

THE ROLE OF DIGITAL MARKETING IN TRANSFORMING MSMES: AN ANALYTICAL STUDY IN ANDHRA PRADESH

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Abstract:

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the economic growth of Andhra Pradesh. However, these enterprises often face challenges in reaching broader markets and enhancing their competitiveness. Digital marketing has emerged as a transformative tool, enabling MSMEs to connect with customers, improve brand visibility, and scale operations. The study's goal is to uncover which aspects of digital advertising have the greatest impact on sales and revenue. The data provided is analyzed using quantitative methods, specifically structural equation modelling. Collecting representative data by employing procedures that are simple to implement. The data from an online survey of 150 micro, small, and medium-sized businesses (MSMEs) in selected areas of Andhra Pradesh were analyzed. According to the data, digital marketing has a significant positive effect on business outcomes such as revenue growth and company lifespan. 'Digital marketing' refers to promotional efforts spread throughout a wide variety of digital channels, such as the web, social media, and search engines (SEO). Among the most widely used digital platforms for long-term business success, the results suggest that social media is where most MSME owners spend their time. This study aims to explore the impact of digital marketing adoption in the MSME sector of Andhra Pradesh, examining its effectiveness, challenges, and outcomes.

Keywords: Digital marketing, sales performance, and sustainability

1. INTRODUCTION

Marketing is one of the most dynamic and innovative areas in the modern business landscape. It is the driving force behind connecting businesses with their customers and staying ahead in competitive markets. Today's marketing executives face the challenge of effectively monitoring their customers' preferences, analyzing competitor strategies, and understanding the external business environment. A systematic and reliable approach is crucial to navigate these complexities successfully.

In this evolving landscape, online marketing has emerged as a cornerstone of modern marketing strategies. Often referred to as Internet Marketing (IM), it leverages the vast reach and convenience of the internet to connect with consumers. The widespread availability of the internet and the rapid expansion of electronic commerce (e-commerce) have revolutionized how businesses promote and sell their products and services. Electronic commerce encompasses all commercial activities conducted in cyberspace, creating a marketplace that is no longer confined to physical boundaries. It involves buying, selling, and exchanging goods and services online, offering businesses a global platform to operate efficiently and effectively. Within the broader spectrum of e-commerce activities, online marketing plays a pivotal role. It focuses on building brand visibility, engaging with target audiences, and driving customer conversions using digital channels such as websites, social media, search engines, and email.

By integrating online marketing with the overarching framework of electronic commerce, businesses can not only enhance their reach but also gain valuable insights into customer behavior, improve operational efficiency, and create personalized experiences. This integration represents the convergence of technology and marketing, paving the way for innovative strategies that redefine how businesses interact with their consumers in the digital age.

2. LITERATURE REVIEW

The purpose of digital marketing is to help more firms take advantage of more efficient means of promotion and advertising to reach more potential clients. Using this kind of promotion, companies of all sizes may reach out to potential customers 24/7 via the internet (Agostini & Nosella, 2020; Maduku et al., 2016; Samoilenko & Osei-Bryson, 2018). Therefore, the growth, productivity, and competitiveness of small businesses are all dependent on their use of digital technologies. Small and medium-sized enterprises (SMEs) that use digital and social media marketing have a better chance of expanding their customer bases and retaining those (Taiminen & Karjalainen, 2015). Because of its complexity, digitalization is an effective tool for SMEs (Wonglimpiyarat, 2015) since it streamlines the process of communicating and collaborating with customers (Eze et al., 2014). To achieve objectives like targeting specific demographic, eliciting desired emotions from consumers, and enabling sales, digital platforms have become a vital tool for modern marketing organizations.

Online advertising is crucial for any company looking to expand their customer base and name recognition (Song, 2001). (Song, 2001). Digital marketing has surpassed the prevalence of more conventional advertising channels. As a result, it may help revitalize economies and improve the efficiency of governments (Munshi, 2012). More than 4.5 billion individuals throughout the globe will be utilizing the internet by March of 2020, according to projections from Internet World Stats (2020). The growth of technology and digital infrastructure have contributed to the quickening and pervasiveness of the Internet. Telephones and telegraphs have been mostly replaced by electronic means of communication. The three most significant marketing qualities of digital material for firms that rely on digital technology to generate money are simplicity of use, accessibility, and loading speed (Kanttila, 2004).

