



# Understanding mobile marketing adoption intention by South African SMEs: A multi-perspective framework



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## ABSTRACT

This paper examines the key drivers of mobile marketing adoption intention by South African SMEs using a multi-perspective framework that combines elements in the technological, organisational and environmental contexts of the enterprises. Data was collected from a random sample of 205 SMEs from Gauteng, South Africa. Structural equation modelling was used to analyse the data. The results identified perceived relative advantage, perceived cost, top management support, employees' IT capability, and customer pressure as important drivers of mobile marketing adoption intention. Of these factors, top management support emerged as the strongest driver of adoption intention. The implications of these findings for mobile marketers and others interested in accelerating the adoption of mobile marketing among SMEs are highlighted.

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## 1. Introduction

Recent developments in Information Technologies (IT), particularly the use of mobile technologies in marketing (also known as mobile marketing), offer great opportunities for businesses to improve on their marketing capabilities. According to [Lamarre, Galarneau, and Harold Boeck \(2012\)](#), the fact that mobile marketing provides continuous access to consumers 'anytime' and 'anywhere' makes it the most dynamic, effective, and personal medium for marketing. [Leppäniemi and Karjaluo \(2008\)](#) noted that mobile marketing is fast becoming a crucial marketing communication tool. A study by the [e-marketer \(2014\)](#) reported that global mobile marketing expenditure in 2014 amounted to US\$ 17.96 billion. This figure is predicted to quadruple by the end of 2016. Consequently, it is abundantly clear that the use of mobile marketing is no longer a matter of choice but one of survival for both big and small businesses ([Earl & Feeny, 2012](#)).

Empirical evidence shows that SMEs cannot achieve competitiveness and remain profitable without the proper adoption of technology at the right market levels ([Harvie, 2010](#); [Lip-Sam & Hock-Eam, 2011](#); [Thurasamy, Mohamad, Omar, & Marimuthu,](#)

[2009](#)). Yet research has shown that there is a natural scepticism among SME owners that makes them tend to be over-cautious when it comes to the adoption and use of IT ([Levy & Powell, 2005](#)). [Castronovo & Huang \(2012\)](#) pointed out that the effective adoption and use of alternative marketing practices, such as mobile marketing, can be especially advantageous for SMEs, which often lack the necessary resources for employing traditional forms of marketing.

In spite of this, previous studies have provided a rather limited understanding of drivers of mobile marketing acceptance among SMEs particularly, in developing countries such as South Africa. Research into such drivers could potentially offer important managerial insights into how mobile marketing could be promoted effectively to SMEs, and thus lead to its accelerated acceptance by the SMEs. Given the tremendous practical relevance and the dearth of empirical studies, this study aims at developing and testing a multi-perspective framework of factors underlying mobile marketing adoption intention by SMEs in South Africa.

The study contributes to the literature in two main ways. First, from a conceptual perspective, this study develops a multi-perspective framework of various factors relevant to SMEs' intention to adopt mobile marketing. This enables researchers to gain a more comprehensive understanding of drivers of mobile marketing adoption intention by SMEs in the context of a developing country. Second, from an empirical perspective, this study contributes by testing the multi-perspective framework on a sample of SMEs from a developing country, South Africa. Most

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mobile marketing research has been conducted in developed countries; but empirical evidence suggests that there are considerable differences between developed and developing countries. These differences render efforts to generalise research findings from developed countries to developing countries' contexts problematic (Alam, Ali, & Jani, 2011; Park, Roman, Lee, & Chung, 2009). Thus this study makes a unique contribution to the literature on the mobile marketing technology adoption domain from the perspective of SMEs in a developing African country.

The rest of the paper is structured as follows: Section 2 provides a literature review on SMEs, mobile marketing, and theories of innovation adoption. Section 3 discusses the theoretical background, proposes a multi-perspective framework, and discusses underlying associations between factors in the hypothesised research framework. In Section 4, the methodology employed to obtain the data for testing the research framework is outlined. Section 5 presents and discusses the results of the statistical data analysis. Section 6 presents a discussion of the practical implications of the findings. Section 7 concludes the study by outlining the study's limitations, and recommendations for future research.

## 2. Literature review

### 2.1. Small medium-sized enterprises (SMEs)

The definition of what constitutes an SME is a contentious issue in the literature. Consequently, there is no single, universally-accepted definition for what constitutes a small enterprise (Gbandi & Amisshah, 2014; Donner & Escobari, 2010; Keskin & Şentürk, 2010; Ongori & Migiro, 2010). Different definitions have been propounded by different researchers and institutions working on SMEs. The boundaries of these definitions generally change in line with the size of the economic activities within the country and the level of development (Keskin & Şentürk, 2010).

