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SCHOOL OF GRADUATE STUDIES

**ASSESSMENT ON THE USE OF INTERNET MARKETING BY
SMALL AND MEDIUM SIZED ENTERPRISES IN BOLE SUB
CITY ADMINISTRATION**

BY

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**JANUARY, 2018 GC
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE
STUDIES OF ST. MARY'S UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE MASTER
OF BUSINESS ADMINISTRATION (MBA) IN GENERAL
MANAGEMENT**

**JANUARY,2018 GC
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Declaration

I, the undersigned, declare that this work entitled “Assessment on the Use of Internet Marketing by Small and Medium Sized Enterprises in Bole Sub City Administration” is the outcome of my own endeavor and original work. It has not been presented for a degree in any other university, and that all sources of material used for the study have been duly acknowledged.

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Endorsement

This thesis has been submitted to St.Mary's University, School of Graduate studies for examination with my approval as university advisor .

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Acknowledgements

First, I wish to express my gratitude to the almighty God for giving me the strength and power to finalize this paper. Second, it is with great appreciation and gratitude to my advisor Mohammed Mohammednur (Asst. Prof.), for his helpful guidance, valuable feedback and in general for his professional support in this study. Lastly, I would like to forward my deep gratitude to my mother Tigist Bezabeh for giving her full time looking after my child and for her uplifting advise whenever I fill down through out the entire study. Once again, I would like to thank my friends Atalel & Zerhiun who are keen to giving me more advises.

Abbreviations and Acronyms

AAU:	Addis Ababa University
ETB:	Ethiopian Birr
FMaSE:	Federal Micro and Small Enterprises Agency
GDP:	Gross Domestic Product
ICT:	Information Communication Technology
SMEs:	Small and medium enterprises
SMMEs:	Small Medium and Micro Enterprises
IP:	Internet protocols
GE:	Great Extent
LE:	Little Extent
MSEs:	Micro and Small Enterprises
MO:	Moderate
NO:	No Extent
PPS:	Population Proportionate Sampling
SEO:	Search Engine Optimization
UK:	United Kingdom
VGE:	Very Great Extent

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Abstract

The growth and spread of internet with an extraordinary pace over the last few decades has resulted in its increased use for marketing purpose; this is internet marketing. This Study was intended to assess the use of internet marketing by small and medium enterprises in Bole Sub City. The purpose of this study has been to assess the use of internet marketing by SMEs. This study will be significant for other researchers, policy makers, SMEs and key stakeholders. The study mainly deployed Descriptive research design and used qualitative approach by sourcing primary data through questionnaire, interview and observation. SMEs have been clustered in nine major business sectors as per Bole sub city administration. The total population size in Bole sub city was 18,401 and from these 357 samples had been took through stratification and population proportionate sampling. The collected data had been analyzed using frequencies and percentages. This study focused on the use of internet marketing; the benefit gained, and challenges faced in implementing internet marketing have been assessed. The Study established that only 38% of respondents use internet marketing as a tool. This implies that the SMEs have not a culture of using internet marketing for promotion and commercial activities. Common challenges that are faced by many of the SMEs businesses sectors are; inadequate financing to invest more on internet marketing, firms lacking skilled ICT personnel, inadequate connectivity, internet connection usage charges expensiveness and difficulty in integrating internet marketing with their current operation were the most stated challenges.

Key Words: SMEs, Internet Marketing

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

We use internet in our day to day activity for communication, to retrieve information and to facilitate business operation. Now a day where everything leads to globalization internet is our main source of communication. The Internet is an interconnection of computers and computer networks across the world which allows users to share information and other resources on a global scale using Internet protocols (IP) (Ifinedo, 2009). Internet enables one to communicate and share information on a real-time and across the border basis hence making geographical and political borders seem inexistent.

The Internet has become one of the most promotional tools with businesses using it as a key platform to create awareness and favours towards products. Customers have become reliant on the internet when making purchases or searching for information about a business that provides a good or service (Jones, 2008).

Internet marketing can incorporate website, search engine marketing, social media marketing email marketing, and online markets (Eida& El Gohary, 2013). While E-marketing includes all of that plus all other E-marketing tools like: intranets, Extranets and mobile phones. In contrast with that, E-commerce and E-business have wider and broader scope than E-marketing (Hatem,2011).

Marketing is a societal process, which discerns consumer's wants, focusing on a product or service to fulfill those wants, attempting to mould the consumers toward the products or services offered (Kim & Claus, 2010). Kotler (2004) asserted that effective marketing was vital to the future growth of any business and stated that, if anyone wanted to make the business better than one needs to get better at marketing. Porter (2001) highlights that, marketers can identify customers that are satisfied by monitoring website visitations, e-mails, online surveys and chat rooms conducted on the internet.

With the outburst of internet growth, internet marketing has become increasingly popular. Organizations in all sectors of the economy rushed to join the online business community and

adopted the internet in their daily business activity (Barnes & Hinton, 2007). Internet marketing is the foremost among contemporary marketing strategies for creating, communicating, and delivering value to customers. Some of the benefit are overcoming geographical barriers and overcome cost barriers (Maya.2015).

Internet Marketing is the application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives (Chaffey. 2006). It is the process of marketing goods or services through the Internet both for those whose income is derived solely from the Internet and mortar location but choose to advertise on the web (Pallab, 1996).

Small and Medium-size enterprises (SMEs) contribute a major portion of the nation's GDP. SMEs holds important place on economic activity and get the similar effects when a business policy is laid by the government for larger businesses (Javed, 2011). Most of the south-eastern countries have realized the importance of the countries are keeping vigilant eye on the growth and interest of the propel running these small and medium enterprises (Javed, 2011).

Small and Medium-sized Enterprises (SMEs) play extremely essential role in the quick-changing and increasingly competitive global market with a significant contribute on the economies of many countries (Massa,2008).

The sample of SMEs are stratified by their sectors they are engaged and categorized by the sub city. As per the ministry of trade the SMEs are classified as transport service, Warehouse Service and Communication Work; Manufacturing; Agriculture, Hunting, Forestry Development and Fishing; Mining and Quarrying; Electric, Fuel and Water Supplying; Society: Social and Private Services; Construction Work; Finance, Insurance and Real Estate Business; and Retail and Wholesale Trade, Vehicle Repair Service, Home and Hotel Appliance, Fixture and Furniture Import and Export Trade.

1.2 Statement of the Problem

There are several researches that have been conducted to study the use of internet marketing in SMEs in foreign country. However, there exist a wider conceptual dimension on definition of internet marketing from researcher to researchers and country to country. The definition of small and medium enterprises has also differed from country to country as the definition is highly depends on the economic development of countries.

As an example of conceptual dimensions of internet marketing Emmanuel (2014) from Ghana see internet marketing from online marketing, Websites, online Blog and email marketing perspective other element of internet marketing like social media marketing, mobile marketing and search engine marketing are not covered.

Also, Jeevarathnam (2013) from south Africa studied the use of internet marketing in SMMEs (small Medium and micro enterprises) from websites, online marketing, email marketing and social media marketing perspective. In his research entitled using the internet to market small and medium enterprises in a developing economy has found that hype was created around company websites, online businesses advertisement, social media and e-mails to promote themselves.

Other researcher like Maya (2015) from Maryland did his research on use of internet marketing in small business by specifically focusing on one of the internet marketing element that is online marketing. He also stated that internet 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&Mafini, 2014; Eid& El-Kasswawy, 2012; Hamidi&Safabakhsh, 2011; Huang & Tsai, 2011).

Sarah (2012) from Indiana also did her research on use of internet marketing in SMEs by targeting only social media marketing. While Rosemary (2012) from South Africa studied usage of internet marketing from Hospitality sector another SMEs sector are not considered.

