The impact of interactive marketing on the marketing performance of micro, small, and medium-sized enterprises (MSEs) in the Nyanza region of Kenya

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ABSTRACT

This study aimed to determine the impact of interactive marketing on the marketing performance of MSEs in Kenya’s Nyanza region. The research was founded on the positivist paradigm. The study employed a cross-sectional survey methodology. Targeting 2,503 MSEs and sampling 356 respondents using the Yamane formula and simple random stratified sampling. The self-administered, semi-structured questionnaire used to collect the primary data was analyzed using regression analysis. Cronbach’s alpha and the Shapiro-Wilk test were used to examine the reliability and normality of the data, respectively. Interactive marketing was found to have a significant impact on marketing performance (t = 19.933, p = 0.0000.05). Therefore, the study recommends extensive implementation of interactive marketing to improve the marketing performance of micro, small, and medium-sized enterprises (MSEs), which would ultimately contribute to increased profits and stability.

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Introduction

Interactions and dialogues between customers and businesses, as well as among consumers themselves, have resulted from the global expansion of interactive marketing in terms of breadth and reach. These interactions and dialogues have been facilitated by online social networks. According to Wang (2021), “the market has moved beyond the purview of direct marketing and into a forum for conversations and interactions among connected participants via digital and mobile platforms, especially as the use of social media grows.” This transition has coincided with a decline in the efficacy of passive broadcast advertising and one-way persuasive communication.

According to Flavian, Ibaez-Sánchez, and Ors (2019), interactive technology has progressed to the stage where it can now monitor and influence the environment as opposed to merely traversing it. Kang, Lu, Guo, and Li (2021) demonstrate that interactivity through the sharing of information influences purchase decisions in various ways. According to Adetunji, Rashid, and Ishak (2018), interactive marketing enables marketers to create interactive interactions with consumers and businesses. According to Rangaswamy, Moch, Felten, Bruggen, Wieringa, and Wirtz (2020), connections with consumers on digital platforms that include certain related activities may boost customer loyalty in a variety of ways.

Kane (2017) identifies social media as one of these digital platforms and opines that the widespread use of social media, which has increased consumer power, and the popularity of social networks such as Facebook, which boasts more than two billion active users,
Interactive marketing is the most recent and contemporary marketing trend, according to Wang (2021), because of the dynamic character of customers in today's technologically advancing world. According to Stone & Woodcock (2014), it requires a deeper understanding of consumers' behavior and preferred methods of interacting with brands in order to provide them with individualized, valuable, and engaging experiences. Shankar & Malthouse (2009) add that the marketing shift from the marketer to the consumer and the integrated use of media have resulted in a paradigm shift from consumer-controlled, interactive communication to marketer-directed, one-way communication to the extent that the new market only rewards more participatory, honest, and less directive marketing strategies. Wang (2021), Stone, and Woodcock (2014) observe an extensive body of literature on interactive marketing that lacks empirical evidence, prompting them to advocate for empirical research in this area.

On the basis of the research by the World Bank (2018) and PWC (2017), the majority of MSEs in Kenya are founded by young people and are typically characterized by a high mortality rate, with three out of five of these businesses failing within their first three years of operation and failing to celebrate their third anniversary, which is a failure rate of 60% (Bosire, Namusonge, & Nyang’au, 2020). The national government expanded the Kenya Youth Employment and Opportunity Programme (KYEOP) to the region in order to provide entrepreneurial training as a result of an increase in MSEs, particularly in the Nyanza region (Kisumu County, 2019). An exceptional performance and a lower failure rate would be anticipated. Previous research has shown that the majority of MSEs use eleven marketing strategies, which are divided into categories under each of the four Ps of marketing. These strategies include: product strategies, which include variety, new designs, and quality control; pricing strategies, which include flexible pricing and discounts; promotion strategies, which include personal selling, trade shows, membership in associations, and customer service; place strategies, which include location at a convenient location for customers; and, finally, probe strategies, which are used for surveys (Kungu, 2011; Rugut, 2012; Anyanga and Nyamita, 2016).

