present in various countries and operate from one nation while liaising with other partners to form a joint-venture (Quinton and Khan, 2009). The authors further state that, organizations now regard online marketing as mandatory but as more businesses use this platform, the real challenge lies in driving traffic to a specific platform. Murphy and Kielgast (2008) state that, SMEs can apply the use of a Search Engine Marketing (SEM) or optimization techniques to make them more visible among millions of other companies that are present in the Internet world and showcase to their target market their presence in all the key markets, thus attracting them to their company.

2.5 Chapter Summary
This chapter has discussed in detail the various aspects of SMEs use of online marketing with a focus on tour companies. The chapter has reviewed the extend that tour and travel SMEs have employed in the use of online marketing, as well as focused on the factors that have led to tour and travel companies adopting the use of online marketing. The chapter has also focused on the various strategies that tour and travel SMEs can employ to ensure effective use of online marketing for competitive purposes.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology of the study, which explains the research design, the target population from which the data comes from, the sampling design, the data collection method, and data analysis method. The study provided answers to questions relating to how SMEs’ were using online marketing tools to improve their competitiveness in Kenya.

3.2 Research Design

Research design brings out the plan of what the researcher intends to do and how to carry out the research. In short, research design can be summarized as the plan for the collection, measurement and analysis of data (Cooper and Schindler, 2012). This study used the descriptive research design. According to Kumar (2012), descriptive research design has the objective of describing the characteristics of an event, situation, community or population. Hussey (2009) states that, descriptive research design involves data collection from a population, or a representative subset, at one specific point in time and have an advantage over other research designs that only seek individuals with a specific characteristic, with a sample, often a tiny minority, of the rest of the population.

Levy and Lemeshow (2013) state that the main purpose of the descriptive research design method is to describe the state of affairs as it exists at the time. For this reason, this design method was suitable for this study because it facilitated the description of how SMEs were using online marketing tools (the study’s independent variables) to improve their competitiveness (the study’s dependent variable). The design was selected because, in descriptive research designs, all population elements are considered and this ensured that comprehensive findings were obtained on the subject matter as the design integrated both qualitative and quantitative approaches.
3.3 Population and Sampling Design

3.3.1 Population
Population is defined as the total collection of elements about which one wishes to make inferences (Cooper and Schindler, 2012). According to Levy and Lemeshow (2013), a population is defined as the aggregate pool of components about which a researcher aims to make inferences. In this study, the entire population comprised of all employees that were working at Tembea East Africa Safaris. The company was targeted since it worked in the tourism industry and had a population of 103 employees. This population satisfactorily provided a diverse collection of data that was sufficient for the study.

3.3.2 Sampling Design

3.3.2.1 Sample Frame
A sampling frame refers to the set of source materials from which the sample is selected (Hussey, 2009), and the purpose of sampling frames according to Chandran (2004) is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey. The sampling frame of the study consisted of all employees that worked at Tembea East Africa Safaris and was obtained from the company’s human resource department.

3.3.2.2 Sampling Technique
Sampling is defined as the process of selecting a number of individuals for a study in such a way that they represent the larger group from which they are selected (Cooper and Schindler, 2012). This study employed a census study. Levy and Lemeshow (2013) define a census study as a procedure of systematically acquiring and recording information about the members of a given population. Fox and Bayat (2010) define a census as the study of every unit, everyone or everything in a population, it is also known as a complete enumeration which means a complete count.

According to Gill and Johnson (2010), a census study provides a true measure of the population by eliminating the sampling error. They further state that a census provides a study with a benchmark data that may be obtained for future studies and a detailed
information about all the small sub-groups within the population that is more likely to be available. For these reasons, the researcher deemed the design as appropriate for the study.

### 3.3.2.3 Sample Size

Cooper and Schindler (2012) define the sample size as a smaller set of the larger population, and argue that the sample must be carefully selected to be representative of the population and the need for the researcher to ensure that the subdivisions entailed in the analysis are accurately catered for. Given the nature of the sampling technique adopted for the study, the sample size under consideration was all the employees of Tembea East Africa Safaris that were 103 in number.

### 3.4 Data Collection Methods

The study relied on primary data which was collected using questionnaires. Fox and Bayat (2010) define a questionnaire as a list of questions on a specific topic compiled by the researcher to which answers and information are required. They further state that the use of questionnaires is cost effective, easy to analyze, familiar to most people, reduces bias and are considered less intrusive.

For the purpose of this study, the questionnaires communicated to the respondents the intended and elicited responses in terms of empirical data necessary for analysis. The research questions guided the research instrument. The questionnaire was structured and contained closed-ended questions. The questionnaire used a five point likert scale and it was divided into four sections that included questions targeted to determine the following: section A focused on the respondent’s demographics; section B focused on the extent of SMEs’ use of online marketing; section C focused on the factors influencing the use of online marketing in SMEs; and section D focused on the strategies that SMEs employed to ensure effective use of online marketing.

### 3.5 Research Procedures

The questionnaires were designed by the researcher based on the research questions were pre-tested to ascertain the suitability of the tool before the actual administration. According
to Cooper and Schindler (2010), the reason for conducting pilot testing is to detect weakness in design and instrumentation and to provide proxy data for selection of a probability sample. Pre-testing was done by administering the questionnaire to 10 respondents who were not included in the actual study. This enabled the researcher to fine-tune the questionnaire for objectivity and efficiency of the process.

Once the pre-test was completed, the researcher made the necessary adjustments to the questionnaire and later administer the improved questionnaires individually to the target population. The researcher explained to the population the need for the study to facilitate truthful responses from the respondents. The researcher carried out a follow-up on the data collection by personally visiting the respondents to encourage a high response rate for the study. The researcher came up with a schedule that was followed during every visit to the organization. The respondents were given 3 days to fill the questionnaire which was estimated to take twenty minutes to complete. This was done to ensure that the respondents did not rush through the exercise.

### 3.6 Data Analysis Methods

The study used descriptive analysis. Gill and Johnson (2010) state that, descriptive statistics are brief graphic coefficients that summarize a given data set, which can be either a representation of the entire population or a sample of it. Cooper and Schindler (2010) state that, descriptive statistics are usually broken down into measures of central tendency and measures of variability, or spread. Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation or variance, the minimum and maximum variables, and the kurtosis and skewness.

According to Cooper and Schindler (2008), descriptive analysis involves the process of transforming raw data into charts, tables with frequency distribution percentages to enable full interpretation of data, and for this reason, the questionnaires collected from the field were checked for completeness. The collected data was then subjected to analysis using Statistical Package for Social Sciences (SPSS) for windows. Data collected on demographic information of the respondent and the firm were analyzed using frequencies and percentages.
Data collected on the extent of SMEs’ use of online marketing; factors influencing the use of online marketing in SMEs; and strategies that SMEs employ to ensure effective use of online marketing were analyzed using means and standard deviation analysis. Correlation analysis which is defined by Gill and Johnson (2010) as a single number that describes the degree of relationship between two variables. Correlation analysis was used to determine significant factors using a p value of 0.05 as the base. Inferential statistics that included the regression analysis was used to examine the degree of variance caused by the independent factors.