Even if the conceptual dimensions vary from researcher to researcher they have implied that, internet marketing is very critical to facilitate modern life and it has high impact for nations economy. From researcher's observation in Ethiopia Micro industries are using different forms of internet marketing to facilitate their businesses. Technology is providing limitless access to uses, also support business sectors in managing things easily. However notable research has not been studied on how SMEs use internet marketing.

The introduction of new technology frequently presents unfamiliar problems as well as immense opportunities in organizations; the Internet is no exception. In an increasingly global world, both information and information technology are of great significance to organizations of all sizes. Businesses need information to succeed in today's rapidly changing environment, they need to be able to process data and use information effectively when conducting their

day-to-day operations. The use of IT has the potential to play an increasingly important role in organizations in enabling them to substantially gain competitive advantage and compete successfully. Its use can add significant value to an organization in terms of productivity increase and performance improvements (Kang, 1998)

The Internet has become one of the most prominent promotional tools with businesses using it as a key platform to create awareness and favor towards products. Customers have become reliant on the Internet when making purchases or searching for information about a business that provides a good or service (Jones, 2008). The fundamental problem is that it is not clear whether SMEs use the Internet to promote their business and/or product offerings, and if they do so, the extent to which this is practiced. Some small businesses do not make use of the Internet as a promotional tool while others make minimal use of online promotions or only have a company website running. It would also appear that websites are not updated on a regular basis about new promotions and advertisements are not added about new products that could attract new customers.

Coming to the Ethiopian context such research that link internet marketing with SMEs has not been found. To the extent of the researchers' knowledge little is known on Ethiopian context. Therefore, this study was focused on generating relevant information to understand the use of internet marketing on SMEs operating in Bole sub city. It intended to address this vacuum and tries to fill the knowledge gap by diagnosing the use of internet marketing in SMEs performing in Addis Ababa city, taking Bole sub city as a point of reference.

1.3 Research Questions

In doing this research the following questions are raised:

- Do SMEs use internet marketing?
- Which sectors of SMEs use internet marketing as marketing tool?
- Which element of internet marketing do they use?
- What benefits have they gained by implementing internet marketing?
- What are the challenges faced by SMEs implementing internet marketing?

1.4 Objectives of the study

General Objective

The general objective of this research is to assess the use of internet marketing in SMEs in Bole sub city.

Specific Objectives

The specific objectives of the study are to:

- Assess the SMEs practice of internet marketing
- Identify which sector of SMEs use internet marketing as a marketing tool
- Identify which element of internet marketing is being used by SMEs
- Describe how these firms, benefit from internet marketing
- Asses the challenges in application of internet marketing

1.5 Definition of Terms

Marketing: “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” stated by the American Marketing Association (1985).

Internet Marketing (IM): Internet marketing is the use of internet and related technologies for creating, communicating, and delivering value to customers. Internet marketing can incorporate website, search engine marketing, social media marketing, email marketing, mobile marketing, online marketing and online blog (Eida & EI-Gohary,2013; Jarvinen,Tollinen, Karjaluoto, & Javawardhena, 2012). In this paper the researcher has focused on the internet marketing that have been explained as the marketing of products or services over the internet. Internet marketing binds together creative and technical aspects of the internet, including design, development, advertising, and sale.

Small and Medium Enterprises: SMEs have been defined in different ways in different parts of the world in accordance with national and local needs (Hatem, 2011). In Ethiopia according to Ethiopian Federal Micro and Small Enterprises agency (FMaSE,2011) SMEs are defined

by: Small enterprises are those enterprises hiring 6 up to 30 employee or total asset amount ETB 100,000 up to ETB 1.5 million for industry sector and 50,000 up to 500,000 ETB not greater than for service sector. Medium enterprise are enterprises found in manufacturing and service sectors of the Ethiopian economy with total asset more than ETB 1.5 million and total asset of more than ETB 500,000 respectively (Addis Ababa MSE's development agency bureau ,2011 as cited on Addis Ababa communication office bureau). However, there is no yet a clear separation between a medium and large enterprises in terms of capital, number of workers etc.

Javed (2011) stated that small and medium enterprises are being considered as engines of economic growth worldwide. One of the most important roles of SMEs on his research is that it includes poverty alleviation through job creation. Developed as well as developing countries are taking extreme benefits from SMEs and that they are capable to accelerate the economy of any county. It is also implicit that sectors conquered by SMEs are better able to develop dynamic economies of scale.

Figure 1.1 How SMEs are engine of economic growth ?



Source: Author, 2017 GC

1.6Significance of the Study

The study uses as a source to the researchers who are interested in the research topic to stimulate further investigations in related areas. As the researcher believe this topic of research has not been raised by any scholar in distinct approach. while internet marketing is an important concern for developing economy, this research contributes theoretical significance for other researchers. In other side the research gives a clue to concerned government body to use as input for policy analysis and as a reference for policy formulation to attain significant change in an internet marketing use by SMEs.

Finally, the research indicates some practical solution for SMEs in order to improve their productivity and efficiency by adopting the recommendation of possible remedies to fill their gap.

1.7 Scope of the study

The scope of the study is to assess the use of Internet marketing by Small and Medium Sized Enterprises (SMEs). Out of the total population 18,401 SMEs that are found in Bole sub city, only 357 respondents has been considered by using probabilistic sample size determination method developed by Waston Jeff(2001). Important information was collected from general managers, directors and/or owners of SMEs by using Questionnaires, structured interview and observation. This research was entirely focusing on elements of internet marketing that are websites, social media marketing, email marketing, online blogs, mobile marketing, online markets and search engine marketing. Hence, the study was more representative rather than covering wider range of area due to time and finance constraint. The study also does not represent the whole stakeholders of the sector in the country as well as in the city. Rather only focus on specified area (*Bole*) and specified issue (Internet marketing). The researcher motivated to study Internet marketing due to its dynamic nature of the case while that much not utilized.

1.8 Organization of the study

Chapter one introduces the readers to the concept of internet marketing and small and medium enterprises (SMEs); it highlights the extent of internet marketing application by SMEs. The chapter also covers the study gap as well as the objective and value of the study.

Chapter two is all about the literature review discusses bout the review of related conceptual and empirical literatures conducted on this specific issue. Chapter three dealt with the research methodology used and under this chapter the research approach and design, the sample size and sampling procedure, data sources & data collection method, the data analysis method

deployed, analyzed, and discussed. Chapter four deals with the research results and discussion. In this chapter the results of the study were presented, interpreted and discussed accordingly. The findings were presented in tables and diagrams. Descriptive results were presented and interpreted in a more logical way. Chapter five dealt with the summary, conclusion and recommendation of the research. The summary of the major findings were presented first and conclusion and recommendation followed.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical literature

2.1.1 Conceptualization of Internet Marketing

Internet marketing is the use of Internet and related technologies for creating, communicating, and delivering value to customers (Maya.2015). Internet marketing can incorporate website, search engine marketing, social media marketing, online blogs, email marketing, mobile marketing, and online markets (Eida& El -Gohary, 2013). *According to Kiang (2000) internet marketing defined as the use of internet as virtual storefront where products are sold directly to the customer.* On the other hand, Hatem (2011) defined internet marketing as it refers only to the internet. Whereas other researcher like Pride (2007) viewed internet marketing as the strategic process of creating, distributing, promoting, and pricing products for targeted customer in the virtual environment of the internet.

Internet marketing is the application of internet and related digital technology in conjunction with traditional communication to achieve marketing objective (Chaffey, 2006). It is the process of marketing goods or services through the internet both for those whose income is derived solely from the internet and for those who have brick and mortar location but choose to advertise on the web (Pallab, 1996).

J Suresh (2003) stated that Marketing is one of the business function most dramatically affected by emerging information technologies. Internet is providing companies new channels of communication and interaction. It can create closer yet more cost-effective relationships with customers in sales, marketing and customer support. Companies can use web to provide ongoing information, service and support. It also creates positive interaction with customers that can serve as the foundation for long term relationships and encourage repeat purchases. One can shop any kind of product or service in the mind of the night and from any part of the world.