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Despite the training and marketing plans in place, the MSEs in the region continue to have performance issues, with a failure rate of 65 percent (KEPSA-KYEOP, 2019). Sir Dushyenthan (2012) suggests conducting additional research on the effects of IM on customer contentment among Sri Lankan wireless communication service providers before drawing sweeping conclusions. Due to the lack of empirical support in the well-written literature on interactive marketing, Wang (2021) recommends empirical research in this area. This research will help you comprehend how interactive marketing affects the marketing effectiveness of micro and small enterprises in Kenya's informal economy, a developing African nation.

Literature review

Theoretical and Conceptual Review

The theoretical underpinnings and observational research that were used to support the study were described in the literature review.

Interactive Marketing

International Telecommunication Union (2009) report which estimated wireless communication subscribers by 2009 to be 4.6 billion clearly brings out the dynamism of the current market, Wang (2021) acknowledges this fact and asserts that due to the widespread use of multiple devices, including many kinds of engagement, portable devices, computers, and mobile kiosks; businesses are now interacting in radically different ways than in the past. Because of this, Halbheer et al. (2014) represent interactive marketing as including all forms of current marketing. Majid (2020) shows through a model that the majority of customers would prefer interactive
marketing channels such as “Word of mouth, Review forums and Search engine optimization (SEO) over unresponsive marketing channels such as “Direct mail, Signage and passive advertising” which have a tendency of being one-sided.

Malthouse and Hofacker (2010) did a theoretical inquiry to advance the development of this notion so as to give uniformity in how IM concept should be constructed. Ten components, including E-WOM, search, customization, E-service, recommendation, co-creation, mobile virtual communities and worlds, connection platforms, clickstream models, and e-questions, were postulated by the authors to make up an interactive marketing-based approach. Further research by Sir Dushyenthan (2012) outlines the elements of IM as being trust, dedication, high employee and workplace standards, management of complaints, customization of services, communication, and familiarity. The conceptualization by Malthouse and Hofacker (2010) and Sir Dushyenthan (2012) is the foundation for this study's adoption of the three dimensions of interactive marketing—customer trust, interactive commitment, and interactive communication—while grouping the components provided by Malthouse and Hofacker (2010) as their indicators.

**Marketing Performance**

Marketing performance, according to Homburg, Grozdanovic, and Klarmann (2007), relates to how successfully a business or organization executes its marketing activities in connection to market-related goals. On the other hand, marketing performance has also been described as the efficiency and efficacy of a company's marketing efforts in regard to market-related goals, which eventually result in adaptability (Ambler, Kokkinaki, & Puntoni 2004; Clark 1999, 2000; Morgan, Clark, & Gooner 2002).

Gao (2010) while reviewing literature on marketing performance concludes that the most essential metrics for gauging marketing performance include; how much the customers are satisfied, the business’ share in the market, whether or not the customers are retained and how innovate the business is. This study used these metrics to show how much interactive marketing by MSEs in the Nyanza area of Kenya had an impact on marketing performance.

According to Lehmann (2004), Luo and Bhattacharya (2006), and Luo and Donthu (2006a), a new trend has emerged recently that connects marketing performance to firm value, and particularly shareholder value, as a result of calls for marketing to have greater accountability and credibility, which has increased the number and variety of marketing performance measures available. After doing a thorough analysis of the literature on marketing performance, Gao (2010) comes to the conclusion that the most crucial factors to take into account when assessing marketing effectiveness are customer satisfaction, share of the market, customer retention, brand equity, and innovation. Morgan (2012) confirmed this further by including it as a benchmark for marketing performance in his model. The factors suggested by Gao (2010) to assess marketing performance were modified for the current study.

**A Review of Micro and Small Enterprises in Nyanza Region, Kenya**

An organization, trade, service, industry, or economic activity with less than ten employees and an annual turnover of less than 500,000 shillings, and has total assets and financial investments of less than ten million shillings in the manufacturing sector and one million shillings or less in the service sector is referred to as a “Microenterprise” under the Micro and Small Enterprises Act Number 55 of 2012. With reference to Session Paper Number 2 of 2005, a business with between one and fifty workers is considered a SME. The World Bank, on the other hand, defines a SME as a legally recognized company with annual revenue of between eight and one hundred million Kenyan shillings, between five and one hundred and fifty workers, and at least 4 million Kenyan shillings in assets. Small firms are essential for economic progress globally, thus their expansion and profitability are essential.