3.7 Chapter Summary
Chapter three described the research design and the methodology which was applied in the study. The research employed a survey approach which was conducted using a structured questionnaire. The sample frame was obtained from the company’s human resource department. The sample was selected through a census sampling method and analysis of the data was done using the SPSS data analysis tool. The next chapter presents the study findings.
4.0 RESULTS AND FINDINGS

4.1 Introduction

This section presents the findings of the study. It gives results for the response rate of the study, the extent of SMEs using online marketing in Kenya, factors influencing the adoption of online marketing by SMEs in Kenya and the strategies that SMEs can employ to ensure effective use of online marketing in Kenya.

4.2 Response Rate and Demographics

4.2.1 Response Rate

The researcher handed out 103 questionnaires to the target population and managed to receive all the questionnaires. After data cleaning, only 79 questionnaires were completely filled and this gave the study a response rate of 76.7%.

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handed Out</td>
<td>103</td>
<td>100</td>
</tr>
<tr>
<td>Collected</td>
<td>103</td>
<td>100</td>
</tr>
<tr>
<td>Valid</td>
<td>79</td>
<td>76.7</td>
</tr>
<tr>
<td><strong>Response Rate</strong></td>
<td><strong>79</strong></td>
<td><strong>76.7</strong></td>
</tr>
</tbody>
</table>

*Table 4.1 Response Rate*

4.2.2 Demographics

4.2.2.1 Gender

The respondents were asked to indicate their gender and the response received showed that 83.5% were male and 16.5% were female. This shows that majority of the respondents in the organization were male.
4.2.2.2 Age Bracket
The respondents were asked to indicate their age bracket and the response received showed that 62% were aged between 21-30 years, 22.8% were aged between 31-40 years, 11.4% were aged between 41-50 years and 3.8% were aged 20 years and below. This shows that the organization had youthful employees who would have an idea of online marketing.

4.2.2.3 Level of Education
The respondents were asked to indicate their level of education and the response received showed that 32.9% had university degrees, 30.4% had college diplomas, 25.3% had secondary certificates, 8.9% had college certificates, and 2.5% had primary certificates. This shows that employees at Tembea East Africa Safaris had a good education background that
would facilitate their ability to utilize online marketing.

![Figure 4.3 Level of Education](image)

**4.2.2.4 Duration with the Organization**

The respondents were asked to indicate the duration they had been with the organization and the response received showed that 34.2% had been with the organization between 8-10 years, 32.9% had been with the organization between 5-7 years, 31.6% had been with the organization for 2-4 years and 1.3% had been with the company for less than a year. This shows that the respondents were well placed to answer the research questions.

![Figure 4.4 Duration with Organization](image)
4.2.2.5 Extent of Online Marketing Use

The respondents were asked to indicate the extent of online marketing use in the organization and the response received shows that 67.1% note it being used to a very great extent and 32.9% state that it was used to a great extent. This shows that the organization utilizes online marketing to a great extent.

![Figure 4.5 Extent of Online Marketing Use](image)

4.3 Extent of SMEs Use of Online Marketing

4.3.1 Rating of Online Marketing Use in the Organization

The respondents were asked to rate the extent of online marketing use in the organization using statements that were provided making use of the scale: SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree. Their response was as shown in Table 4.2. The resulting mean of 3.5 and above shows that the company had effectively used online marketing, the resulting standard deviation of less than 1.5 shows that the difference of responses given was insignificant, indicating that they were almost similar.

Table 4.2 shows that the organization’s online marketing takes into account their unique business environment as agreed to by 67% of the respondents. The company’s online marketing deals with constant engagement with customers and matching their needs as agreed to by 67% of the respondents. The company’s online marketing requires them to have an in-depth knowledge of their customers’ needs as agreed to by 68.3% of the respondents.
Table 4.2 Rating of Online Marketing Use in the Organization

<table>
<thead>
<tr>
<th>Extent of Online Marketing Use</th>
<th>SD %</th>
<th>D %</th>
<th>NS %</th>
<th>A %</th>
<th>SA %</th>
<th>Mean %</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our online marketing takes into account our unique business environment</td>
<td>0</td>
<td>0</td>
<td>32.9</td>
<td>31.6</td>
<td>35.4</td>
<td>4.03</td>
<td>0.832</td>
</tr>
<tr>
<td>Our online marketing deals with constant engagement with our customers and matching their needs</td>
<td>0</td>
<td>0</td>
<td>32.9</td>
<td>31.6</td>
<td>35.4</td>
<td>4.03</td>
<td>0.832</td>
</tr>
<tr>
<td>Our online marketing requires us to have an in-depth knowledge of our customers’ needs</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>32.9</td>
<td>35.4</td>
<td>4.04</td>
<td>0.823</td>
</tr>
<tr>
<td>Our company markets itself by through the creation of a personal brand for the business that cannot be replicated</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>0</td>
<td>98.7</td>
<td>4.97</td>
<td>0.225</td>
</tr>
<tr>
<td>We use online marketing primarily for market communications and customer-relationship management compared to automating our transactions</td>
<td>35.4</td>
<td>32.9</td>
<td>0</td>
<td>31.6</td>
<td>0</td>
<td>3.72</td>
<td>1.250</td>
</tr>
<tr>
<td>We use our online marketing platform to carry out other transactions with our customers</td>
<td>0</td>
<td>0</td>
<td>64.6</td>
<td>0</td>
<td>35.4</td>
<td>3.71</td>
<td>0.963</td>
</tr>
<tr>
<td>Our company has the necessary resources and capabilities required to mine data from our online transactions</td>
<td>0</td>
<td>0</td>
<td>64.6</td>
<td>0</td>
<td>35.4</td>
<td>3.71</td>
<td>0.963</td>
</tr>
<tr>
<td>Our online marketing platform facilitates the promotion and distribution of our products and packages across the globe</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>63.3</td>
<td>35.4</td>
<td>4.34</td>
<td>0.503</td>
</tr>
<tr>
<td>Our online marketing has facilitated our ability to deal with the erratic tourist demand by balancing our tourist supply and demand</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>32.9</td>
<td>67.1</td>
<td>4.67</td>
<td>0.473</td>
</tr>
<tr>
<td>Our online marketing has empowered both our clients to find information about our services quickly and precisely about any destination and activity that arouse their interest</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>98.7</td>
<td>4.99</td>
<td>0.113</td>
</tr>
</tbody>
</table>

Table 4.2 also shows that the company markets itself by through the creation of a personal brand for the business that cannot be replicated as agreed to by 98.7% of the respondents. The company uses online marketing primarily for market communications and customer-relationship management compared to automating other transactions as indicated by 68.3% of the respondents. The company used their online marketing platform to carry out other
transactions with their customers as agreed to by 35.4% of the respondents and the majority 64.6% being neutral. The company has the necessary resources and capabilities required to mine data from our online transactions as agreed to by 35.4% of the respondents and the majority 64.6% being neutral. The company’s online marketing platform facilitates the promotion and distribution of our products and packages across the globe as agreed to by 98.7% of the respondents. The company’s online marketing has facilitated their ability to deal with the erratic tourist demand by balancing our tourist supply and demand as agreed to by 100% of the respondents. The company’s online marketing has empowered clients to find information about their services quickly and precisely about any destination and activity that arouse their interest as agreed to by 100% of the respondents.