2.1.2 Internet Marketing Versus Traditional Marketing

The use of the Internet as the core digital medium for communicating with the customers makes internet marketing differ from traditional marketing communications. McDonald and Wilson (1999) described the '6 I's of the e-marketing mix'. The six I's illustrate the differences between internet marketing and traditional marketing communications.

Interactivity

The Internet should be used to provide two-way communication between the customer and the business. A wide range of companies use their website to interact with their customers by presenting information about competitions, special offers and promotions. Websites should engage interactive features as to make the online experience more fascinating. By interacting with the website, users feel like they can control the system and make the online market seem more trustworthy. After that, their aim is to make customer feel more comfortable and safe in providing their personal information.

Intelligence

The Internet can be used as a medium to collect information about customer perceptions of products and services. Every company should find a way to recognize if its customers are satisfied or if they have concerns about the products or services available. Marketers can gather this information by using web analytics approaches. These include techniques to build the knowledge of customer preferences and behavior by reviewing traffic volume on a website, customer satisfaction surveys and click streams.

Individualization

A vital characteristic of the internet marketing is that it can be customized to the individual's needs and preferences. Moreover, referred as personalization, is the most important part of a website as it makes the customer feel like everything is delivered to him according to his preferences and needs. Amazon.com is the most widely known example in which the customer gets recommendations according to previous purchases and his browsing history.

Integration

The Internet can provide integrated marketing communications. As mentioned by Smith and Chaffey (2005) there are two ways of communicating with customers. The first one is referred as outbound internet-based communications. The organization uses the website to gather information about customers and then use the e-mail to communicate with them by sending personalized information. Second, inbound internet-based communications offer the ability to customers to ask questions and solve their problems by sending e-mails or by filling a web-

based form. The internet can be used to support the buying decision with many special and innovative ways. A good example is the Dell's website, which provides a specific phone number with which customers can place their orders by phone.

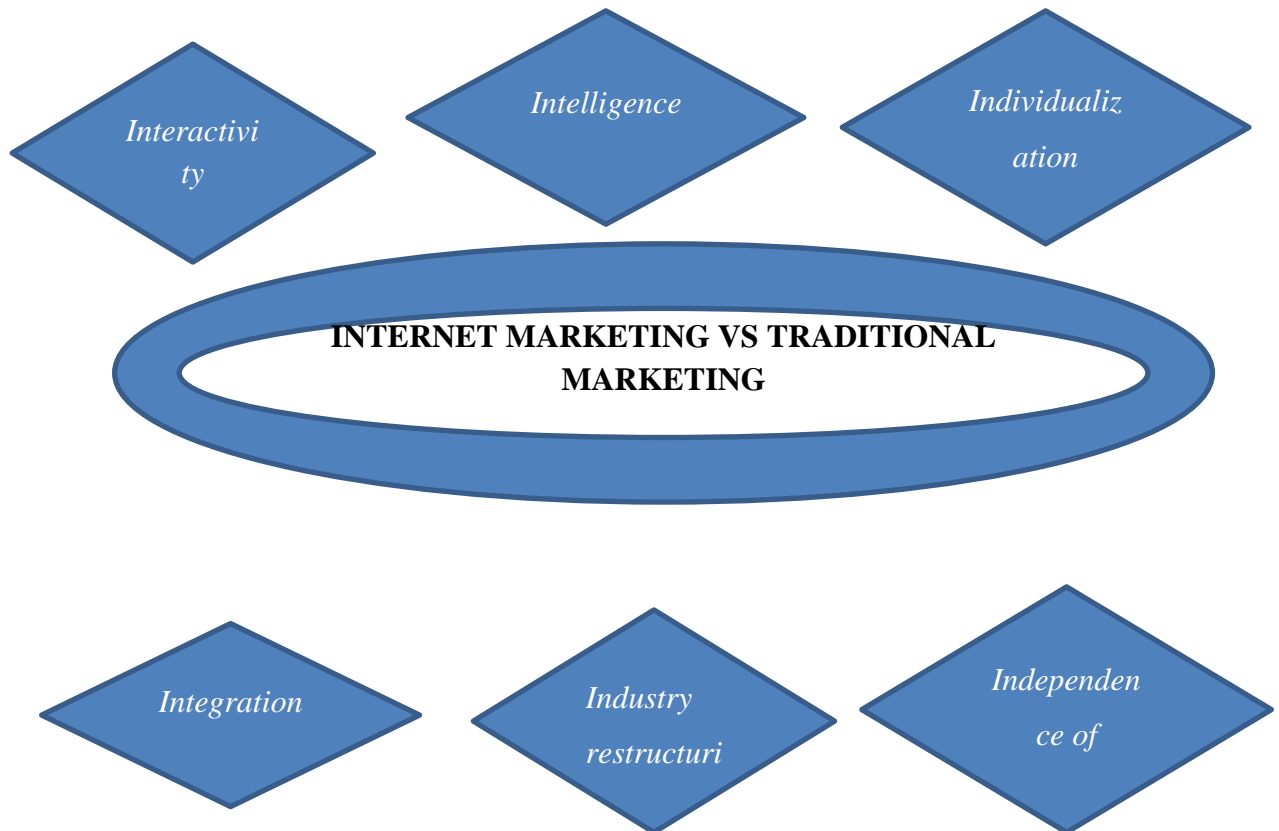
Industry restructuring

Industry restructuring has to deal with the terms of disintermediation and reintermediation. Disintermediation refers to "...the removal of intermediaries such as distributors or brokers that formerly linked a company to its customers" (Chaffey et al 2006). Instead, reintermediation refers to "...the creation of new intermediaries between customers and suppliers providing services such as supplier search and product evaluation" (Chaffey et al 2006).

Independence of location

Technology makes the world come closer. Organizations can extend its communications to different countries and make an effort to contribute to the global market. By adopting the internet, organizations can grow their business and sell to markets all over the world. Internet technology expands the reach of the business to countries without a local brand.

Figure 2.1 Internet Marketing Vs Traditional Marketing



Source: Author, 2017 GC

2.1.3 The Importance of Internet to Organizations

The use of the Internet in organizations has been the focus of many research studies because of its importance in improving organization performance (Bloch and Segev, 1996). Businesses both large and small have seized the opportunity to explore its use and become more productive and competitive (Poon and Strom, 1997). The Internet is said to fundamentally reshape the course of businesses (Zwass, 1996). It is heralded and promoted as technology, which has the potential to profoundly affect how businesses are conducted and how information is accessed (Clemente, 1998; Vadapalli and Ramamurthy, 1997).

The Internet is already being put to a myriad of different uses: educational, recreational, commercial etc. According to Bloch, Pigneur and Sel, ev (1996), the explosive growth and commercialization of the Internet has led to widespread usage of online services such as shopping, audio and video applications including telephony and videoconferencing. Burgess and Cooper (1999) point out that being connected to the Internet has become a priority for both large and small companies. Research indicates that commercial activities now account for a large proportion of growth of the Internet (<http://www.commerce.net>), it offers an increasingly diverse platform for innovative ways of doing business and new opportunities through which organizations can conduct commerce electronically (Golden and Griffin, 2000). It also offers opportunities to businesses that transcend those of the traditional media. The rapid adoption of the Internet as a commercial medium has motivated firms to experiment with innovative ways of marketing to customers, for example amazon.com the biggest Internet bookstore.

