Social media marketing and sales performance of selected small and medium enterprises in South-West Nigeria

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Abstract

This study examined the effect of social media marketing on the success of selected small and medium-sized enterprises (SMEs) in the South-West region of Nigeria. The study used a descriptive survey approach. Small and medium-sized enterprises that are official registered in South-West Nigeria SME offices made up the study population. The sample size of 376 was arrived at with the help of the Raosoft Sample Size calculator. Data was collected from the owner/managers of the selected SMEs using questionnaire as the primary data collection method. The questionnaire was tested for reliability, and the Cronbach alpha coefficient came in at 0.889. Both descriptive and inferential statistics (SPSS 24 and Smart PLS 3.3.3) were applied to the data set for analysis. With a 95% level of confidence, the PLS-SEM results showed that customization ($\beta = 0.252, t= 1.970$) and social interaction ($\beta = 0.472, t= 4.229$) are statistically significant, while branded entertainment ($\beta = 0.017, t= 1.1101$), customer engagement ($\beta = 0.065, t= 0.493$), and electronic word of mouth ($\beta = 0.093, t=0.548$) are not. The data analysis showed a positive relationship between social media marketing and sales growth in the Southwest of Nigeria. The study found that SMEs in Southwest Nigeria saw a significant increase in sales after implementing social media marketing strategies, and it is recommended that business owners should build stronger relationships with their customers and produce more engaging content on their social media channels geared towards their brand to improve their sales performance.

Keywords: Customization; Sales performance; Small business; Social media marketing; Nigeria.

Jel Classification Codes: L80, L82, L89.
1. Introduction

The business landscape of any nation comprises of large scale, small and medium scale enterprises (SMEs) contributing to the economic growth of the nations. Small businesses have grown at an unparalleled rate around the world over the years, as they contribute considerably to the growth and development of any economy. It is a fast growing business that is used as a sustainable tool for any nation’s economy. SMEs in Nigeria have been growing and contributing substantially to the national economic development as it contributes largely to the economy by providing employment, goods and services and improving citizens’ wellbeing and standard of living. The SMEs are able to do this by the citizens’ demand for their products which cuts across age, sex, culture, religion and social status. The performance of these SMEs particularly as related to their sales is therefore very crucial. However, fierce competition among SMEs for the same consumer base makes this a challenge for many SMEs.

Conversely, the development and maturation of social media marketing throughout time have made it possible for even the smallest businesses to employ it in their communication strategies (Kotler, 2008). According to Stauss et al, 2001, the major purpose of using social media to interact with existing and potential customers is to strengthen relationships and increase sales.

Sales and productivity can be greatly improved by customer engagement via social media marketing (Singh & Imran, 2012). Higher levels of brand awareness and productivity may be attained at lower costs through social media when compared to other conventional communication methods. Therefore, social media marketing may be utilised by both small and medium-sized businesses, as well as by large, multi-national firms (Gengeswari, Padmashantini & Sharmeela-Benu, 2013). Social media allows for practically instantaneous interaction with the global village through the concurrent creation and deconstructing brands. Brand recognition, social connections, consumer participation, purchasing habits, pre- and post-sale communication and evaluation, and lifetime value are all improved through social media marketing (Ahmad &Buttle, 2002). With the advent of social media, everyone is able to easily and cheaply promote oneself through their extensive online networks.

This opportunity presents a golden window of opportunity for small and medium-sized enterprises to expand their operations, ultimately leading to more revenues and better overall performance. Despite social media marketing's many advantages, there seems to be a lack of awareness and a knowledge gap among small business owners regarding how to attain effective performance. This research will examine the effects of social media marketing strategies on the sales growth of selected small and medium-sized enterprises (SMEs) in Nigeria's southwestern states.
2. Literature Review

2.1 Conceptual Review

2.1.1 Customer engagement

To put it simply, customer engagement is the motivational state that develops when consumers actively participate in cooperative, two-way exchanges with a brand that serves as the focal point of their relationships (Brodie, Ana Ilic, & Hollebeek, 2013). According to Hollebeek (2011), a customer's level of engagement can be understood as the sum of their intrinsic motivation, their feelings about the brand, and their experience with the brand in its context. Hollebeek (2011b), expanding on earlier research, defines customer engagement as the extent to which a customer invests their thoughts, feelings, and actions in their interactions with a brand.