4.3.2 Pearson Correlation Test for Extent of Online Marketing Use

A Pearson correlation test was done to determine the significance of the extent of online marketing use factors. A p value of <0.05 was the set threshold for all significant factors.

Table 4.3 Pearson Correlation Test for Online Marketing Use in the Organization

<table>
<thead>
<tr>
<th></th>
<th>Online Use</th>
<th>SME Online Use</th>
<th>Tourism Online Use</th>
<th>Implication of Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Use</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME Online Use</td>
<td>-.394**</td>
<td>.000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Tourism Online Use</td>
<td>-.225*</td>
<td>.983**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Implication of Use</td>
<td>-.091</td>
<td>.912**</td>
<td>.935**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)

Table 4.3 shows that there was a significant inverse relationship between SME use of online marketing and the extent of use by SMEs (r=-0.394, p<0.01). There was a significant inverse relationship between tourism SMEs using online marketing platforms and online marketing
use by SMEs (r=-0.225, p<0.05). There was an insignificant relationship between the implication of online marketing use and online marketing use by SMEs (r=-0.091, p>0.01).

### 4.3.3 Regression Model Summary

A regression test was done to determine the significance and the extent of influence of the independent factors on online marketing use by SMEs. Table 4.4 shows the results of the regression analysis model for SMEs online use, and tourism online use. The implication of use was ignored since it was insignificant to the study. The dependent variable was extent of online marketing use and SMEs online use and tourism online were the independent variables. The R square value for the model showed that 95.1% of the variance in the model could be explained by SMEs online use and tourism online use.

**Table 4.4 Model Summary for Factors Affecting Extent of Use**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.975</td>
<td>.951</td>
<td>.950</td>
<td>.106</td>
</tr>
</tbody>
</table>

Predictors: (Constant) SME Online Use, and Tourism Online Use

### 4.3.4 ANOVA Analysis

Table 4.5 ANOVA indicated that the independent variables, statistically, significantly predict the dependent variable, F (2, 76) = .000, p < .05 that is the regression model is a good fit of the data.

**Table 4.5 ANOVA Results for Factors Affecting Extent of Use**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>16.595</td>
<td>2</td>
<td>8.297</td>
<td>743.436</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.848</td>
<td>76</td>
<td>.011</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17.443</td>
<td>78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant) SME Online Use, and Tourism Online Use
b. Dependent Variable: Extent of Online Marketing Use
4.3.5 Regression Analysis Coefficients for Extent of Use

The computed variables for extent of use by SMEs were calculated using SMEs online use and tourism use. The regression coefficients for the multiple regression analysis were as shown in Table 4.6.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>5.599</td>
<td>.116</td>
<td></td>
<td>48.459</td>
</tr>
<tr>
<td>SMEs Online Use</td>
<td>-3.663</td>
<td>.098</td>
<td>-5.223</td>
<td>-37.518</td>
</tr>
<tr>
<td>Tourism Use</td>
<td>2.746</td>
<td>.078</td>
<td>4.911</td>
<td>35.275</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Extent of Online Marketing Use

The general form of the equation to predict extent of online marketing use from SMEs online use, and tourism use, is:

\[
Y = 2.111 - 3.663 \text{ SMEs Online Use} + 2.746 \text{ Tourism Use}
\]

The equation shows that the coefficient for SMEs Online Use is -3.663. This coefficient indicates that for every additional SME use on online marketing, one should expect a decrease on the extent of use by an average of 3.663 when all factors are held constant due to the inverse relationship. The equation also shows that the coefficient for Tourism Use is 2.746. This coefficient indicates that for every additional Tourism use of online marketing, one should expect an increase on the extent of use by an average of 2.746 when all factors are held constant.

4.4 Factors influencing the use of Online Marketing in SMEs

4.4.1 Rating of Factors Influencing the Use of Online Marketing

The respondents were asked to rate the factors that had influenced the use of online marketing using statements that were provided making use of the scale: SD-Strongly
Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree. Their response was as shown in Table 4.7. The resulting mean of 3.5 and above shows that the company had effectively influenced in using online marketing, the resulting standard deviation of less than 1.5 shows that the difference of responses given was insignificant, indicating that they were almost similar.

### Table 4.7 Rating of Factors Influencing the Use of Online Marketing

<table>
<thead>
<tr>
<th>Factors Influencing Online Marketing Use</th>
<th>SD %</th>
<th>D %</th>
<th>NS %</th>
<th>A %</th>
<th>SA %</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company owners perceive online marketing as an important function of our business</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>64.6</td>
<td>35.4</td>
<td>4.35</td>
<td>0.481</td>
</tr>
<tr>
<td>Our company owners see the strategic benefits of using online marketing platforms</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>1.3</td>
<td>67.1</td>
<td>4.35</td>
<td>0.934</td>
</tr>
<tr>
<td>Our adoption of online marketing is primarily driven by the nature of our business industry</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>0</td>
<td>68.4</td>
<td>4.37</td>
<td>0.936</td>
</tr>
<tr>
<td>Our adoption of online marketing has been driven by the external pressure from our competitors, suppliers and customers</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>31.6</td>
<td>67.1</td>
<td>4.66</td>
<td>0.503</td>
</tr>
<tr>
<td>Limited resource have hindered our company from gaining the benefits of online marketing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>34.2</td>
<td>65.8</td>
<td>4.66</td>
<td>0.477</td>
</tr>
<tr>
<td>Our company is always hesitant to make substantial investments when short-term returns are not guaranteed</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>34.2</td>
<td>65.8</td>
<td>4.66</td>
<td>0.477</td>
</tr>
<tr>
<td>Our main challenge in online marketing is the concern for information security by our clients</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>64.6</td>
<td>35.4</td>
<td>4.35</td>
<td>0.481</td>
</tr>
<tr>
<td>Our government has facilitated our adoption of online marketing by providing the necessary infrastructure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2.5</td>
<td>97.5</td>
<td>4.97</td>
<td>0.158</td>
</tr>
<tr>
<td>The government has failed in providing the necessary regulatory framework appropriate for conducting online marketing</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>31.6</td>
<td>36.7</td>
<td>4.05</td>
<td>0.830</td>
</tr>
<tr>
<td>It is extremely difficult for customers in our industry to judge a company by its online marketing activities, leading to potential loss of customers</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>1.3</td>
<td>67.1</td>
<td>4.35</td>
<td>0.934</td>
</tr>
</tbody>
</table>
Table 4.7 shows that the company owners perceive online marketing as an important function of the business as agreed to by 100% of the respondents. The company owners see the strategic benefits of using online marketing platforms as agreed to by 68.4% of the respondents. The adoption of online marketing is primarily driven by the nature of the company’s business industry as agreed to by 68.4% of the respondents. The company’s adoption of online marketing has been driven by the external pressure from its competitors, suppliers and customers as agreed to by 98.7% of the respondents. Limited resources have hindered the company from gaining the benefits of online marketing as agreed to by 100% of the respondents. The company is always hesitant to make substantial investments when short-term returns are not guaranteed as agreed to by 100% of the respondents. The company’s main challenge in online marketing is the concern for information security by its clients as agreed to by 100% of the respondents. The government has facilitated the adoption of online marketing by providing the necessary infrastructure as agreed to by 100% of the respondents. The government has failed in providing the necessary regulatory framework appropriate for conducting online marketing as agreed to by 68.4% of the respondents. It is extremely difficult for customers in the industry to judge a company by its online marketing activities, leading to potential loss of customers as agreed to by 68.4% of the respondents.