There is tremendous potential for SMEs to harness the power of the Internet to improve their productivity and sharpen their competitive edge in both local and international markets Chatterjee and Sambamurthy (1999). The use of Internet technology presents a unique opportunity for SMEs to participate in electronic commerce and to extend their capabilities and grow in a global market. Lymer et al (1997) argue that Internet use is becoming increasingly important as a mechanism to increase productivity, reduce costs and facilitates flexibility in SMEs business. The Internet provides global connectivity based on non-proprietary technology. It allows SMEs to access global markets, foster relationships from a business to business Perspective and capture new customers and suppliers (<http://www.johnmcguinness.com/ecommerce.html>). It is easy to access the World Wide Web using low-cost browser software, and it is a relatively low-cost information technology

infrastructure. This enables SMEs to be involved in electronic commerce technologies most appropriate to their business requirements (Chatterjee and Sambamurthy, 1999).

This participation is possible due to the absence of barriers to entry (Poon and Swatman 1998). It is argued that the Internet tears down boundaries of time and space, enabling smaller firms to create entirely new businesses and reach markets they never could have reach before (Quelch and Klein 1996). This opportunity for global reach is being enthusiastically embraced by small and medium sized firms as evidenced by O'Connor and O'Keefe (1997) who found that SME are firstly building web sites to attract new customers, to maintain and strengthen relationships with current suppliers and customers through increased interaction. The Internet global reach and its range of services (e.g. information dissemination, interactive communication, and transactional support) make it a potentially powerful business resource Chatterjee and Sambamurthy (1999). The Internet presents an arena in which small companies can create an electronic commerce strategy that can enable them to compete effectively against large companies.

2.1.4 Forms of Internet Marketing

Organizations today have embraced the existence of global communities which have created a platform for internet marketing. The platform allows organizations to personalize their customer needs hence established loyalty which is crucial in today's competitive world. Firms can embrace the use of internet marketing using different channels which bring them closer to clients by offering a wider scope of clients with better communication (Pallab, 1996).

Websites

These are important to firms as they create an image for the clients who are able to learn of the firm with its product and services as well as their operations, company structure and important information that will help the customer to rich out to this firms. websites today allow the firms to control how many people viewed each advertisement on an hourly, daily and monthly basis. This helps companies to track down the effectiveness of their advertisements (Porter, 2001).

Other functions like placing order are also enabled in websites today; a client is able to choose the available product, place an order and track its progress to delivery. This has enabled the comfort of the client.

Social Media Marketing

Employment of social media marketing services is considered to be the most important and result – oriented marketing strategies for online businesses. These services give quick results and have profound effect on the overall functioning of a business. Social media marketing basically means promoting company or a website on different networking sites and popular media channels such as Twitter, LinkedIn, Facebook, Blogger etc.. Promoting websites of businesses through social media marketing pricing ensure increased traffic, thereby resulting in good amount of profits.

Social media has seen a great embrace worldwide and companies can take advantage of the network and links that can be gained from it. Use of social media does not require heavy investment, because making online company profiles on social networking sites is absolutely free. Having your business on social networking sites is an easy and simplest way to communicate and share your product with your target audience (Pride (2007))

Bing Pan (2011) express the importance of strategies for application of social media to ensure the benefit to institution with its branding and image as well as better communication to clients and other stakeholders. The use of social media has enabled clients associate with the firm and observe ratings and feedback for purchase decision making; this has allowed develop loyalty and an extensive customer base.

Mobile Advertising

Ryssen(2004) explains the importance of mobile commerce through the use of short messages (SMS) to reach target clients who are in different geographical locations. This method is also highlighted as a cheap means of communication with clients. Mobile phones are used in developing countries as much as developed. SMEs can use the vast access of the telephone by a majority of persons in the country to communicate their products and services to the masses.

Email Advertising

E-mail marketing is one of the primary ways to strengthen the relationship with customer. It is important to enrol customer for newsletters, so they can be repeatedly reminded about new products, Launches, free trainings and other deals being offered by the company on a regular basis. Email marketing encourages customer loyalty and can offer amazing benefits to customers (Porter,2001).

Chaffey (2006) noted that emails were the main source of communication before the introduction of social media their improvement from the use of postage mails allowed communication between stakeholders and the firm to be shortened and allowed more accurate results

Search Engine Marketing

Lorraine (2014) stated that search engine optimization (SEO) has become crucial part of web commerce. Without the right use of SEO techniques and strategies, a business or websites may not be able to acquire good ranking on popular search engines, particularly Google. Due to continuous manipulation of SEO techniques in the last few years, many online directories search engines have made several modifications in their search algorithms to provide best results to users, looking for relevant information for their query. The main focus of search engine marketing strategies is to place certain highly searched keywords in particular places of several web pages of a website. It aims at providing relevant and useful content to your target market, while improving the overall rank of the website on search engines.

Online Blogs and Articles

Ryssen(2004) explains that there are websites containing a writer's or group of writers' own experiences, observations or opinions , and often having image and links to other websites . These blogs have helped individual and companies market themselves at low costs. They give their target customers feel of the company while allowing interaction between them and the company members. Blogs have also been able to drive traffic to a company's website allowing them visibility to visitors.

Online Markets

Lorraine (2014) stated that Internet marketing has become a growing phenomenon in the world today with companies providing platforms for the sale and interaction with clients. This is an online site where products and inventory information is provided by multiple third parties, whereas transactions are processed by the marketplace operator. Examples of online marketing places include, eBay, Bid or Buy. Whereas in our country context there are Mekina.net, E-tender, Merkato.net or sheger.net are some of the well known online websites to buy and sell products.

2.1.5 Why SMEs Uses Internet Marketing?

The main factors that motivated businesses to engage in internet marketing were environmental factors, organizational factors, and technology factors (Dlodlo & Dhurup, 2013; Hanafizadeh et al., 2012; Omar et al., 2011).