Bosire et al., (2018) opines that despite an increase in Internet usage over the past few years, it is surprising that the majority of SMEs appears not to understand online marketing thus making only a few of them to make use of the marketing opportunities that exist online, necessitating the need for such a study. In general, Wilson and Makau (2018) asserts that the owners or managers of SMEs make the majority of their own decisions, react to recent opportunities and circumstances, and as a result, make decisions haphazardly based on their own personal and professional priorities at any given time. These restrictions will undoubtedly have an impact on and dictate the marketing characteristics of a SME, making the business environment of a SME more adaptable and problem-solving-focused as compared to more established enterprises.

**Empirical Review and Hypothesis Development**

**Influence of Interactive marketing on Marketing Performance of Firms**

There doesn't seem to be much consensus regarding how interactive marketing affects marketing performance. According to Barwise and Farley's (2005) study of the “state of interactive marketing in seven countries, Permission e-mail and online promotions/incentives are the interactive marketing activities with the fastest growing expenditures globally”. Moreover, it suggested that other IM activities should promote new media including wireless and iDTV as well as Web advertising and sponsorship. Qualitative data from the same survey also supported the idea that the fast expansion of IM, which was mostly at the cost of conventional media advertising, appeared to be here to stay.

In Taiwan, a more recent study by Wang (2018) was conducted to investigate how “interactive marketing affected value co-creation in cultural tourism in Taiwan Indigenous Peoples Cultural Park”. The study found a positive correlation between interactive marketing and the constructs used within the study which included “return on investment, service excellence, aesthetics and playfulness”.

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In a subsequent study by Majid (2020) that looked at how IM channels influence customer acquisition of services in Europe, it was discovered that Word-of-mouth, internet review sites, and social media and search engines—were related to higher customer acquisition rates while service companies reported poorer client acquisition rates when using non-interactive marketing communications channels. A similar conclusion was made in Ukraine according to a study carried out by Koval, Kovshun, Plekhanova, Kvitka, and Haran (2019) on the “role of interactive marketing in agricultural investment attraction” which found that there is need for improvement of Ukrainian agro producers in Internet so as to enhance interactive marketing.

At the regional level, scholars have investigated the influence of interactive marketing vis-à-vis performance and reported mixed results. Aslam, Hamid, and Arshad's (2015) study on the relationship between IM, customer satisfaction, and flashes on customer loyalty in South Africa revealed that the link between interactive marketing and consumer loyalty is totally mediated by customer satisfaction. Concurring findings were reported by Stone and Laughlin (2016), who focused their research on how interactive marketing is evolving in the financial services industry to examine the effects of the internet and related information and communications technology advances and concluded that interactive marketing is necessary for a positive improvement of the financial service sector to be realized.

<table>
<thead>
<tr>
<th>Author (Date)</th>
<th>Subject</th>
<th>Variables</th>
<th>Methods</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wang, S. M. (2018)</td>
<td>Interactive marketing and value co-creation</td>
<td>Interactive marketing, Value co-creation</td>
<td>Regression Model</td>
<td>Interactive marketing affects value co-creation in cultural tourism</td>
</tr>
<tr>
<td>Barwise and Farley's (2005)</td>
<td>State of interactive marketing in seven countries</td>
<td>Permission e-mail, Online promotion, Wireless digital communication</td>
<td>Multi regression model</td>
<td>Permission e-mail and online promotion are the fastest growing interactive concepts</td>
</tr>
<tr>
<td>Majid (2020)</td>
<td>Interactive Marketing channels and customer acquisition of services</td>
<td>Customer Acquisition and interactive marketing communication channels.</td>
<td>Structural equation model</td>
<td>interactive marketing communications channels—word-of-mouth, online review forums, and search engines—are related to higher customer acquisition rates</td>
</tr>
<tr>
<td>Koval et all., (2019)</td>
<td>Role of interactive marketing in agricultural investment attraction</td>
<td>Agricultural investment attraction.</td>
<td>Regression Model</td>
<td>There is need to improve the promotion of Ukrainian agro producers in Internet so as to enhance interactive marketing</td>
</tr>
<tr>
<td>Aslam, et al., (2015)</td>
<td>Interactive marketing, customer satisfaction, and flashes on customer loyalty</td>
<td>Commitment, trust, familiarity, the quality of employees, service quality, and service personalization efforts</td>
<td>Multiple regression Model</td>
<td>Customer satisfaction completely mediates the relationship between interactive marketing and customer loyalty.</td>
</tr>
<tr>
<td>Stone and Laughlin (2016)</td>
<td>how interactive marketing is evolving in the financial services industry to examine the effects of the internet and related information and communications technology advances</td>
<td>Interactive marketing, financial services, ICT advances</td>
<td>Multiple regression</td>
<td>Interactive marketing positively affects financial performance.</td>
</tr>
</tbody>
</table>