4.4.2 Pearson Correlation Test for Factors Influencing the Use of Online Marketing

A Pearson correlation test was done to determine the significance of the factors influencing the use of online marketing. A p value of <0.05 was the set threshold for all significant factors.

Table 4.8 Pearson Correlation Test for Factors Influencing Use of Online Marketing

<table>
<thead>
<tr>
<th></th>
<th>Online Use</th>
<th>Organizational Factors</th>
<th>Demand Factors</th>
<th>External Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Use</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Factors</td>
<td>-.969**</td>
<td>.000</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Demand Factors</td>
<td>-.832**</td>
<td>.850**</td>
<td>.884**</td>
<td>1</td>
</tr>
<tr>
<td>External Factors</td>
<td>-.961**</td>
<td>.997**</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)
Table 4.8 shows that there was a significant inverse relationship between organizational factors and the adoption of online marketing in SMEs ($r=-0.969$, $p<0.01$). There was a significant inverse relationship between demand factors and the adoption of online marketing in SMEs ($r=-0.832$, $p<0.01$). There was a significant inverse relationship between external factors and the adoption of online marketing in SMEs ($r=-0.961$, $p<0.01$).

4.4.3 Regression Model Summary for Influencing Factors

A regression test was done to determine the significance and the various influencing factors of online marketing adoption by SMEs. Table 4.9 shows the results of the regression analysis model for organizational, demand, and external factors. The dependent variable was adoption of online marketing by SMEs and organizational, demand, and external factors were the independent variables. The $R^2$ value for the model showed that 95.9% of the variance in the model can be explained by organizational factors, demand, and external factors.

Table 4.9 Model Summary for Influencing Factors

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.980</td>
<td>.959</td>
<td>.958</td>
<td>.097</td>
</tr>
</tbody>
</table>

Predictors: (Constant) Organizational, Demand, and External Factors

4.4.4 ANOVA Analysis for Influencing Factors

Table 4.10 ANOVA indicated that the independent variables statistically significantly predict the dependent variable, $F(3, 75) = .000$, $p < .05$ that is, the regression model is a good fit of the data.

Table 4.10 ANOVA Results for Influencing Factors

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>16.736</td>
<td>3</td>
<td>5.579</td>
<td>592.038</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>.707</td>
<td>75</td>
<td>.009</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>17.443</td>
<td>78</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant) Organizational, Demand, and External Factors

b. Dependent Variable: Adoption of Online Marketing by SMEs
4.4.5 Regression Analysis Coefficients for Influencing Factors

The computed variables for influencing factors were calculated using organizational factors, demand factors, and external factors. The regression coefficients for the multiple regression analysis were as shown in Table 4.11.

Table 4.11 Results for Multiple Linear Regression Analysis for Influencing Factors

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.551</td>
<td>.258</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational</td>
<td>-2.468</td>
<td>.307</td>
<td>-3.746</td>
<td>-8.039 .000</td>
</tr>
<tr>
<td>Demand</td>
<td>-.716</td>
<td>.131</td>
<td>-.450</td>
<td>-5.461 .000</td>
</tr>
<tr>
<td>External</td>
<td>2.662</td>
<td>.441</td>
<td>3.170</td>
<td>6.040 .000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Adoption of Online Marketing by SMEs

The general form of the equation to predict adoption of online marketing by the SME from organizational, demand, and external factors, is:

\[ Y = 3.551 -2.468 \text{ Organizational} -0.716 \text{ Demand} + 2.662 \text{ External Factors} \]

The equation shows that the coefficient for organizational factors is -2.468. This coefficient indicates that for every additional organizational factor, one should expect a decrease on the adoption of online marketing by SMEs by an average of 2.468 when all factors are held constant due to the inverse relationship. The equation also shows that the coefficient for demand factors is -0.716. This coefficient indicates that for every additional demand factor, one should expect a decrease on the adoption of online marketing by SMEs by an average of 0.716 when all factors are held constant due to the inverse relationship. The equation also shows that the coefficient for external factors is 2.662. This coefficient indicates that for every additional external factor, one should expect an increase on the adoption of online marketing by SMEs by an average of 2.662 when all factors are held constant.
4.5 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

4.5.1 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

The respondents were asked to rate the strategies that the company employed to ensure effective use of online marketing using statements that were provided making use of the scale: SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree. Their response was as shown in Table 4.12. The resulting mean of 3.0 and above shows that the company had employed good strategies for using online marketing, the resulting standard deviation of less than 1.5 shows that the difference of responses given was insignificant, indicating that they were almost similar.

Table 4.12 shows that the company has lowered their prices to attract more customers as agreed to by 68.4% of the respondents. As an organization, the company differentiates their products from competitors to attract more customers using their online platform as agreed to by 98.7% of the respondents. The company used online marketing to advertise their product bundles and inform clients on how they save more using our services as agreed to by 98.7% of the respondents. The table also shows that the company used online platform as a counter-measure for their competitors gathering their pricing strategy as agreed to by 98.7% of the respondents. The company uses their online platforms to collect information about new products desired by their customers as agreed to by 100% of the respondents. The company uses their online marketing platform to offer clients a rewarding tourism experience through new product innovation and development as agreed to by 98.7% of the respondents. The company uses online marketing platforms to accomplish effective pricing strategies that are based on customer discrimination as agreed to by 98.7% of the respondents. The company has built direct links with its customers in order to discuss with them more about products and they offer personalized promotions as agreed to by 67.1% of the respondents. Online marketing has reduced the company’s need to be physically present in various countries in order to reach its clients as agreed to by 67.1% of the respondents. The company applies the use of a search engine marketing to make themselves more visible among millions of other companies as agreed to by 35.4% of the respondents while 44.3% were neutral and 20.3% disagreed.
### Table 4.12 Rating of Strategies Employed to Ensure Effective Use of Online Marketing