Engagement modes are persuasive pathways, as suggested by Phillips and McQuarrie (2010) in order to: Immerse (C), Feel (E), Identify (E), and (A) Act upon a social media ad. In addition, Brodie, Ana Ilic, & Hollebeek, 2013 discussed customer engagement as a multidimensional concept with cognitive, emotional, and/or behavioural dimensions that plays a central role in the process of relational exchange, where other relational concepts are engagement antecedents and/or consequences in iterative engagement processes within the brand community.

2.1.2 Branded entertainment

Branded entertainment is defined as "any entertainment property whose primary purpose is to emphasise a brand or brands in an effort to impress and engage consumers in a distinctive and engaging way" (O'Guinn, Allen, & Semenik, 2009). Moreover, Tuomi (2010) and Rappaport (2007) agreed that branded entertainment relies on advertising, even paid advertising, to develop interest around the brand or product, which can only be represented through its values and personality. This is standard practice for any form of entertainment, as consumers need to be made aware of the content before they can make an informed decision about whether or not to consume it.

The true worth of branded entertainment lies in its ability to truly attract consumer attention among the barrage of commercial noise. It's likely that conventional advertising has lost its ability to captivate viewers in unique and interesting ways. Branded entertainment, according to Ryan (2016), is a game-changer in the realm of brand communication because of its capacity to successfully engage target consumers. Information, entertainment, and education are all ways in which branded entertainment improves the brand experience (Mart-Parreo, Ruiz-Mafé, & Scribner, 2015; Morrison, 2015).
According to Dahlén, Lange, and Smith (2010), branded entertainment is a very effective brand communication strategy because of the substantial contribution it makes to the brand's narrative. For one thing, it is meant to strike an emotional chord with its intended audience and inspire participation.

2.1.3 Electronic word of mouth

When customers learn about a product or service through online channels like chat rooms or bulletin boards, this is an example of electronic word-of-mouth (Lee, Noh and Kim, 2013). Influencing consumers in a positive or negative way requires this kind of communication. Electronic word of mouth (eWOM) has emerged as a powerful tool in the business world due to its ability to spread quickly and casually.

Electronic word of mouth (eWOM) is similar to traditional WOM in many ways, except it spreads news more quickly and reliably. Word-of-mouth (EWOM) refers to comments made about a product or service on the Internet by people who are not directly involved in the sale or distribution of that product or service. Consumers, Internet users, and sellers everywhere have easy access to these reports (Hennig-Thurau and Walsh, 2003).

2.1.4 Customization

The production of goods and services that are specifically tailored towards an individual need is regarded as Customization. Customization offers flexibility that makes customers to enjoy more distinct feature(s). According to Martin and Todoroy (2010), customization provides an opportunity for companies to approach their potential customers, and as a result, trust and purchase intention are improved. Additionally, through customization, products or services inherit a personal character for the customer which makes the emotional bond stronger, Sashi (2010). The postulation is, that customized products increase satisfaction and thus indirectly on loyalty, that is, repurchasing behavior.

2.1.5 Social Interaction

One of the most noticeable results of social media advertising is the proliferation and maturation of novel social practices. Social networking sites are online resources that facilitate communication between individuals. Users create profiles with relevant information, invite friends and coworkers to view those profiles, and keep in touch with one another through channels like email and IM to spread the word about the brand. These user profiles can contain any kind of content imaginable, from blogs to films to audio files to photographs. Kaplan and Haenlein (2010) state that marketers can benefit greatly from social networking sites because of the numerous channels for
communication with customers that are made available by tools like plug-in applications, groups, and fan pages.

Profiles, or user pages, are the building blocks of every online social community. Details about the individual can be found on their profile page. While organisations have their own sites or groups to share information, profiles are for individuals. Differentiating your sites and profiles is a great approach to show off your brand and individuality (Zellner, Strickhouser, & Tornow, 2004).