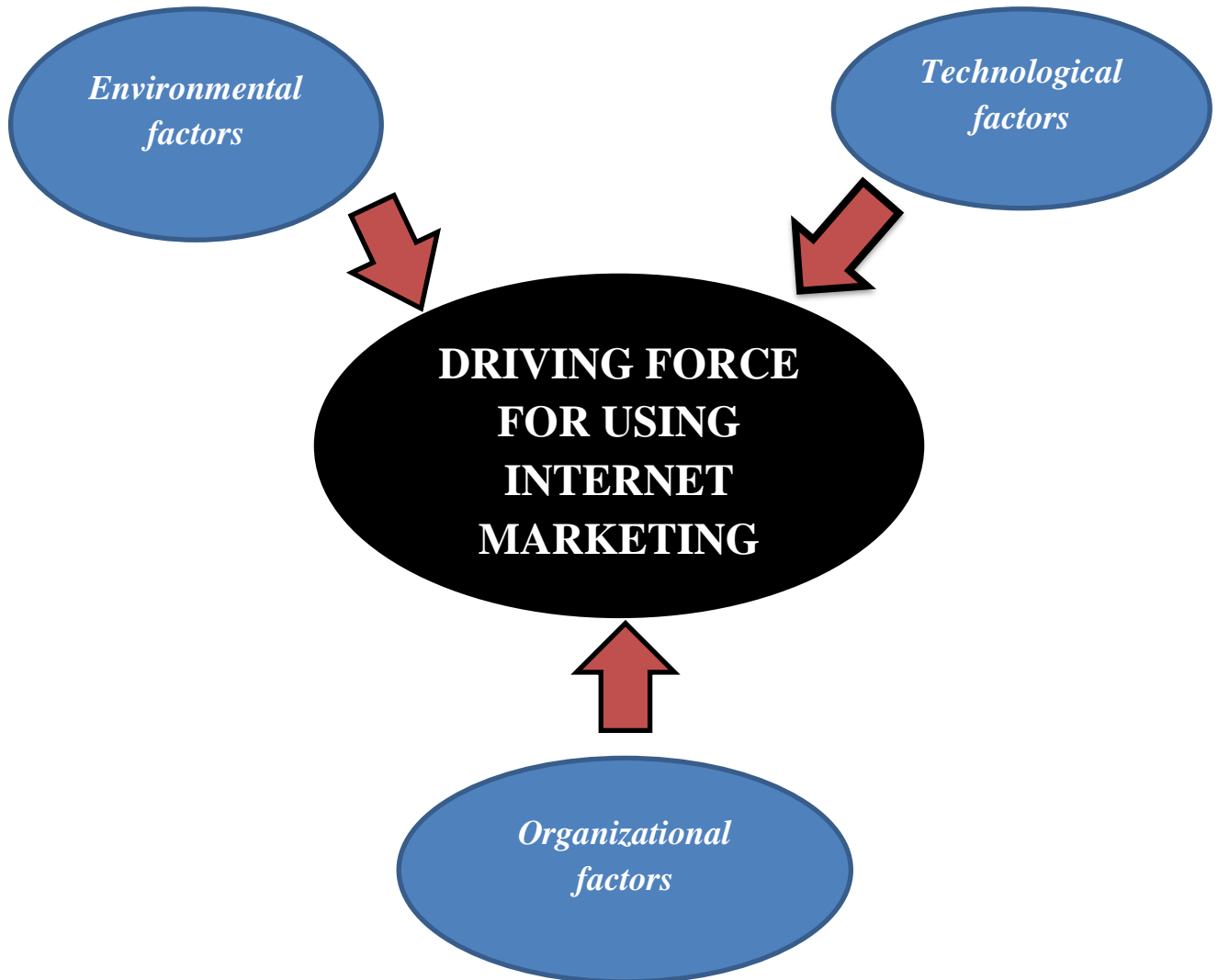
The environmental factors that affect small businesses include pressures from customers, competitors, and regulatory agencies. Dlodlo and Dhurup (2013) found that external pressures had a significant impact on small business owners' decisions to adopt Internet marketing. The immediate network of suppliers, clients, family members, employees, and friends influenced owner decisions to adopt new technologies (Parker & Castleman, 2009). Pentina et al. (2012) confirmed that the social influences by industry experts, competitors, and customers influenced the intentions to adopt social networks marketing. The growth of the Internet and advances in technology have revolutionized and transformed the way people live and do business (Wesserman, 2011). Consumer behavior changed with the advent of the Internet. Besides expecting to find, buy, and review products and services online, consumers expect personalized experiences and fast company response (Berman & Kesterson-Townes, 2011; Jimenez & Mendoza, 2013; Marshall, Moncrief, Rudd, & Lee, 2012; Rosen & Phillips, 2011). Furthermore, to deliver relevant, personalized, and contextualized information to consumers, marketers should be cognizant of where and how customers access information on the Internet (Persaud & Azhar, 2012). Consumers may not rely on local providers because they can purchase products and services from around the globe. Hanafizadeh et al. (2012) found that companies operating in competitive industries adopted online advertising to stay competitive.

Changing consumer behavior, competitive pressures, and widespread access to Internet are important drivers of online marketing adoption among small businesses (Hanafizadeh et al., 2012; Pentina et al., 2012).

Researchers noted organizational characteristics that influence small businesses' adoption of Internet marketing. One of the drivers is small business owners' awareness and understanding of Internet marketing benefits (Dlodlo & Dhurup, 2013; Hanafizadeh et al., 2012; Omar et al., 2011). Lack of understanding of how Internet marketing can lead to efficiency and lower costs may inhibit adoption. Hanafizadeh et al. (2012) confirmed that SMEs with a higher awareness of Internet advertising benefits had the higher motivation to implement the process. Furthermore, factors that had an effect on adoption included compatibility of Internet marketing with organizational culture, goals, and attitude towards technology (Alam et al., 2011; Dlodlo & Dhurup, 2013).

Technology characteristics may impact a firm's intentions to adopt Internet marketing. Firms need technological infrastructure and skilled personnel to implement online marketing (Dlodlo & Dhurup, 2013). Companies that have Internet access, computers, and technology-based employees have higher chances of deciding to use Internet marketing. Lin, Huang, and Stockdale (2011) identified that adoption readiness and ability to evaluate IT investment positively affected business-to-business (B2B) perceptions of website benefits and increased satisfaction with the site. Moreover, Dlodlo and Dhurup (2013) identified a perceived ease of use of Internet marketing technologies as a driver of Internet marketing adoption. Researchers noted that ease of use was an important factor (Alam et al., 2011; Omar et al., 2011). Omar et al. (2011) explained, however, that ease of use was not significant because small businesses that perceived Internet marketing as a complex endeavor had an ability to outsource it to a web agency. Moreover, researchers found that advertising agencies influenced SMEs' decisions to adopt online advertising (Hanafizadeh et al., 2012). Business owners who do not understand the benefits of Internet marketing may not adopt the process even if they think it is easy to implement (Omar et al., 2011).

Figure 2.2: Driving Force for Using Internet Marketing



Source: Author, 2017 GC

2.1.6 Challenges of Internet Marketing Application

SMEs like large Companies face barriers towards their growth Companies fight for clients per industry and SMEs face the challenge of competing with large established companies who have established a relation with the customer. Despite the conditions these SMEs do find their way to success into large organizations with time and mastery of the conditions (Etemad and Wright, 2004).

A firm's ability to access financial capital for the business is a key determinant of the success of the business (Sharma and Aragón-Correa, 2005). Financial Policies favor large institutions from SMEs in accessing finance capital hence barring the SMEs development. This is due to

the lack of collateral, high transaction costs and the inability to deal with complex financial institutions (Parker and Castleman, 2009). To any individual firm, competition poses a threat to survival and although competition is a threat to survival, it is the competition that drives firms to improve productivity and therefore drives growth. However unfair competition within these competitors is considered as the main barrier to organizational performance. These include taxation, the informal economy and public services.

Despite the cost reduction of internet-based technology in developing countries, its implementation still represents a considerable and costly challenge for most SMEs (Wang 2004). Large corporations with more funding, more attainable skills, and with strengths in building solid business strategies, can afford internet marketing deployment. Most SMEs typically with less cash, a shortage of IT expertise, and necessary infrastructure, are not able to afford internet marketing. Most of the SMEs have connected to the internet, but have simply opened a homepage and an e-mail address.

The lack of skilled ICT personnel has been cited as a common problem that prevents SMEs from developing internet marketing in their firms (Mutula and Van Brakel, 2007). This puts pressure on SME managers who must understand the ICT and the internet marketing opportunities that comes with it. Thus, in many cases, the ICT personnel are usually in short supply or perhaps unavailable (Shemi and Magembe, 2002).

Lack of sufficient infrastructure for the adoption of internet marketing has led to its slow pace of adoption especially in developing countries. Lack of electricity by organizations or its clients could be a barrier to their deriving its benefits. Failure to access the internet has also barred the use of internet marketing as firms fear the loss of current customers with difficulty to access their products online (Martin,2005).

Another barrier in the adaptation of internet marketing in SMEs is the lack of awareness about internet marketing and internet marketing business models (Dlodlo and Dhurup, 2010). SMEs struggle to keep up to date with current developments or the role they could play in this new marketplace. The current customers of these SMEs may not easily access the internet hence bringing a barrier and lack of use for the internet marketing. Until sufficient numbers of their main local customers or suppliers participate in online commerce activities, there is little incentive for individual SMEs to become engaged in internet marketing themselves.

Other drawbacks to internet marketing adoption in SMEs relates to organization culture as it internet marketing activities is that of SME managers were more interested in establishing face-to-face business meetings than the web-enabled business discussions (Humphrey et al., 2003)

Many of the SMEs owners do not have technical backgrounds, and can be difficult to convince that the technology standards such as encryption etc. exist to protect them. Security, legal, and liability issues were often identified as very important concerns of participating SMEs. Due to a lack of knowledge of e commerce technologies, there is an internal resistance to change, and skepticism of the benefits of internet marketing among SMEs. Internet marketing can demand fundamental shifts in business strategies, operations, and technologies.