<table>
<thead>
<tr>
<th>Online Marketing Use Strategies</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a company we have lowered our prices to attract more customers</td>
<td>0</td>
<td>0</td>
<td>31.6</td>
<td>31.6</td>
<td>36.7</td>
<td>4.05</td>
<td>0.830</td>
</tr>
<tr>
<td>As an organization, we differentiate our products from competitors to attract more customers using our online platform</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>31.6</td>
<td>67.1</td>
<td>4.66</td>
<td>0.503</td>
</tr>
<tr>
<td>We use our online marketing to advertise our product bundles and inform our clients on how they save more using our services</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>63.3</td>
<td>35.4</td>
<td>4.34</td>
<td>0.503</td>
</tr>
<tr>
<td>We use our online platform as a countermeasure for our competitors gathering our pricing strategy</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1.3</td>
<td>98.7</td>
<td>4.99</td>
<td>0.113</td>
</tr>
<tr>
<td>We use our online platforms to collect information about new products desired by our customers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>32.9</td>
<td>67.1</td>
<td>4.67</td>
<td>0.473</td>
</tr>
<tr>
<td>We use our online marketing platform to offer our clients a rewarding tourism experience through new product innovation and development</td>
<td>0</td>
<td>1.3</td>
<td>0</td>
<td>31.6</td>
<td>67.1</td>
<td>4.65</td>
<td>0.556</td>
</tr>
<tr>
<td>We use our online marketing platforms to accomplish effective pricing strategies that are based on customer discrimination</td>
<td>0</td>
<td>1.3</td>
<td>0</td>
<td>31.6</td>
<td>67.1</td>
<td>4.65</td>
<td>0.556</td>
</tr>
<tr>
<td>We have built direct links with our customers in order to discuss with them more about our products and offer personalized promotions</td>
<td>0</td>
<td>1.3</td>
<td>31.6</td>
<td>0</td>
<td>67.1</td>
<td>4.33</td>
<td>0.970</td>
</tr>
<tr>
<td>Online marketing has reduced our need to be physically present in various countries in order to reach our clients and offer our products and services</td>
<td>0</td>
<td>0</td>
<td>32.9</td>
<td>31.6</td>
<td>35.4</td>
<td>4.03</td>
<td>0.832</td>
</tr>
<tr>
<td>We apply the use of a search engine marketing to make ourselves more visible among millions of other companies</td>
<td>1.3</td>
<td>19</td>
<td>44.3</td>
<td>25.3</td>
<td>10.1</td>
<td>3.24</td>
<td>0.923</td>
</tr>
</tbody>
</table>

### 4.5.2 Pearson Correlation Test for Online Marketing Use Strategies

A Pearson correlation test was done to determine the significance of the strategic factors used by the organization. A p value of <0.05 was the set threshold for all significant factors. The results were as shown in Table 4.13.
Table 4.13 Pearson Correlations for Online Marketing Strategies

<table>
<thead>
<tr>
<th></th>
<th>Online Adoption</th>
<th>Product Strategy</th>
<th>Price Strategy</th>
<th>Promotion Strategy</th>
<th>Place Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Adoption</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Strategy</td>
<td>-.118</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.301</td>
<td>.944**</td>
<td></td>
<td></td>
<td>.259*</td>
</tr>
<tr>
<td>Price Strategy</td>
<td></td>
<td>.422**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>.000</td>
<td>.000</td>
<td></td>
<td>.654**</td>
</tr>
<tr>
<td>Promotion Strategy</td>
<td>.094</td>
<td>.947**</td>
<td>.240*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.411</td>
<td>.000</td>
<td>.033</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Place Strategy</td>
<td>-.259*</td>
<td>.694**</td>
<td>.468**</td>
<td>.654**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>.021</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)

The table shows that there was an insignificant relationship between product strategy and the adoption of online marketing by SMEs ($r=-0.118$, $p>0.05$). There was a significant inverse relationship between price strategy and the adoption of online marketing by SMEs ($r=-0.944$, $p<0.01$). There was an insignificant relationship between promotion strategy and the adoption of online marketing by SMEs ($r=-0.094$, $p>0.05$). There was a significant inverse relationship between both place strategy and the adoption of online marketing by SMEs ($r=-0.259$, $p<0.05$).

4.5.3 Regression Model Summary for Online Marketing Strategies

A regression test was done to determine the significance and the various online marketing strategies used by SMEs. Table 4.14 shows the results of the regression analysis model for price, and place strategies. Product and promotion strategies were not included since they were insignificant to the adoption of online platforms by SMEs. The dependent variable was adoption of online marketing by SMEs and price, and place strategies were the independent variables. The R square value for the model showed that 93.3% of the variance in the model can be explained by price, and place strategies.
Table 4.14 Model Summary for Online Marketing Strategies

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Strategy</td>
<td>.966</td>
<td>.933</td>
<td>.931</td>
<td>.124</td>
</tr>
</tbody>
</table>

Predictors: (Constant) Price, and Place Strategy

4.5.4 ANOVA Analysis for Online Marketing Strategies

Table 4.15 ANOVA indicated that the independent variables statistically significantly predict the dependent variable, $F(2, 76) = .000$, $p < .05$ that is, the regression model is a good fit of the data.

Table 4.15 ANOVA Results for Online Marketing Strategies

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>16.278</td>
<td>2</td>
<td>8.139</td>
<td>530.970</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1.165</td>
<td>76</td>
<td>.015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.443</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant) Price, and Place Strategy

b. Dependent Variable: Adoption of Online Marketing by SMEs

4.5.5 Regression Analysis Coefficients for Online Marketing Strategies

The computed variables for online marketing strategies were calculated using price strategies, and place strategies. The regression coefficients for the multiple regression analysis were as shown in Table 4.16.

Table 4.16 Results for Multiple Linear Regression for Online Marketing Strategies

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>5.982</td>
<td>.150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>-1.162</td>
<td>.037</td>
<td>-1.053</td>
<td>-31.396</td>
</tr>
<tr>
<td>Place</td>
<td>.178</td>
<td>.025</td>
<td>.235</td>
<td>6.993</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Adoption of Online Marketing by SMEs
The general form of the equation to predict adoption of online marketing by the SME from price, and place strategy, is:

\[ Y = 5.982 -1.162 \text{ Price} + 0.178 \text{ Place} \]

The equation shows that the coefficient for price strategy is -1.162. This coefficient indicates that for every additional price strategy, one should expect a decrease on the adoption of online marketing by SMEs by an average of 1.162 when all factors are held constant due to the inverse relationship. The equation also shows that the coefficient for place strategy is 0.178. This coefficient indicates that for every additional place strategy, one should expect an increase in the adoption of online marketing by SMEs by an average of 0.178 when all factors are held constant.

**4.6 Chapter Summary**

The findings of the study have been presented in the form of tables and figures with explanations on the numerical figures presented. The chapter has used statistical figures of means, standard deviations, regressions and correlations to test the various results that were obtained. The next chapter gives the study discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the study. It has several sections that are as follows: section 5.2 discusses the summary of findings, section 5.3 offers the discussions of the study, section 5.4 gives the study conclusions, and section 5.5 discusses the recommendations for improvement and for further studies.

5.2 Summary of Findings

This study sought to outline how small and medium enterprises are using online marketing to improve their competitiveness in Kenya. The study addressed the following research questions: To what extent has Tembea Kenya used online marketing?; What factors have influenced the use of online marketing by Tembea Kenya?; and What strategies can Tembea Kenya employ to ensure effective use of online marketing in Kenya?