2.1.6 Sales Growth

As defined by Halpern, Weston, and Brigham (1998), sales growth is a metric of a company's ability to sustain market share as the economy and related industries grow. It was also mentioned that the best measures of a company's sales growth are their turnover, net profit, earnings per share, and dividend yield. Sales growth appears to be the key factor in a company's expansion. Turnover, production, value added, fixed assets, and total assets are all indicators of this capacity (Collase & Tabără, 2009). Greuning (2005), on the other hand, defines sales growth as an organization's expansion at a given rate of growth; this rate is established via the proportion of earnings that are kept in-house (or undistributed) and via the profitability indicator calculated with the aid of return on equity.

2.2 Theory and basis for the Hypotheses

To explain how social media, as a network resource, impacts company performance, this research draws on the Resource Mobilizing Theory of Social Media (RMTSM) developed by Eltantawy and Wiest (2011). This hypothesis is based on the work of social scientists Buechler and Je kins, who argue that resources like time, money, organisational skills, and particular social or political chances are vital to the success of any social movement. Who firms that can take advantage of social media to their benefit have an edge over rivals that don't is a central tenet of the so-called "social media advantage theory" (Icha & Agwu, 2015).

It is argued that social media can help small business owners and managers reach more customers, increase brand awareness, and expand their businesses (Eltantawy & Wiest, 2011; Stephan & Galak, 2014). Thus, the theory is essential for this investigation.

2.3 Empirical Review

Social Media Marketing and Marketing Performance on New SME: A Moderating Consumer Innovativeness was examined by Krisnanto and Surachman (2020). Researchers conducted a survey to gather information from 96 people who had recently tried out new SMEs’ products. WarpPLS was utilised for data analysis and processing. The results demonstrated that utilising social media marketing can improve the marketing efforts of young, growing businesses. Sales
performance (Homburg et al., 2007) and brand performance can be used to evaluate the efficacy of a marketing campaign (Kotler & Keller 2016). In addition, the findings indicated that consumer innovation mitigates the effect of social media marketing on the efficiency of advertising campaigns. In addition, Mahboub (2018) investigated how the banking industry was affected by the widespread usage of social media. 102 banks' annual reports and the Social-baker database between 2012 and 2016 are the sources of this data. Simple linear regression models were used to analyse the impact of SMU on all measures of bank performance. Conclusions from this study suggest that social media use has a positive, significant effect on profitability, sales growth, and environmental performance, all of which may be directly attributed to the increased exposure businesses gain from using social media platforms.

In 2020, Sufian, Min, Murad and Aziz studied the impact of social media marketing on sales performance of small online business in Malacca. Primary data was collected through descriptive surveys. The sample consists of 150 online small business owners from Malacca who employed social media marketing for their firm and gave feedback on its efficacy. Hypothesis tests, multiple regression analyses, Pearson's correlation analyses, reliability analyses, validity analyses, descriptive statistical analyses, and pilot test analyses are all examples of the types of analytical tests that may be employed. The data analysis method uses software known as Statistical Package for the Social Sciences (SPSS) Version 25.0. Customer feedback, content sharing, customer connections, and communication were found to have a substantial impact on the sales performance of online small enterprises. According to the results, customer ratings and content sharing are two examples of social media marketing indicators that do not have an obvious impact on revenue growth.

Absah, Muchtar and Qamariah (2017) added to the area of this study by investigating the ‘Improving performance of SMEs through social media marketing training’. The values of the maximum, minimum, average, and standard deviation are displayed in absolute frequency distribution tables, while frequency distribution tables are used to display the value of the distribution of research data. The Chi-Square Test is also employed in this investigation via the SPSS software. Statistical analyses show that MSME performance differs after receiving social media training compared to previously. The results of this study also demonstrated the efficacy of social media training for small and medium-sized enterprises.