As people's requirements change, so do their shopping habits. According to Midha (2012), the ever-evolving consumer psychology affects both the amount and the way a product is used. That is why it is so important for companies in this industry to be adaptable enough to meet the changing needs of their clients and trustworthy enough to consistently deliver their products on time (Pencarelli, 2020). If they are unable to meet customer needs, those businesses will soon find themselves at a competitive disadvantage (Ungerman, Dedkova&Gurinova, 2018). To keep up with the rapid growth of the digital economy and the numerous new opportunities and challenges it presents, conventional marketing needs tough new laws and regulations (Midha, 2012). As more and more marketing processes are digitized, traditional marketing strategies are being revolutionized (Caliskan, Ozen&Ozturkoglu, 2020). In today's fast-paced technology world, consumers' tastes and expectations are always shifting, making it challenging businesses to stay ahead of the competition (Vidili, 2020). To increase digital sales in a sustainable way and highlight them as a competitive advantage, strategic sales decisions must be made. This highlights the growing significance of customer-centric sales methods in the modern business environment (Zhu & Gao, 2019). Many companies have quickly adopted E-commerce, a well-established branch of digital marketing. For traditional businesses without an online presence, this growing trend has been devastating.

The transition from traditional to digital marketing will only be effective if this link is properly implemented (Dong, 2018). Establishing digitally sustainable sales practices can provide businesses an edge in the marketplace. A company's market positioning strategy needs to take into account the interplay between the company's sales operations and the external environment. When it comes to digital marketing, sales, service, communication, cost savings, brand creation, and dissemination are all highlighted by the 5S framework (Sell, Serve, Speak, Save, Sizzle) (Chaffey & Smith, 2012). Online marketing has several advantages, such as lower prices, more targeted advertising, easier accessibility, and more in-depth product and service details for consumers before they buy (Durmaz & Efendioglu, 2016). Digital marketing via social media channels enables small businesses to compete with larger ones by implementing novel and inexpensive consumer communication tactics. Depending on the industry, a small or medium-sized enterprise (SME) could face competition from both domestic and international firms. There are many places online where you can get the same things for less money. In exchange for their customers' patronage, they offer a number of benefits. Digital technology allow businesses to improve their interactions with customers and their responsiveness to their needs in a timely manner. Digital technology helps both customers and businesses because it boosts revenue and productivity while lowering overhead. In their research, Foroudi et al (2017).

According to the research conducted, there is a growing body of work on the topic of the proliferation of e-commerce, online marketing, internet marketing, and social media marketing, with most of the study focusing on the more developed nations (Dumitriu and Dan). Scholars' understanding of technology's role in marketing has improved thanks to this research, yet there are still large information gaps. As Meng and Lingyan note, there is a dearth of studies examining how SMEs do financially after adopting digital marketing methods. Researching the elements that influence SMEs' adoption of digital marketing and how it affects their performance and sustainability is, in the researcher's perspective, crucial.

3. OBJECTIVES OF THE STUDY

- To examine the effect of digital marketing practices on the sales performance of MSMEs.
- To examine the effect of digital marketing practices on business sustainability of MSMEs

4. HYPOTHESIS

H1: Digital marketing practices have significant influence on sales performance of MSMEs.

H1a: Mobile marketing significantly influences sales performance of MSMEs.

H1b: Social-media marketing significantly influences sales performance of MSMEs.

H1c: Search engine marketing significantly influences sales performance of MSMEs.

H2: Digital marketing practices have significant influence on business sustainability of MSMEs.

H2a: Mobile marketing significantly influences business sustainability of MSMEs.

H2b: Social-media marketing significantly influences business sustainability of MSMEs.

H2c: Search engine marketing significantly influences business sustainability of MSMEs.

5. RESEARCH METHODOLOGY

Descriptive survey approach was primarily used for this investigation. In order to learn more about the people in the study population, the researcher uses a questionnaire. In order to create this study tool, we combed through existing studies and literature (Wanjiru Mobydeen, 2021). The survey was made on Google Docs, and its link was given to MSMEs' managers/CEOs and other high-ranking officers who were responsible for developing and implementing digital marketing strategies.