This study used the descriptive research design. The population of the study comprised of all employees that worked at Tembea East Africa Safaris who were 103 in number. The sampling frame of the study was obtained from the company’s human resource department. This study employed a census study, which meant a complete count meaning that the sample size for the study was 103 respondents. The study relied on primary data which was collected using questionnaires. The respondents were given 3 days to fill the questionnaires. The study used descriptive analysis. The collected data was subjected to analysis using Statistical Package for Social Sciences (SPSS) for windows. Analysis involved percentages, means and standard deviation. Correlation analysis was also used to determine the relationships between the study variables. Inferential statistics that included the regression analysis was used to examine the degree of variance caused by the independent factors.

The study showed that there was a significant relationship between SME use of online marketing and the extent of use by SMEs since the r results was equal to -.394 and the p value was less than 0.01. The study also showed a significant relationship between tourism SMEs using online marketing platforms and online marketing use by SMEs with the r value
of -0.225 and a p of less than 0.05. The study showed an insignificant relationship between the implication of online marketing use and online marketing use by SMEs with the r value of -0.091 and a p value that was greater than 0.01. The study revealed that SMEs use of online marketing platform had a contribution of 66.3% to the variance of extent of use, and tourism SMEs use of online marketing platforms had a 74.6% contribution to the variance of extent of use. The general form of the equation to predict extent of online marketing use from SMEs online use, and tourism use, was therefore: $Y = 2.111 - 3.663 \text{ SMEs Online Use} + 2.746 \text{ Tourism Use}$. This equation indicated that for every additional SME use on online marketing, one should expect a decrease on the extent of use by an average of 3.663 when all factors were held constant due to the inverse relationship; and for every additional Tourism use of online marketing, one should expect an increase on the extent of use by an average of 2.746 when all factors were held constant.

The study showed that there was a significant relationship between organizational factors and the adoption of online marketing in SMEs with the r value of -0.969 and a p value of less than 0.01. The study showed a significant relationship between demand factors and the adoption of online marketing in SMEs with the r value of -0.832 and a p value of less than 0.01. The study showed a significant relationship between external factors and the adoption of online marketing in SMEs with the r value of -0.961 and a p value of less than 0.01. The study revealed that organizational factors had a contribution of 46.8%, demand factors had a contribution of 71.6%, and external factors had a contribution of 66.2% to the difference of variance, which was adoption of online marketing by SMEs. The general form of the equation to predict adoption of online marketing by the SME from organizational, demand, and external factors, is: $Y = 3.551 - 2.468 \text{ Organizational Factors} + -0.716 \text{ Demand Factors} - 2.662 \text{ External Factors}$. This equation indicated that for every additional organizational factor, one should expect a decrease on the adoption of online marketing by SMEs by an average of 2.468 when all factors are held constant due to the inverse relationship; for every additional demand factor, one should expect a decrease on the adoption of online marketing by SMEs by an average of 0.716 when all factors are held constant due to the inverse relationship; and for every additional external factor, one should expect an increase on the
adoption of online marketing by SMEs by an average of 2.662 when all factors are held constant.

The study showed that there was an insignificant relationship between product strategy and the adoption of online marketing by SMEs with the r value of -0.118 and a p value of that was greater than 0.05. The study also showed that there was a significant relationship between price strategy and the adoption of online marketing by SMEs with an r value of -0.944 and a p value of less than 0.01. The study showed an insignificant relationship between promotion strategy and the adoption of online marketing by SMEs with the r value of -0.094 and a p value that was greater than 0.05. The study showed that there was a significant relationship between place strategy and the adoption of online marketing by SMEs with the r value of -0.259 and a p value that was less than 0.05. The study showed that price strategies had a contribution of 16.2%, and place strategies had a contribution of 17.8% to the variance which was the adoption of online marketing platform. The general form of the equation to predict adoption of online marketing by the SME from price, and place strategy, was: \( Y = 5.982 -1.162 \text{ Price} + 0.178 \text{ Place} \). This equation indicated that for every additional price strategy, one should expect a decrease on the adoption of online marketing by SMEs by an average of 1.162 when all factors are held constant due to the inverse relationship; and for every additional place strategy, one should expect an increase in the adoption of online marketing by SMEs by an average of 0.178 when all factors are held constant.

5.3 Discussions
5.3.1 Extent of SMEs Use of Online Marketing
The study showed that the organization’s online marketing took into account the business’ unique environment. According to O’Dwyer, Gilmore and Carson (2009), SME marketing takes into account the unique business environment, characteristics of owner/managers (such as skills and abilities) and resources, and thus, having a platform that accounts for this, is advantageous to an organization.

The study showed that company’s online marketing dealt with constant engagement its customers and matched their needs. According to Gilmore, Carson and Grant (2011),
marketing in SMEs is identified as engagement with customers, matching customer needs, networking and forming relationships with customers. Having a platform that caters for all these needs becomes a competitive advantage for a company.

The study revealed that the company’s online marketing required them to have an in-depth knowledge of their customers’ needs. This is in tandem with Shepherd (2005), who states that, SMEs are practicing marketing but in their own unique style reflecting their ability to offer products and services that exactly suit their customers, by having in-depth knowledge of their customers’ needs and being able to communicate with their customers on a personal basis.

The study revealed that the company marketed itself through the creation of a personal brand that could not be replicated. Vargo and Lusch (2012) states that, added to the importance of self-marketing by the business owner in which they can create a personal brand for the business, which cannot be replicated, meaning that, SMEs do engage in marketing but their ‘4 Ps’ marketing model is based around four different attributes that include: Personal; Practice; (Co) Production; and Perseverance.

The study revealed that the company used online marketing primarily for market communications and customer-relationship management. Adams and Deans (2011) states that, prior research has shown that SMEs use the Internet more for marketing communications and customer-relationship management than to advance business processes such as automating transactions.

The study showed that the company used their online marketing platform to carry out other transactions with their customers and that the company had the necessary resources and capabilities required to mine data from their online transactions. Deans et al. (2013) and Ramsey and Ibbotson (2012) state that, a relatively low percentage of SMEs use the Internet to complete businesses transactions compared to those that use it for communications.
The study revealed that the company’s online marketing platform facilitated the promotion and distribution of their products and packages across the globe. According to Quelch and Klein (2010), the Internet can greatly facilitate the promotion and distribution of tourist products and potentially enable tourism destinations and enterprises to compete on a level playing field.

The study also showed that the company’s online marketing had facilitated its ability to deal with the erratic tourist demand. According to Doolin et al. (2012), the perishability of tourism products and the often erratic tourist demand make the task of balancing tourism supply and demand far more significant than any other sector. That is probably why tourism became one of the first industries to widely apply IT and conduct electronic commerce from the 1960s in the form of CRSs and then GDSs.

5.3.2 Factors influencing the use of Online Marketing in SMEs

The study also showed that the company owners perceived online marketing as an important function of the business. According to Ramsey and McCole (2013), the adoption of online marketing by SMEs is a decision made by the business owner and the manager. Successful companies that embrace IT and online marketing are often those whose owners take on the role as innovation champion. SMEs owner perceive online marketing as an important function for their business.