Source: Authors

Given the current constant technological advancement, there is need for the MSEs to include current marketing strategies in their management so as to improve on their performance. Existing marketing research indicates that IM has a favorable effect on customer retention, satisfaction, acquisition and loyalty, value co-creation, consumers’ attitude and other constructs in question (Stone & Laughlin, 2016; Wilson & Makau, 2018; Wang, 2018; Koval et al., 2019; Majid, 2020). However, a void exists with respect to interactive marketing and marketing performance of MSEs especially within the African context.
Studies in Kenya have highlighted the effects and difficulties that firms, particularly SMEs, experience while implementing interactive marketing. Ogweno, Ondiek and Mzee (2014) posit in their study that “the average number of clients served in a day after adoption of IT were many as compared with the average number of clients served in a day before adoption of IT”, a fact that is further affirmed by who sought to demonstrate the use of online marketing by SMEs as a means of interacting with their customers. In his conceptual paper, Mochoge (2014) also argue that perceived ease of use, usefulness and cost are the key determinants of adoption of web-based marketing services and further recommends their consideration while launching any new web-based marketing services as a form of interactive marketing.

In addition, Kwama, Ondieki and Mzee (2014) showed that interactive marketing is the most implemented strategy compared to e-marketing amongst most businesses. These general results reflecting the implementation of interactive marketing are similar to those reported by Irankunda, Musau and Waithima (2018) when they opined that social media communication sources as a means of interactive marketing in Kenya has an impact on establishing brand equity, with Facebook and website blogs being the most often used techniques in the present technological error. According to research by Abera (2012), Inadequate finance, a shortage of workspaces, marketing challenges, poor management and infrastructures are some of the key problems influencing the functioning of MSEs in sub-cities.

According to KIPPRA (2006), MSEs in Kenya act as catalysts for economic growth and development by generating job opportunities, making goods and services available to consumers, and fostering innovation and competition. SMEs make up over 75% of all firms, employ 4.6 million people (30%), account for 87% of newly generated employment, and produce 18.4% of the nation’s GDP [GDP (GOK, 2009)]. Due to this, the government has decided to distribute the Kenya Youth Employment and Opportunity Programme (KYEOP) throughout the various areas in order to provide entrepreneurship training (Kisumu County, 2019). Despite the fact that the MSEs are receiving such kind of training, KEPSA-KYEOP report of 2019 still give a failure rate of 65%. Meaning that there are other factors still affecting this MSEs not leaving out marketing problems as stated by Abera (2012).

Research and Methodology

The study was premised on positivism paradigm philosophy. The study used a cross-sectional survey research approach. 2,503 MSEs were targeted out of which 356 respondents were sampled by use of Yamane formula and sampling done by stratified, simple random sampling method. Regression analysis was used to analyze the primary data, which was acquired via a self-administered semi-structured questionnaire. Reliability and Normality test was done using Cronbach’s alpha and Shapiro-Wilk test respectively

Conceptual Model of the study

![Figure 1: Conceptual Model of the Study; Source: Authors](image)