Accordingly, Qalati, Li, Ahmed, Ali, and Khan (2021) studied the mediating function of social media adoption in the factors influencing SME performance. In this research, they used partial-least-squares structural equation modelling to test the hypothesised model (PLS-SEM). Three major aspects were identified as being crucial to the success of small and medium-sized enterprises: technology, organisation, and environment. Adopting social media is more crucial
since it positively mediates the interaction between technology, organisation, and environment, and SME success.

How social media influences business success was also studied by Smits and Mogos (2020). The use of social media has been shown to boost a company's efficiency and effectiveness. The effect is not due to the use of just one (of the six) social media tools, but rather to the effective integration of all six into a unified social media ecosystem that facilitates coordination between internal and external business operations. Social media, according to Singh and Sinha (2017), has a positive impact on businesses' growth, development, and performance, therefore it can be used to help increase sales.

Srinivasan, Bajaj, and Bhanot (2016) conducted research examining the effect of social media strategies utilized by SMEs on client acquisition and retention. The study found that social media marketing had a significant effect on consumers' trust in a company's brand, which in turn influenced revenue and new client acquisition. Web-based social networking advertising methods were also found to affect customer retention, growth, and industry expansion, further supporting the hypothesis that there is a connection between social media use and sales. Silvano and Mbogo, in 2022 Impact of Social Media Marketing on Small Businesses’ Sales Performance: A Case of Women Clothing Stores in the Nyamagana District of Tanzania. Primary Data was adopted through administration of questionnaires, and quantitative techniques were analysed with the help of the statistical package for the social sciences (SPSS) version 22 software. Small businesses selling women's clothes on Facebook, Instagram, and Twitter had their marketing efforts predicted using analysis of variance. Conclusions from the study indicated that successful social media marketing (on platforms like Facebook and Instagram) correlates positively with increased revenue. However, it was shown that SMEs' sales growth was not significantly affected by their use of Twitter. The study concluded that, in comparison to Twitter, small businesses might get better sales outcomes by advertising on Facebook.

2.4 Operationalization of the Variable

\[ Y = f(X) \]

Y = Dependent Variable

X = Independent Variable

Where;

Y = Sales Performance (SP)

X = Social Media Marketing (SMM)
$X = (x_1, x_2, x_3, x_4, x_5)$

Where:

$x_1 =$ Customer Engagement (CE)

$x_2 =$ Social Interaction (SI)

$x_3 =$ Customization (CU)

$x_4 =$ Branded Entertainment (BE)

$x_5 =$ E-Word of Mouth (EM)

Functional Relationship

$y = f(x_1, x_2, x_3, x_4, x_5)$ \hspace{1cm} Eqn 1

2.5 Regression Equation

$SP = \beta_0 + \beta_1 CE + \beta_2 SI + \beta_3 CU + \beta_4 BE + \beta_5 EM + \varepsilon_i$ \hspace{1cm} --Eqn 1

Where $\beta =$ the constant of the equation

$\beta_1$-$\beta_5 =$ the coefficient of variables in the equations;

$\varepsilon_i =$ the stochastic function that accounts for the errors that may arise in the equation

2.6 Conceptual Model

Source: Researcher’s Conceptual Model, 2022
3. Methodology

This study employed a descriptive survey research approach to investigate how different components of social media marketing affected sales performance from selected SMEs in South-Western Nigeria. The largest concentration of small and medium-sized enterprises (SMEs) and their associated workforce may be found in the region of South West Nigeria. Lagos, Oyo, and Osun State were selected because they have 17,534 small and medium-sized enterprises (SMEs) in the manufacturing, construction, agricultural, and other sectors in Nigeria's south-western region.

Using Raosoft's sample size calculator, the sample size of 376 was arrived at. Purposive sampling was used to select participants based on the substantial information they could contribute that would not be available from other sources, and to ensure that certain characteristics of the study population were accurately represented. In order to collect this information, a structured questionnaire was presented to 376 owner/managers of the selected SMEs for the study. The researchers in this study gathered their information with the help of a questionnaire that had been modified and given some structure. After the surveys were processed, 339 copies were confirmed as correctly filled and usable.