The study also showed that the company owners saw the strategic benefits of using online marketing platforms. According to Ramsey and McCole (2013), some SMEs do not perceive (or are not convinced by) the potential strategic benefits of being the first to utilize new technologies and marketing platforms. Some do not perceive the relevance of using new technologies to their business, although they understand the online buying and selling functions offered by online marketing facilitated by new technologies.

The study also showed that the adoption of online marketing was primarily driven by the nature of the company’s business industry. Gary (2013) states that the nature of the industry, the size, the common practice, and the traditional way of doing business impose a significant
impact on the adoption of new technologies and online marketing. The high level of intangibility of the service/product mix can be viewed as one of the major impediments to future utilization of online marketing.

The study also showed that the external pressure had driven the company’s adoption of online marketing. According to Ramsey and McCole (2013) addresses the unique nature of an industry in relation to utilization of online marketing he found that, adoption has also been found to be largely dependent on external pressure from the business competitors as well as its supply chain.

The study also showed that the limited resources had hindered the company from gaining the full benefits of online marketing. According to Lawrence (2012), limited resources like financial, time, management, training, and personnel are often highlighted as major factors impacting the decision to adopt online marketing. He further argues that resource limitations such as time and capital coupled with preferences for traditional mechanisms to do business, inhibited firms from gaining benefits from introducing online marketing technology.

The study also showed that the company was always hesitant to make substantial investments when short-term returns were not guaranteed. According to Akkeren and Caraye (2010), the pressure to show a return on the investment often leads to SMEs being more concerned with medium-term survival rather than long-term viability. As a result, owners are often hesitant to make substantial investments when short-term returns are not guaranteed, as is the case of online marketing.

The study also showed that the company’s main challenge in online marketing was the concern for information security by its clients. According to Choudhury (2008) security can be described in two categories: protection of transactional detail of the customers and privacy of the personal information of the customers. Security concerns have allowed partial application of online marketing where only electronic mails are accepted online without electronic payments (Mukti, 2010).
The study also showed that the Kenyan government had facilitated the adoption of online marketing by providing necessary infrastructure. Eid and El-Kassrawy (2012) states that, the government can play an active role in online marketing by providing the necessary infrastructure for conducting Internet business. Uncertainty in many countries with regard to policies for investment, ownership, technology selection and general public access to the Internet has restricted the development of Net-based business and the penetration of Internet itself.

The study also showed that the Kenyan government had failed in providing the necessary regulatory framework appropriate for conducting online marketing. According to WTO (2011), governments across the African continent have been slow in realizing the potential of the Internet for economic growth and even slower in providing the necessary regulatory framework appropriate for conducting Net-based business.

The study also showed that it was extremely difficult for customers in the industry to judge a company by its online marketing activities. According to WTO (2012), consumers want to buy from companies that are not only law-abiding but more importantly are reliable and offer quality and value. Nevertheless, it is extremely difficult, if not impossible, to judge a company by its online marketing activities.

5.3.3 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

The study revealed that the company had lowered its prices to attract more customers. According to Viswanathan (2012), because of the ability of consumers to easily compare prices and find close substitutes, SMEs are forced to lower prices, since they cannot achieve competitive advantage simply by exploiting consumers’ search costs, as they did in the physical market.

The study revealed that the company differentiated its products from competitors to attract more customers using its online platform. According to Schiesel (2011), an alternative is for these SMEs to make consumers’ product comparison more difficult by differentiating their products from others, thorough bundling and/or innovation.
The study revealed that the company used online marketing to advertise its product bundles and inform clients on how they saved more using our services. Gillen and Morrison (2013) state that, SMEs in the tourism industries can use online marketing to advertise their product bundles and inform their consumers on how to obtain significant savings by booking more than one component of travel together compared to booking the same components separately.

The study revealed that the company used online platform as a counter-measure that prevented its competitors from gathering their pricing strategy. William et al. (2007) state that SMTEs can use the online marketing platform to ensure that competitors do not gather their pricing intelligence of products as well as cut out intermediaries (agents) and work directly with customers. This will ensure that they do not cannibalize their own profits and increase customer reliability and better customization of their bundles.

The study revealed that the company used its online platforms to collect information about new products desired by its customers. According to Sinha (2010), SMEs can also collect information on new products desired by small segments of the market, and by creating products that meet the needs of consumers in these niche markets, SMEs can command higher prices.

The study revealed that the company used its online marketing platform to offer clients a rewarding tourism experience through new product innovation. Smith (2011) states that, in today’s saturated tourism markets customers look for experience rather than destination driven products. Hence, in the future it will be important to create a rewarding tourism experience through innovation and product development instead of offering singular tourism elements.

The study revealed that the company used its online marketing platforms to accomplish effective pricing strategies. According to Bakos (2008), lower search costs for price and product offerings in Internet marketplaces promote price competition among sellers. The Internet thus significantly affects competition, and intensive price competition can eliminate
sellers’ profits. To overcome these threats, SMEs have to employ appropriate pricing strategies for selling products over the Internet as well as employ cost leadership strategy.

The study revealed that the company had built direct links with its customers in order to discuss with them more about products/services and offered personalized promotions. Allan and Fjermestad (2010) also argue that the benefits of personalized promotions will be greatest when customers are interested in detailed product information or the product is marketed as state-of-the-art. The Internet encourages companies to employ this marketing based on direct, personalized relationships with customers (so-called ‘relationship marketing’).

The study revealed that the online marketing had reduced the company’s need to be physically present in various countries in order to reach clients. Quinton and Khan (2009) states that, in order for SMTEs to maximize their potential on the online marketing platform, they can reduce their need to be physically present in various countries and operate from one nation while liaising with other partners to form a joint-venture.

The study revealed that the company applied the use of a search engine-marketing tool to make themselves more visible. Murphy and Kielgast (2008) state that, SMEs can apply the use of a Search Engine Marketing (SEM) or optimization techniques to make them more visible among millions of other companies that are present in the Internet world and showcase to their target market their presence in all the key markets, thus attracting them to their company.

5.4 Conclusions
5.4.1 Extent of SMEs Use of Online Marketing
From the study, it can be concluded that Tembea East Africa Safaris has adopted and used its online marketing platform to a high degree. From the study it can be concluded that the company’s online platform takes into account the unique environment surrounding the company and it facilitates the company’s ability to constantly engage its customers as well as matched their needs to their packages. The online marketing platform required the company
staff to have an in-depth knowledge of their customers’ needs and this facilitated the company’s ability to create and market its personal brand that could not be replicated. From the study findings, it can be concluded that Tembea East Africa Safaris used its online platform to communicate and manage its customers as well as to carry out other transactions. The company’s online marketing platform facilitated its ability to promote and distribute its products and packages globally while enabling it to deal with the erratic tourist demand.

5.4.2 Factors influencing the use of Online Marketing in SMEs

The study concludes that Tembea East Africa Safaris owners perceived online marketing as an important function of the business and saw the strategic benefits of using online marketing platforms. From the results, it can be concluded that adoption of online marketing by the company was driven by the nature of the business industry and the external pressure from customers and suppliers. The company had limited resources that hindered its ability of gaining the full benefits of online marketing and the managers/owners of the company were hesitant in making substantial investments when short-term returns were not guaranteed. The study concludes that the Kenyan government has facilitated the adoption of online marketing for SMEs but has failed in providing the necessary regulatory framework appropriate for conducting online marketing.