Kshetri (2007) also highlights that conducting business through electronic networks raises numerous legal questions that include: the legal status and enforceability of electronic contracts; the legal jurisdiction of international internet marketing transactions; intellectual property rights and copyright protection for digital content; the privacy of personal data; and the validity of electronic “evidence” in legal disputes.

The attitude of consumers towards local products being associated with a lack of confidence in the quality of these products is a negative phenomenon in the development of these enterprises, making imported products to be much more desired which can be proven by the negative trade balance of developing countries. These barriers result in weaker competition, unfair competition and adversely affect investments (World Bank, 2010).

In most developing countries, the lack of Internet and slow speed of telecommunication networks has greatly contributed to delays in adopting internet marketing. This is more so in rural areas where such infrastructures are barely available and where their embrace takes longer (Martin,2005).

2.2 Empirical Literature

Emmanuel (2014) did his research on small and medium scale enterprises and internet marketing in Ghana. The research was exploratory in nature and a qualitative approach was adopted. The major findings of the study were the number of customers patronizing marketed products and services on the internet are on the increase. However, the volume of online business remains low. The SMEs are willing to create the buzz about internet marketing, but

their consumers are not well informed and educated. Furthermore, the limited internet resource in the country is a major drawback in strive for internet business transactions. Also, he found out most of the managers in the SMEs stated that marketing on the internet improved sales in addition all respondents maintained that internet marketing facilitated the realization of organizational goals and objective. Finally, he suggested that SMEs in Ghana should realize that they cannot succeed without combining the traditional way of marketing with that of the internet.

Rosemary (2012) did his study on An Empirical Evidence on the Usage of Internet Marketing in the Hospitality Sector in an Emerging Economy and its Relationship to Profitability in South Africa. The researcher uses quantitative research approach. The major findings of this research indicate that the use of internet marketing can positively influence business profitability and those factors such as technological competence, managerial support, level of star grading and alliances significantly influence internet marketing usage in the hospitality sector.

Lorraine (2014) has conducted a research entitled internet marketing and performance of small and medium enterprises in Nairobi country. The research was descriptive and major founding was internet marketing has positive impact on performance of SMEs. Social media and websites were the most applied forms of internet marketing. The firm's image was enhanced, an increased competitive advantage as well as more loyalty and access to new market as impact of using internet marketing by these SMEs has been reported.

Jeevarathnam (2013) explain the importance of Using the Internet to market small, medium and micro enterprises (SMMEs) in a developing economy in South Africa. The research was descriptive in nature and quantitative and cross-sectional approach was adopted. The major finding of this research indicates that hype was created around company websites, businesses have advertised online, are using on line directories, using social media and are using e-mails to promote themselves, but only to some extent. There was a notable absence of the use of viral campaigns and engaging in online sponsorships. The large majority of respondents indicated that SMMEs were not effectively using the Internet to promote themselves.

Diodlo (2013), did his study on Drivers of E-Marketing Adoption among Small and Medium Enterprises (SMEs) and variations with Age of Business Owners in Rome-Italy. Primary data was collected using a quantitative research technique using a structured questionnaire. A

random sample of 123 SMEs were drawn randomly within the various municipal areas in the vaal Triangle. Principal component analysis with varimax rotation was employed to identify the factors pertaining to the drivers of e-marketing adoption among SMEs. A five-dimensional structure, pertaining to the understanding of SMEs decisions to adopt e-marketing adoption among SMEs. A five-dimensional structure, pertaining to the understanding of SMEs decisions to adopt e-marketing technology was established. Perceived ease of use (PEOU), external pressure, mission, job performance, resource availability and compatibility were found to be significant drives of e-marketing adoption. The analysis present marketers with strategies to amplify internet technological adoption. It further provides insight for SME owners that may potentially influence the implementation of intervention strategies that support e-marketing adoption. A study on the potential influence of e-marketing on firm performance in emerging economies is a worthy area for future research.

George J. & Despina A. (2000) did their study entitled the impact of internet use on business to business marketing by taking examples from American and European Companies. Using a sample of 130 industrial businesses, they have found a substantial positive effect of the use of the internet on sales management activities, market -oriented product management activities, and sales performance and efficiency. The results of this paper also stress the central role of the sales force in the successful implementation of the internet marketing strategies within organization.

Sileshi (2014) describe about the Innovation and Barriers to Innovation: Small and Medium Enterprises in Addis Ababa. The research type is both qualitative and quantitative hence data tabulation and statistical computations was used. The result of this study indicates that the major barriers of introducing or expanding technological innovation for the sampled SMEs are: lack of government policy and regulation, lack of technological and market information, inadequate research and development, high cost of innovation, organizational culture, size of enterprise, lack of skilled personnel, lack of finance and absence of cooperation. In addition, the comparative analysis indicates that, except government policy and regulation, organizational culture, size of enterprise & lack of skilled personnel, all other factors were considered to be an important barrier to industry level and both for Small and Medium Enterprises. Similarly, all factors have statistically significant relationship for Industry, Small and Medium specific, except lack of cooperation, it is statistically insignificant for SME's specific technological innovation.

2.3 Conceptual Framework

The conceptual framework (Fig 2.3) shows the forms of internet marketing that are Web sites, social media marketing, email marketing, online blogs, mobile marketing, online markets and search engine marketing used by small and medium enterprises (SMEs). This conceptual framework has developed by pervious researchers and the researcher adopted this framework with only fewer modifications. It was adopted from Lorraine (2014).

Figure 2.3: Conceptual Framework



Source: Lorraine (2014 G.C)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter presented the research methodology adopted in conducting the study in order to achieve the study's objective which was to assess the use of internet marketing in small and medium enterprises in Bole sub city. The chapter was thus structured into research design, sample size and sampling procedure, data sources and data collection methods and finally data analysis methods has been covered.

3.1 Research Design

The research design used is descriptive design. As it is stated by Amruta (2014), descriptive research is usually a fact-finding approach that have a major goal of describe events, phenomenon and situations based on observation and other sources. Thus, the descriptive design method squarely fits the topic at hand. The research design used to describe the major objective of the study which is to assess the use of internet marketing in SMEs and describe the extent it is practiced. The research approach that was employed in this study was qualitative research approach. As pointed out by Creswell (2003), qualitative data is related to qualities and non-numerical characteristics. In this research, a qualitative research is suitable as the researcher seek to examine how business sectors interact with internet marketing and understand the benefit they gained by using this tool.

3.2 Sampling Size and Sampling Procedure

The study population for the research was SMEs operating in Addis Ababa Bole Sub city administration which are actively operating during the assessment period. According to Bole sub city administration office the total population of SMEs operating in the sub city are 18,401 firms. The sample size was determined using probabilistic sample size determination method developed by Watson Jeff (2001).

The sample of SMEs are stratified by their sectors they are engaged and categorized by the sub city. As per the ministry of trade the SMEs are classified as transport service, warehouse service and communication work; Manufacturing; Agriculture, hunting, forestry development and fishing; Mining and quarrying; Electric, fuel and water supplying; society: social and

private services; Construction work; Finance, insurance and real estate business; and Retail and wholesale trade, vehicle repair service, home and hotel appliance, fixture and furniture import and export trade.