The research team analysed their data using inferential statistics. Inference analysis is the process of deducing meaning from quantitative facts and the connections between them. Multiple regression analysis with partial least square structural equation modelling (SmartPLS version 3.3.3) was used to investigate the effect of explanatory and criterion factors on the dependent variable. PLS-SEM (via SmartPLS) was selected over SPSS because it is a more advanced multivariate analytical technique that yields more rigorous and reliable analysis.

4. Data Analysis

4.1 Validity and Reliability Results

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variable</th>
<th>No of items</th>
<th>AVE</th>
<th>KMO Test</th>
<th>Bartlett’s Test (Sig)</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer Engagement</td>
<td>6</td>
<td>0.715</td>
<td>0.832</td>
<td>562.451 (0.000)</td>
<td>6</td>
<td>0.873</td>
</tr>
<tr>
<td>2</td>
<td>Social Interaction</td>
<td>5</td>
<td>0.792</td>
<td>0.724</td>
<td>573.363 (0.000)</td>
<td>5</td>
<td>0.952</td>
</tr>
<tr>
<td>3</td>
<td>Customization</td>
<td>6</td>
<td>0.813</td>
<td>0.811</td>
<td>572.432 (0.000)</td>
<td>6</td>
<td>0.913</td>
</tr>
<tr>
<td>4</td>
<td>Branded Entertainment</td>
<td>6</td>
<td>0.678</td>
<td>0.689</td>
<td>664.784 (0.000)</td>
<td>6</td>
<td>0.864</td>
</tr>
<tr>
<td>5</td>
<td>E-word of Mouth</td>
<td>6</td>
<td>0.861</td>
<td>0.794</td>
<td>676.853 (0.000)</td>
<td>6</td>
<td>0.912</td>
</tr>
<tr>
<td>6</td>
<td>Sales Growth</td>
<td>5</td>
<td>0.745</td>
<td>0.781</td>
<td>796.471 (0.000)</td>
<td>5</td>
<td>0.836</td>
</tr>
</tbody>
</table>

Source: Researchers’ Result 2022
4.2 Test of Hypothesis

4.2.1 Hypothesis: Social media marketing components have no significant effect on sales growth.

The SmartPLS statistical platform version 3.3.3 was used to conduct a test of the null hypothesis via partial least square-structural equation modelling (PLS-SEM). The PLS algorithm, which is well-suited for effect prediction, was used in the study, along with bootstrapping to estimate the level of significance of the prediction and blinding to test the model's ability to forecast. Since PLS-SEM (through SmartPLS) is a more advanced multivariate analytical technique, it was chosen because its results are more rigorous and dependable (Onamusi & Adenekan, 2021).

This independent variable is social media marketing while sales growth serve as the dependent variable, metrics for social media marketing include customer engagement, social interactions, customisation, branded entertainment, and e-word of mouth. Three models (figures 1, 2, and 3) and a table summarising the PLS-SEM findings are shown below (see table). The Q2 in Figure 3 demonstrated the structural model's predictive validity, while Figures 1 and 2 depict the route analysis. Data presented in Figures 1 and 2 are tabulated for your convenience in Table 1.

![Figure 1: Path Analysis for Hypothesis One](Source: Researcher’s Computation via SmartPLS V3.3.3 (2022))

**Figure 2:** T-Statistics for Hypothesis One  
Source: Researcher’s Computation via Smart PLS V3.3.3 (2022)

**Figure 3:** $Q^2$ Statistics for Hypothesis One  
Source: Researcher’s Computation via SmartPLS V3.3.3 (2022)
Table 1 presents all the information depicted in figures 1, 2, and 3.