In trying to define SMEs, some researchers use capital assets, while some have resorted to the use of labour skills and turnover levels. Still others have adopted the legal status of a firm, the method of production, and the ownership and industry of the enterprise in their attempt to define what constitutes a small enterprise (Gbandi & Amisshah, 2014; Abor & Quartey, 2010). The most commonly-used framework for defining what constitutes a SME in South Africa is found in the National Small Business Act 102 of 1996, which outlines five categories of small businesses in South Africa. The Act's definition of small businesses follows a similar approach to that of international organisations: it uses a combination of the number of employees, annual sales turnover, and gross assets excluding fixed property. In line with the South African definition, for this study a small business enterprise is classified as one with no more than 50 full-time employees, an annual turnover of less than ZAR 2 million, and gross assets of less than ZAR 10 million. A medium business enterprise is defined for this study as one employing less than 200 full-time employees, with an annual turnover of less than ZAR 30 million and a gross fixed asset value of less than ZAR 15 million.

A FinScope (2010) study notes that the South African SME sector has an estimated 5.6 million enterprises. According to the World Bank (2006), 97% of all private business participating in the South African economy are small enterprises, and a further 1% of active private businesses are medium enterprises. The South African SME sector is very diverse, and employs about 11.6 million members of the active workforce, excluding small business owners themselves (FinScope, 2010). Dalberg (2011) pointed out that South Africa is experiencing an unemployment crisis, with at least 25% of its population jobless, and with projections of unemployment rates increasing to 40% if the statistics include active adult cit-

izens who have given up hope of finding employment. To avert this crisis, much emphasis is placed on the development of a viable SME sector to stimulate economic growth and to reduce unemployment, inequality, and poverty. Nevertheless, the growth of South African SMEs is significantly stagnant, and is some way from creating the purposive wealth- and job-generating growth that the country needs (SBP Alert, 2013).

South African SMEs not only lack the internal skills to promote their products/services effectively and to canvass the customer-base they need to ensure their survival and sustainability; they also lack the necessary resources to outsource their marketing and promotion functions to external experts (Cant, 2012; Ngwenya, 2012). The key to overcoming this challenge is the adoption of affordable marketing practices with a targeted reach that provides good value for money.

### 2.2. Mobile marketing

Marketing is one business function that is widely considered to be one of the most promising and profitable services that can be effectively delivered through the mobile device (Guo, Zhao, Jin, & Zhang, 2010). In this respect, the mobile medium has been transformed into a vital marketing vehicle that enables firms to establish a universal electronic presence with their customers anytime, anywhere (Gao, Rohm, Sultan, & Pagani, 2013; Varnali & Toker, 2010; Shankar & Balasubramanian, 2009).

Mobile marketing is a set of marketing practices that use wireless mobile technologies and networks to create personalised and interactive communication between an organisation and its target audience, resulting in value creation for both parties (Maduku, 2016). Methods of mobile marketing include text messaging, integrated content, WAP sites, interactive voice response, geo-targeting, viral marketing, mobile broadcast advertising, cell phone sponsorships, and mobile telemarketing (Lamarre et al., 2012; Shankar, Venkatesh, Hofacker, & Naik, 2010). Text message (SMS) mobile marketing is the most basic and most common type of mobile marketing approach currently available (Hsu, 2014).

The benefits of mobile marketing include its unique potential for interactivity, which enables businesses to foster customer interaction and operational efficiency, potentially increasing the effectiveness and efficiency of their marketing communications campaigns (Ström et al., 2014). Mobile marketing is also a powerful tool that retailers can use to build brand relationships, resulting in brand awareness, brand attitude, associations, customer loyalty, and purchase intentions. Research shows that mobile marketing has the potential to increase customers' perceived service quality, perceived value, and satisfaction (Constantinou, Papazafeiropoulou, & Vendelø, 2009).

The affordability and targeted reach that often defines the mobile marketing medium suits SMEs well, especially when one takes into consideration the weak financial foundations, high costs of capital, and lack of marketing expertise that most of them face. SMEs can use mobile marketing to attract customers through the promotion of sales and specials and using contests and polling. Moreover, they can improve their credibility by crafting a professional image through the creation of efficient mobile web sites, responding to questions about their products and services, and conducting market research (Gilmore, Gallagher, & Henry, 2007; Kula & Tatoglu, 2003).

### 2.3. Theories on ICT innovation adoption

The use of mobile technology for marketing represents an innovative way of conducting business activities. An innovation is often thought of as an idea, product, programme, or technology that is novel to the adoption unit (Rogers, 2010). Fichman (1992) noted

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