In the first part of the survey, participants are asked to provide basic personal data like gender, age, occupation, education level, company type, etc. In the second part of the survey, you will be asked about the study's independent and dependent variables. Each respondent was given a 5-point Likert scale on which to rate his or her agreement or disagreement, with 1 indicating strongly disagree and 5 indicating strongly agree. Expert opinion and convenience sampling were used to pick respondents from various MSMEs in Andhra Pradesh State. There were 162 total questionnaires received; following data filtering, those with blanks were eliminated, leaving 150 responses.

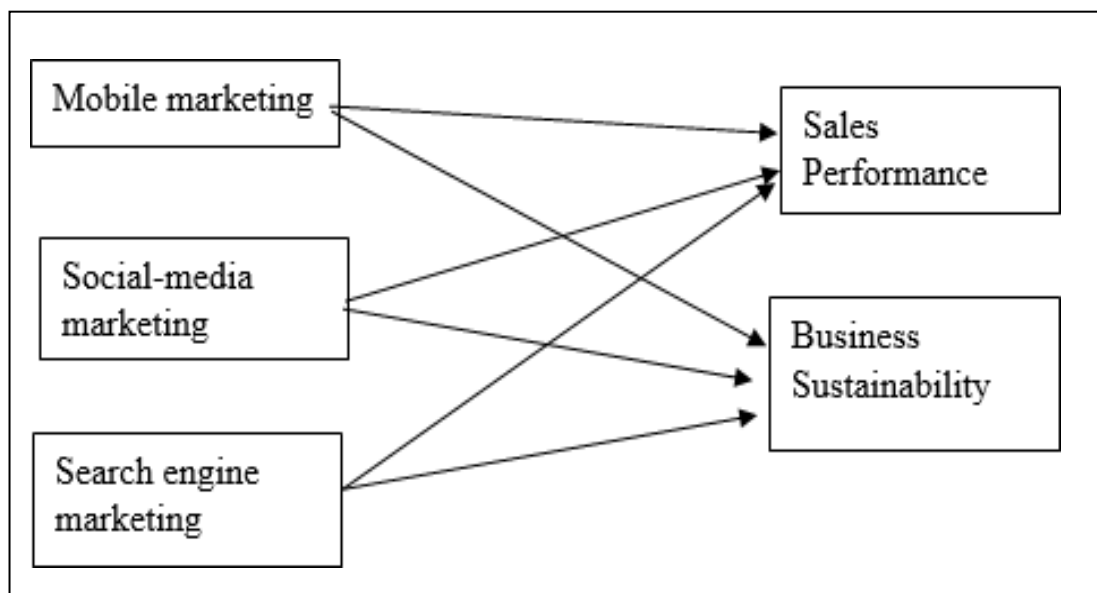


Figure-1: Conceptual Model

6. DATA ANALYSIS

SPSS version 24 and AMOS were used to analyse the survey data alongside information on the research participants. Summary statistics, such as means and standard deviations, are computed for the study's variables as part of descriptive statistics. The data's trustworthiness was measured with Cronbach's alpha. The use of structure equation modelling (SEM) for hypothesis testing.

Table-6.1: Details of respondents and MSMEs

Measures	Items	Percentage (%)
Gender	Male	83
	Female	17
Age	Below 24	3
	25-30	61
	30-35	16
	35-40	21
	40 & above	6
Education	Secondary	3
	Undergraduate	50
	Postgraduate	29
	Others	18
Occupation	Business	72
	Salaried	19
	Others	9
Type of business	Micro	16
	Small	38

	Medium	56
Activities of business	Manufacturing	45
	Transport	5
	Construction	7
	Trade & commerce	6
	Service	27
	Others	10

Table 2: Descriptive and reliability of the constructs

Sl. No.	Items	Mean	Standard deviation	Cronbach's alpha
1	MM1	3.31	.898	0.875
2	MM2	3.43	.972	
3	MM3	3.43	.951	
4	SM1	3.48	1.015	0.917
5	SM2	3.33	1.001	
6	SM3	3.41	.991	
7	SEM1	3.17	.930	0.870
8	SEM2	3.16	.891	
9	SEM3	3.18	.935	
10	SP1	3.41	.963	0.861
11	SP2	3.42	.971	
12	SP3	3.61	.873	
13	BS1	3.31	.996	0.873
14	BS2	3.38	.967	
15	BS3	3.35	.942	

The descriptive statistics of various statements related to predictor variables mainly: mobile marketing, social- media marketing and search engine optimization indicates all the values of mean are above 3 inferred agreements of respondents for these statements. Similarly, dependent variables measured using sales performance and business sustainability having mean values above 3 with standard deviation values near 1. The above table also mentioned Cronbach's alpha values for research constructs, as per Nunnally (1978) the alpha value above 0.7 indicates reliability of data. For the current study alpha value is higher the threshold value of 0.7 ranging from **0.861 to 0.915**.