Analysis and Findings

According to Cooper and Schindler (2006), Cronbach alpha value of 0.7 is regarded as a strong indicator of dependability. The results in table 1 therefore showed that the research instrument is good and thus suitable for data collection.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach alpha</th>
<th>Number of Constructs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interactive Marketing</td>
<td>0.884</td>
<td>13</td>
</tr>
<tr>
<td>Marketing performance</td>
<td>0.769</td>
<td>6</td>
</tr>
</tbody>
</table>

A normality test was run to see if the data fit within the parameters of a normal distribution, which would help to evaluate the hypothesis. A test result greater than 0.05 indicated that the data are normally distributed. The data are shown to have a normal distribution in table 2 according to the normality test.
Table 2: Test of Normality

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>INTRTV_MKTNG</td>
<td>.176</td>
<td>356</td>
</tr>
<tr>
<td>Marperfo</td>
<td>.119</td>
<td>356</td>
</tr>
</tbody>
</table>

a. Lilliefors Significance Correction

Table 3: Interactive marketing and Marketing Performance

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.727a</td>
<td>.529</td>
<td>.527</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), INTRTV_MKTNG

Table 4: Regression coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.705</td>
<td>.109</td>
</tr>
<tr>
<td>INTRTV_MKTNG</td>
<td>.637</td>
<td>.032</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Marperfo

The findings corroborate with Wang (2018) who investigated the “effects of interactive marketing on value co-creation in cultural tourism in Taiwan Indigenous Peoples Cultural Park”; and found a positive correlation between interactive marketing and ROI, top-notch customer service, beauty, and fun.

The findings also resonate with a study conducted in Europe by Majid (2020) on “the effect of interactive marketing channels on service customer acquisition” which discovered a substantial and favorable association between the two variables. Similar findings were reported in Ukraine through research conducted by Koval et al., (2019) on the role of interactive marketing in agricultural investment attraction and discovered a substantial and favorable connection between interactive marketing and performance.

These findings also resonate with a study by Aslam et al., (2015) conducted in South Africa on the “effect of interactive marketing, customer satisfaction and flashes on customer loyalty” and showed that customer loyalty and satisfaction are significantly influenced favorably by interactive marketing. Concurring findings were reported by Stone and Laughlin (2016) when they concluded that interactive marketing is necessary for a positive improvement of the financial service sector to be realized.

The results in Kenya are consistent with those of Irankunda et al., (2018) who contended that social media communication sources as a means of interactive marketing have influence on the building of brand equity with a majority influence from Facebook and the website blog being the most implemented strategies in the current technological error. This is further affirmed by Wilson and Makau (2018).

Conclusion

Improving a business’s marketing performance is a continuous process that requires the participation of all stakeholders (business owners, employees, and consumers). To successfully enhance these enhancements, an effective interactive marketing strategy must be implemented. According to the findings of this study, interactive marketing correlates positively with marketing performance. Interactive marketing has a significant impact on marketing performance (t = 19.933, p 0.00005). When all other factors remain
constant, an increase of one unit of interactive marketing results in a 63.7% increase in marketing performance. Therefore, it is essential for MSEs to intensify their interactive marketing activities in order to enhance their marketing performances, which will increase their profitability and marketing sustainability despite the intense competition.

According to the research, MSEs should adopt an interactive commitment that includes consistent delivery of the brand's value proposition and relationship-building, a desire to build a solid connection, a willingness to make short-term sacrifices to sustain the relationship, and confidence in the relationship's durability. Additionally, MSEs should enhance their interactive communication platforms and facilitate information exchange with their clients. MSEs should provide a forum for consumers to express their needs, perspectives, and opinions regarding their activities and performances, as well as devise methods for gathering customer feedback. The study also suggests that MSEs should use positive language, be concise and explicit, and tailor their interactions with consumers. Further, the study advises MSEs to uphold the advertising claims they make, as customer trust is primarily dependent on their availability, expertise, impartiality, honesty, location, transparency, promise fulfillment, and responsiveness. The research advises MSEs to do everything in their power to provide exceptional customer service, to be transparent with their clients, and to be accessible to new clients in order to improve their marketing performance.

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All authors have read and agreed to the published version of the manuscript.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.

Conflicts of Interest: The authors declare no conflict of interest.

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