According to Watson Jeff, the probabilistic representative sample for the total study population of 18,401 SMEs operating in Addis Ababa Bole sub city was:

P=0.5, Z=1.96, A=0.05, R=0.95

$$n = \frac{\frac{P(1-P)}{\frac{A^2}{Z^2} + \frac{P(1-P)}{N}}}{R}$$

Where:

n=sample size required

N=number of population

P=estimated variance in population, as a decimal: (0.5 for 50-50, 0.3 for 70-30)

A=Precision desired, expressed as a decimal (i.e., 0.03, 0.05, 0.1 for 3%, 5%, 10%)

Z = Based on confidence level: 1.96 for 95% confidence, 1.6449 for 90% and 2.5758 for 99%

R = Estimated Response rate, as a decimal

$$\frac{\frac{0.5(1-0.5)}{0.05^2 + \frac{0.5(1-0.5)}{18401}}}{0.95} = 357$$

Based on the calculation, the sample size of each strata/ sector of SMEs were determined using population proportionate sampling (PPS) methods in order to represent the total study population (Table 3-1).

Table 3-1 Strata, size of strata and proportionate sample size of strata

SN	Business sector	Number of business in the sector*	Number of sample to be taken **
1	Transport service, warehouse service and communication work	2946	57
2	Manufacturing	1475	29
3	Agriculture, hunting, forestry development and fishing	588	11
4	Mining and quarrying	210	4
5	Electric, Fuel and water supplying	106	2
6	Society: social and private services	1534	30
7	Construction work	2980	58
8	Finance, insurance and real estate business	4306	83
9	Retail and wholesale trade, Vehicle repair service, home and hotel appliance, fixture and furniture import and export trade	4256	83
Total		18,401	357

Source: Author, 2017 GC

*Figures obtained from Bole Sub city

**Figures calculated using population proportionate sampling technique to make sure that the samples represent each Strata by Author (2017)

3.3 Data Sources

The population for this research survey were small and medium size enterprises operating in Addis Ababa Bole sub city. Primary data sources have been used for this research, also secondary data from Bole sub city administration were collected to identify number of SMEs that are operating on current states.

3.4 Procedures of Data Collection

Primary data were gathered using questionnaire, interview and observation. The questionnaire was consisting of three parts. The first part was comprised of the general information on the business enterprises. The respondent were asked about the general information of the firm to differentiate the sector whether they are categorized under small or medium enterprises in part two. In the third part, the respondent were asked about different forms of internet marketing. five-point liker scale anchored by (5=very great extent, 4=great extent, 3=moderate, 2=little extent and 1=No extent at all). A total 357 of paper based questionnaires were distributed to SMEs directors, managers and management team.

3.5 Methods of Data Analysis

The data collected in this study were mainly qualitative data that requires the use of descriptive data analysis method. The collected data were edited, coded, and finally analyzed by using descriptive statistical tools. Accordingly, descriptive statistics like frequencies, percentages, tables, and figures were employed for analysis purpose. Microsoft excel were used for facilitating the computation of descriptive statistical results.

3.6 Reliability and Validity of Data

Every scientific research should be recognized validity and reliability of data in, as they were ways to establish a truth in a multiple way Golafshani (2003). One of the defining conceptualization concerning validity and reliability given by American Psychological Association APA (1985:19) as it was noted in Getachew (2013) has stated validity and reliability as: *“reliability refers the degree to which observed scores are free from errors of measurement that can be gauged by consistency of scores while validity refers to the appropriateness, meaningfulness and usefulness of the specific inferences made from a given measurement”*.

In other way, from social positivist perspective Aguinaldo (2009) has argued that research is valid to the extent that its findings offer access to an objective reality. Often the quality of a research design can be expressed in terms of how well it counters threats to validity Gomm, (2009). In other way, reliability is the extent to which our measuring instruments measure and

yield a consistent output. As mentioned by Knapp, T.R. and Mueller, O.R (2010), validity is the usefulness of our instruments in addressing our research objectives and research questions.

Therefore, as a principle, to assure the validity of the research, the researcher tries to review quite adequate conceptual and review literatures related to the problem under investigate theoretical principle of validity vested on literatures, to assure the validity of the research, and to incorporate major aspects of population and environment.

3.7 Ethical Consideration

One of the main concerns in scientific research, that incorporates human subjects in the study, is ethical considerations for the research subjects. The researcher, cognizant of this will recognize 15 the ethical principles of scientific research declared in Belmont Report 1 of 1979. These principles were shading light on issues like informed consent, beneficence, anonymity and respect for the respondents.

Cognizant of this truth the researcher is planning to get the consent of household questionnaire survey respondents and interview. They have informed about the objectives and outcomes of the research quite adequately and also be informed that their personal information would be kept confidentially that will not be publicized nor given to any third party without their full willingness in case the need arises. This can be vividly expressed in the forward part of the questionnaire booklet. Both researcher and the enumerators inform the respondents that their responses will be kept utmost confidential level.

Beyond the ethics on human subjects, research ethics also considers acknowledgement of data generated by others and appropriate citations of scholarly research outputs, books, websites, and any other related documents to assure intellectual and scientific integrity of the research/er. By recognizing this, the researcher tries to cite and acknowledge all the information taken from scholarly literatures and data generated by other individuals or organizations.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

Introduction

This chapter presents the results found from the data analysis. It therefore consists of the data analysis presentations and interpretation of findings. The objective of this study was to assess the use of internet marketing in SMEs then describe the extent to which it is practiced. Also identify which sector of SMEs use internet marketing. From the listed forms of internet marketing identify which element of internet marketing is being used and describing how this firms benefit from internet marketing. Finally challenges encountered in their implementation of internet marketing was assessed. Primary data was collected by using questionnaire, observation and interview. The collected data was edited and cleaned for completeness in preparation for coding. Descriptive statistics such as frequency and percentage were used to analyze the data.

Three hundred fifty-seven (357) structured questionnaires were distributed across the nine business sectors/ strata operating in the sub city; out of which 268 were filled and returned, representing 75% response rate. Out of the total questionnaires disseminated, 63 were completely unreturned; 14 were incompletely filled and returned; and 12 were inappropriately filled and rejected as a result. Tertullian

4.1 Demographic Factor of the Respondents

Several demographic factors were considered which is important for interpretation of the response given. The demographic factors incorporated were age & sex, level of education and their responsibility at positions SMEs.

Table 4.1 Demographic Background of the respondents

Demographic Factor	Categories	Frequency	%
Gender of the Respondent	Female	100	37.31
	Male	168	62.69
	Total	268	100
Age of the Respondent	20-30	86	32
	31-40	139	52
	41-50	32	12
	51 and above	11	4
	Total	268	100
Level of Education of the respondent	Master's degree	11	4.1
	First Degree	161	60
	Diploma	75	28
	Certificate	21	7.84
	Total	268	100
Position of respondent in the SME	Business Owner	140	52
	Top Management	64	24
	Middle managements	32	12
	Any other	32	12
	Total	268	100

Source: Survey, 2017 GC

As reflected in Table 4.1 the total number of respondents were 268, of which males constitute 168 (62%) and females 100 (37%). Males were clearly the predominant gender group. Regarding to the age category 139 (52%) are between age 31-40, 86 (32%) are age between 20-30, 32 (12%) between 41-50 years and 11 (4%) age 51 and above, this shows that majority of respondents are in their productive age to participate in the economic department and to perform their task effectively (Gebregiorgis, 2013; Table 4.1).