Structural Equation Modelling (SEM) for hypothesis testing: SEM is multivariate techniques where the structural model shows the link between the latent variables or constructs that the research model hypothesised. For the current study mobile marketing (MM), social-media marketing (SM) and Search engine marketing (SEM) were considered as exogenous variable and their impact was tested on sales performance and business sustainability of MSMEs (endogenous variables).

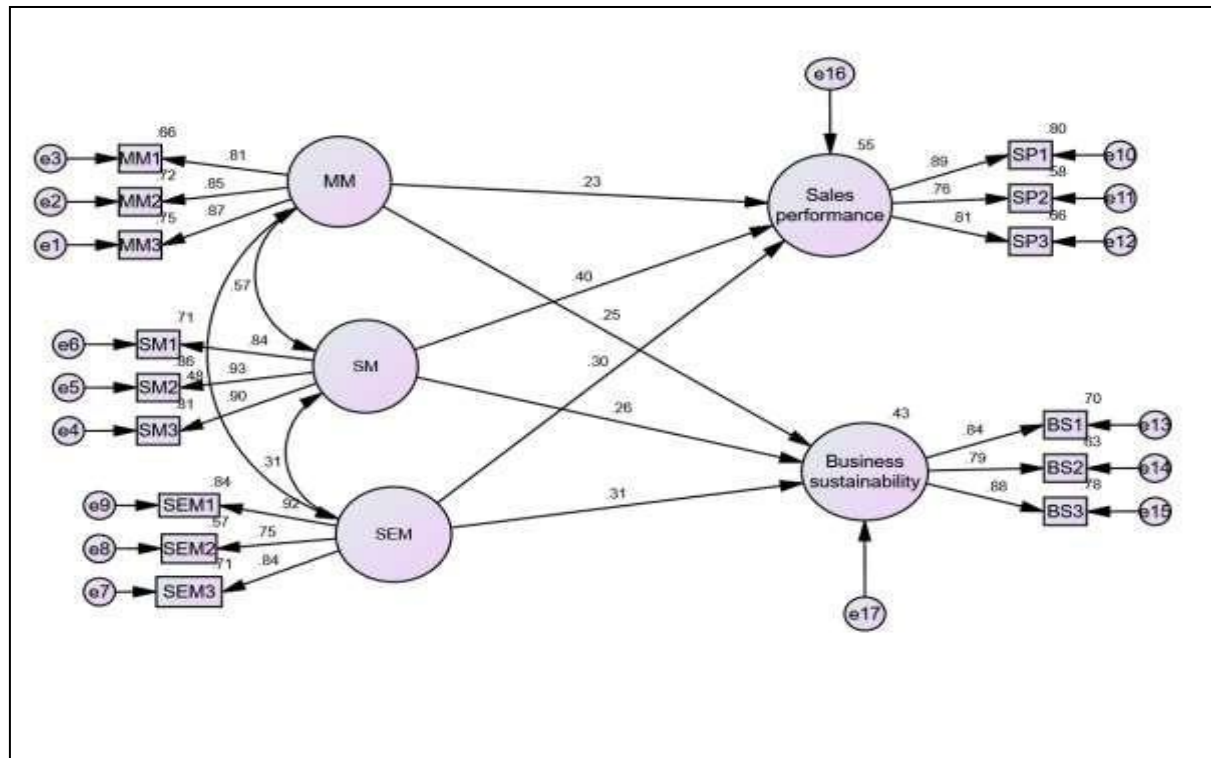


Figure 2: SEM model- Casual Structure

Note: MM-Mobile marketing, SM- Social-media marketing, SEM- Search engine marketing