Table 1: Summary of multiple regression analysis for the effect of social media marketing on sales growth of SMEs in Southwest, Nigeria using PLS-SEM

<table>
<thead>
<tr>
<th>Path Description</th>
<th>Original sample (o) Unstandardized Beta</th>
<th>T</th>
<th>Sig.</th>
<th>R²</th>
<th>Adj. R²</th>
<th>Sig.</th>
<th>Q²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Entertainment → Sales Growth</td>
<td>0.017</td>
<td>0.101</td>
<td>0.920</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Engagement → Sales Growth</td>
<td>0.065</td>
<td>0.493</td>
<td>0.622</td>
<td>0.689</td>
<td>0.672</td>
<td>0.000</td>
<td>0.450</td>
</tr>
<tr>
<td>Customization → Sales Growth</td>
<td>0.252</td>
<td>1.970</td>
<td>0.049</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Word of Mouth → Sales Growth</td>
<td>0.093</td>
<td>0.548</td>
<td>0.584</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Interaction → Sales Growth</td>
<td>0.472</td>
<td>4.299</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: Sale Growth, Predictors: social media marketing: customer engagement, social interactions, customization, branded entertainment and e-word of mouth.

Source: Researchers’ Result via SmartPLS Version 3.33 (2022)

4.2 Discussion of Findings

Figures 1, 2, and 3 depict the results of a PLS-SEM analysis of the effect of social media marketing elements on the sales growth of small and medium-sized enterprises (SMEs) in Southwest Nigeria. Adjusted $R^2$ was used to evaluate the predictive power of the study's model. The results showed the adjusted coefficient of determination ($Adj R^2$) of 0.672 meaning that 67.2% of the variation in sales growth of SMEs under study while the remaining 32.8% variation in sales growth is explained by other exogenous variable different from social media marketing components considered in this study and the effect is statistically significant at 95% confidence interval.

The path coefficient of each social media marketing component—customer engagement, social interaction, customization, branded entertainment, and electronic word-of-mouth—represents the coefficient of determination ($\beta$), which demonstrates the relative effect of each social media marketing component on the expansion of small and medium-sized enterprises' sales in Southwest Nigeria. According to the PLS-SEM results in figs. 1, 2, and 3, branded entertainment ($\beta = 0.017, t= 1.101$), customer engagement ($\beta = 0.065, t= 0.493$), and electronic word-of-mouth ($\beta = 0.093, t=0.548$) are statistically insignificant while customization ($\beta = 0.252, t= 1.970$) and social
interaction ($\beta = 0.472, t= 4.229$) are significant. As demonstrated by this result, social interaction and customization both have relative effects that are statistically significant when their corresponding $t$-values are greater than the threshold of 1.96. A $t$-value below the acceptable cutoff of 1.96 indicates that the relative effect of brand entertainment, customer engagement, and electronic word of mouth is statistically insignificant.

The results also demonstrate that for SMEs in Southwest Nigeria, a one-unit increase in customization will lead to a 0.252% rise in sales growth when all other independent factors are held constant. Also, a unit change in social contact will result in an increase of 0.472 in sales growth of SMEs in Southwest, Nigeria, assuming all other independent variables remain same.

This research concluded that among SMEs in Southwest Nigeria, social interaction (coefficient = 0.472) and customization (coefficient = 0.252) had the largest relative effects on sales expansion. Predictive results from PLS-SEM are shown in Table 4.14 (Adj $R^2=0.672$; $p=0.000$; $Q^2=0.450$), suggesting that social media marketing has a major impact on sales expansion for SMEs in Southwest Nigeria. Therefore, the first null hypothesis (H01) is refuted by the study's findings: that social media marketing methods have no appreciable effect on sales growth for small and medium-sized enterprises (SMEs) in Southwest Nigeria.

5. Conclusion and Recommendation

This study's empirical findings demonstrated that a variety of social media marketing components (including consumer engagement, social interactions, customization, branded entertainment, and e-word of mouth) significantly influenced the sales growth of selected small and medium-sized enterprises (SMEs) in South-West Nigeria. The results of the study showed that certain SMEs in South-West Nigeria benefited greatly from the incorporation of social media marketing strategies (such as consumer engagement, social interactions, customization, branded entertainment, and e-word of mouth).

The study's findings suggest that in order to boost sales, small business owners should use their social media platforms to share meaningful and entertaining content that is peculiar to their brand. This content will create visibility for the small business and customers will be attracted to the brand and patronize such brand.
Reference