5.4.3 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

The study concludes that Tembea East Africa Safaris had lowered its prices to attract more customers and it differentiated its products from competitors to attract more customers using its online platform. The company used online marketing to advertise its product bundles as well as a counter-measure that prevented its competitors from gathering their pricing strategy. It can be concluded that the company used its online platform to collect information about new products desired by its customers facilitating its ability to offer its clients a rewarding tourism experience through new product innovation. It can be concluded that the company used the online platform to build direct links with its customers, which reduced the company’s need to be physically present in various countries in order to reach clients. It can be concluded that the company applied the use of a search engine-marketing tool to make itself more visible.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Extent of SMEs Use of Online Marketing
In terms of managerial implications, Internet applications offer tools to SMEs that can be used to close the gap between strategy and implementation. The study shows that online marketing tools offer clear benefits to SMEs, accordingly, the study recommends that SME owners and managers employ the use of online marketing tools beyond the purpose of managing customers and competitor information to coordinate business activities.

5.5.1.2 Factors influencing the use of Online Marketing in SMEs
Online marketing platforms have a profound effect on the hospitality and travel industries and also create a new distribution channel for hospitality and travel products. Technological change faces opposition from those who see it as threatening nature, privacy, simplicity and even the human race as a result, the study recommends managers and owners of SMEs to understand and anticipate changes in the technological environment and utilize technologies that serve human needs. They must be sensitive to aspects of any innovation that might harm users and bring about opposition.

5.5.1.3 Strategies that SMEs Employ to Ensure Effective Use of Online Marketing
Due to the dynamic changes of online marketing in the global world, its application in SMEs may not necessarily follow a determined and consecutive path. The study therefore recommends that managers and owners of SMEs be free and willing to adopt any business model, enabled by a variety of the online marketing platform to achieve their business purpose. These managers and owners should also be committed to align their online marketing activities to service their major customers and business partners.

5.5.2 Recommendations for Further Studies
The study sought to examine how SMEs were using online marketing tools to improve their competitiveness in Kenya with a key focus on Tembea East Africa Safaris. There is a need for similar studies are carried out on other tourism organizations as well as SMEs operating in other industries.
REFERENCES


United States International University – Africa,
P.O. Box 14634 – 00800,
Nairobi – Kenya.

Dear Respondent,

**RE: REQUEST TO PARTICIPATE IN MY RESEARCH.**
I am a graduate student at the United States International University – Africa pursuing a Master’s Degree in Organizational Development for Executives. As a requirement, I am supposed to carry out a research on, “How SMEs are using online marketing tools to improve their competitiveness in Kenya”. My case study is Tembea East Africa Safaris.

I am requesting you to take your time in filling the attached questionnaire that will assist me in answering my research questions on the above subject matter. The results of this study will be instrumental in understanding the extent of use of online marketing among SMEs.

This being an academic research study, all the information collected will be used for academic purposes only, and your confidentiality will be strictly adhered to.

Yours Sincerely,

Bilha Achieng.
APPENDIX II: QUESTIONNAIRE

Kindly fill the questionnaire appropriately.

A) Demographics

1. Please indicate your gender.
   Male [ ]    Female [ ]

2. Please indicate your age bracket.
   <20 Years [ ]    21-30 Years [ ]    31-40 Years [ ]    41-50 Years [ ]
   51+ Years [ ]

3. Please indicate your level of education.
   Primary [ ]    Secondary [ ]    College [ ]    University [ ]
   Other [ ] (Specify) ________________________________

4. How long have you been working with the organization?
   <1 Year [ ]    2-4 Years [ ]    5-7 Years [ ]    8-10 Years [ ]
   11+ Years [ ]

5. To what extent has the organization used online marketing to conduct its business?
   Very Great Extent [ ]    Great Extent [ ]    Low Extent [ ]    Least Extent [ ]
### Extent of SMEs Use of Online Marketing

Using the Key: SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree; rate the following statements in terms of the extent of use of online marketing in your organization.

<table>
<thead>
<tr>
<th>Extent of Online Marketing Use</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our online marketing takes into account our unique business environment</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our online marketing deals with constant engagement with our customers and matching their needs</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our online marketing requires us to have an in-depth knowledge of our customers’ needs</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our company markets itself by through the creation of a personal brand for the business that cannot be replicated</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>We use online marketing primarily for market communications and customer-relationship management compared to automating our transactions</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>We use our online marketing platform to carry out other transactions with our customers</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our company has the necessary resources and capabilities required to mine data from our online transactions</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our online marketing platform facilitates the promotion and distribution of our products and packages across the globe</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our online marketing has facilitated our ability to deal with the erratic tourist demand by balancing our tourist supply and demand</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our online marketing has empowered both our clients to find information about our services quickly and precisely about any destination and activity that arouse their interest</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
C) Factors influencing the use of Online Marketing in SMEs

Using the Key: SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree; rate the following statements in terms of the factors that have influenced your use of online marketing.

<table>
<thead>
<tr>
<th>Factors Influencing Online Marketing Use</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company owners perceive online marketing as an important function of our business</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our company owners see the strategic benefits of using online marketing platforms</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our adoption of online marketing is primarily driven by the nature of our business industry</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our adoption of online marketing has been driven by the external pressure from our competitors, suppliers and customers</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Limited resource have hindered our company from gaining the benefits of online marketing</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our company is always hesitant to make substantial investments when short-term returns are not guaranteed</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our main challenge in online marketing is the concern for information security by our clients</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Our government has facilitated our adoption of online marketing by providing the necessary infrastructure</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>The government has failed in providing the necessary regulatory framework appropriate for conducting online marketing</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>It is extremely difficult for customers in our industry to judge a company by its online marketing activities, leading to potential loss of customers</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
D) Strategies that SMEs Employ to Ensure Effective Use of Online Marketing

Using the Key: SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree and SA-Strongly Agree; rate the following statements in terms of strategies that you employ to ensure effective use of online marketing.

<table>
<thead>
<tr>
<th>Strategies for Effective Online Marketing Use</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>As a company we have lowered our prices to attract more customers</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>As an organization, we differentiate our products from competitors to attract more customers using our online platform</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We use our online marketing to advertise our product bundles and inform our clients on how they save more using our services</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We use our online platform as a counter-measure for our competitors gathering our pricing strategy</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We use our online platforms to collect information about new products desired by our customers</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We use our online marketing platform to offer our clients a rewarding tourism experience through new product innovation and development</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We use our online marketing platforms to accomplish effective pricing strategies that are based on customer discrimination</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We have built direct links with our customers in order to discuss with them more about our products and offer personalized promotions</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>Online marketing has reduced our need to be physically present in various countries in order to reach our clients and offer our products and services</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
<tr>
<td>We apply the use of a search engine marketing to make ourselves more visible among millions of other companies</td>
<td>[]</td>
<td></td>
<td>[]</td>
<td></td>
<td>[]</td>
</tr>
</tbody>
</table>

THANK YOU