Table 3: Path coefficients of the Structural Model

Outcome Variable		Independents Variables	C.R.	P	Regression Weights	Hypothesis
Sales Performance	<---	Mobile Marketing	2.398	0.016	.234	Supported
Sales Performance	<---	Social-Media Marketing	4.558	0.017	.398	Supported
Sales Performance	<---	Search Engine Marketing	3.672	***	.301	Supported
Business Sustainability	<---	Mobile Marketing	2.382	0.005	.254	Supported
Business Sustainability	<---	Social-Media Marketing	2.802	***	.263	Supported
Business Sustainability	<---	Search Engine Marketing	3.465	***	.311	Supported

Note: P refers to the differential probability. ***: $p < 0.000$

The results indicated in figure 2 and table 3 are used for hypothesis testing. The criteria for hypothesis acceptance were based on critical ratio (t value) above 1.96 and p value is less than 0.05 at 5% level of significance. The path coefficients mean standardized regression weights for the respective paths or relationship between independent and dependent variable. Higher the value of beta (standardized regression weights) more the impact of independent variable on dependent variable. The findings revealed that mobile marketing positively and significantly influencing sales performance of MSMEs with beta value =0.234, $p=0.016$. Since p value less than 0.05, therefore hypothesis H1a was accepted.

Similarly, the impact of social-media marketing (beta=0.398, $p=0.017$) and search engine marketing (beta= 0.301, $p=0.000$) is positive and significant on sales performance. The t-value for these paths above 1.96 with p value less than 0.05, supporting hypothesis H1b and H1c.

Further, the study also examined the impact of three marketing practices on business sustainability of MSMEs and the findings confirmed the positive influence of digital marketing practices on business sustainability supporting hypothesis H2. The beta value for path from mobile marketing to business sustainability is 0.254 with $p=0.005$, confirming acceptance of hypothesis H2a.

The social-media marketing is significantly influencing business sustainability with beta =0.263, $p=0.000$ (p value

<0.05), supported H2b. Similar, to this impact of search engine marketing on business sustainability also significant as beta= 0.311, $p=0.000$, thus hypothesis H2c was accepted.

Moreover, the generated R square value of 0.55 as presented in Figure 2 depicted that digital marketing practices (mobile marketing, social-media marketing and search engine marketing) accounted for 55% of the variation in sales performance. The R square value for business sustainability is 0.43 indicates 43% of variance explained by three digital marketing practices performance leaving 61.2% unexplained (error term). Thus, it can be concluded that digital marketing had moderate positive effect on performance of MSMEs

7. DISCUSSION & IMPLICATIONS

Different forms of digital marketing were tested to see how they affected the success of MSMEs. Digital marketing tactics used by some MSMEs are revealed in the study, including mobile, social media, and search engine marketing. Results showed that MSMEs' sales performance and firm longevity improved significantly after implementing all three of these digital marketing strategies (MSMEs). The best predictor of future success is social media marketing. The impact of various digital marketing approaches on the success of businesses has been studied in the past. This study confirms the results of those other investigations. Mobydeen (2021) looked into how various forms of digital marketing email, social media, mobile, and web—affect business outcomes. These results show that digital marketing in general can influence MSMEs' performance, and that the goals of digital marketing can be achieved. All MSME managers, CEOs, and directors can benefit from the study's findings. In order to increase profits, it is suggested that business owners and managers adopt a variety of digital marketing tactics.

In terms of sales results and long-term viability, every advertising approach is different. Based on the findings, small and medium-sized enterprises (SMEs) could leverage social media channels like Facebook, Twitter, and YouTube to have extensive conversations with their target audiences. Instagram and WhatsApp were also suggested as means of keeping in touch with clients.

8. CONCLUSION

Digital marketing technologies are widely used by micro, small, and medium-sized enterprises. Among these, include a presence on the major social media platforms as well as email, SMS, search engine optimization, and messaging apps like Telegram and WhatsApp. According to interviews with owners of micro, small, and medium businesses, not even one of them employs all of these platforms simultaneously in digital marketing. It is safe to say that Facebook, WhatsApp, and Instagram are the most widely used social media platforms nowadays. When it comes to digital marketing, Twitter is by far the most underutilized tool. There does not seem to be any small and medium-sized enterprises (SME) using blogs. All of the respondents who saw an uptick in sales after implementing digital marketing tactics also believe that those tactics had an impact on bottom line numbers. Revenue from social media sites like Facebook, Instagram, and WhatsApp exceeds that of all other digital services combined.

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