This research further sought the education level of the respondents. As per 60% of the respondents respond that they hold Bachelor Degree, while it indicates that the beyond half of the respondents are educated. In second manner Diploma graduates are close to 28% from total respondents. Finally, 7.8% were certificate graduates and only 4.1% respondents are

Masters graduates. Since many of the studied group are educated, this implied that they have exposure about different forms of internet marketing (Table 4.1)

The study basically focused on small and medium enterprises. Regarding the position of the respondents in their organization, the responses were categorized as follows, 52% respondents were owner of the businesses. From the studied population 24% were on top management position. While middle managers are 12%. Other positions; IT managers are 12 % from the total population. This indicate that half of the respondents are owners of their firms. Top managers have double contribution from middle managers and IT managers perspective. The remain group of sample respondents have approximately balanced share. Dynamically, IT managers were a very good source of information to understand the current usage of internet marketing inside the business sectors (Table 4.1)

Background Review of the Firms

The study further sought to understand the background of the sample SMEs. The analysis is shown in table 4.2

Table 4.2 Background Review of the Firms

Background	Categories	Frequency	%
Firm total asset in Birr	50,000-500,000	151	56
	500,001-1.5 million	96	36
	More than 1.5 million	21	8
	Total	268	100
Firm's years of operation	0-2	89	33
	3-5	26	10
	6-10	102	38
	11-15	51	19
	Over 15 Years	0	0
	Total	268	100
Number of Employee	1-10	121	45
	11-20	53	20
	21-30	94	35
	Total	268	100

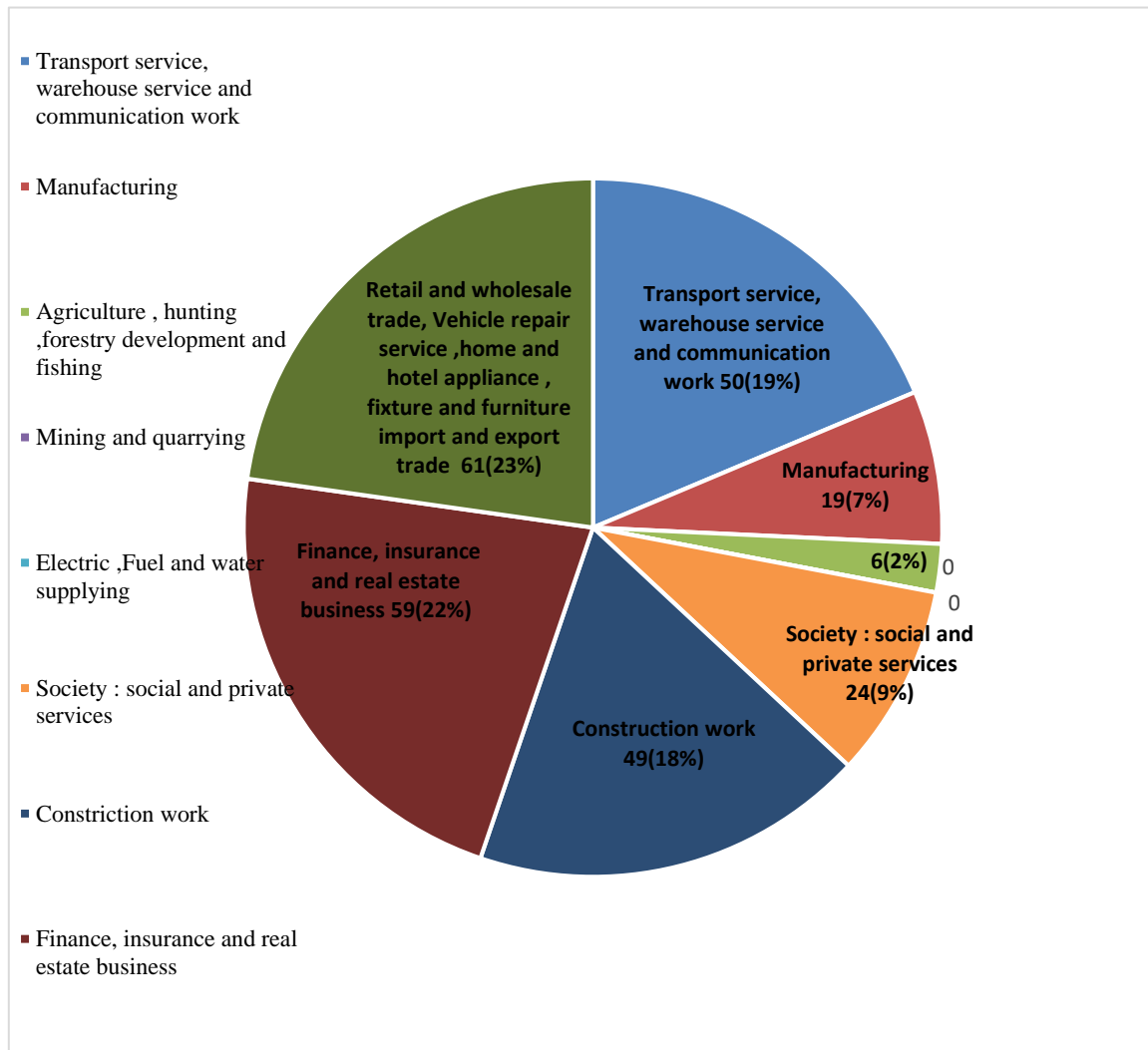
Source: Survey, 2017 GC

The above table is introducing different aspect of the firms pertaining the respondent's assets, year of operation and number of employees. As per 56% of respondent's answer that they are founded between ETB 50,000-500,000 range of asset, which is known as small scale enterprises. While, 36% of respondents categorized in small scale for industry sector or Medium enterprises for service sector with total capital between ETB 500,000-1.5 million. The remaining 8% is fully from medium enterprises for industry sector. This tremendously indicate that beyond half percentage of studied sample population grouped under SMEs category (Table 4.2)

Regarding the year of operation, as per 38% of respondent's stay between 6-10 year in the economy. In the second rank 33% of the respondent's answer that they are working for less than 2 years. Lastly, both 11-15 year and 3-5 year cover the remain stated 19% and 10% respectively. Which indicate that many of the respondents operate 6-10 year and less 2 years, while it refers the dominant population have varied year of experience in business operation (Table 4.2)

On the same table, the data is depicted about the number of employees of the firms. Since respondent's response as per 45% of them have less than 10 employees, 35% have between 21-30 employees and the remain 20% have 11-20 employees. From the given data the researcher understand that all the firms have employees below 30 labours which indicate that those firms are engaged in limited scope of operation (Table 4.2)

Figure 4.1: Classification of SMEs based on their business sector.



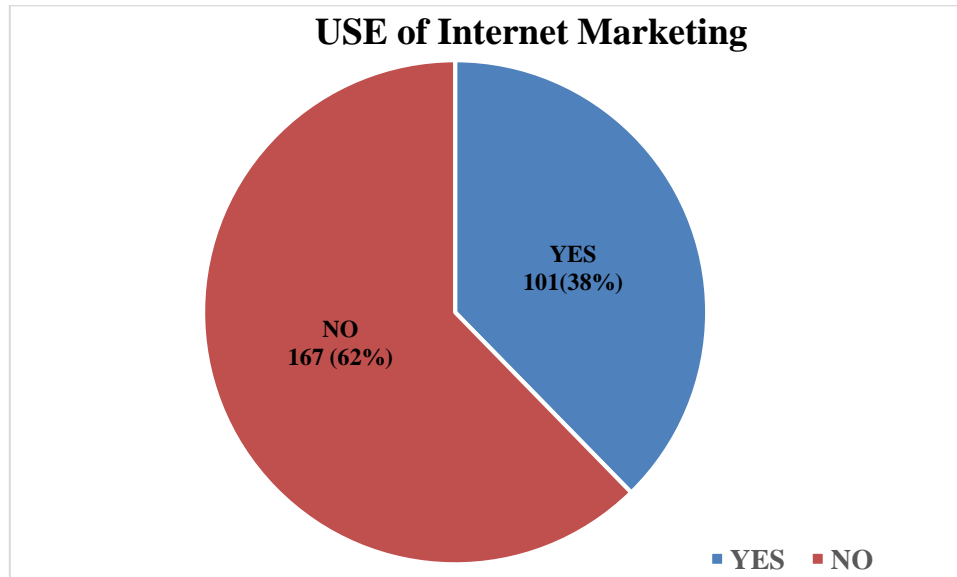
Source: Survey, 2017 GC

The above pie chart depicted that the major classification of SMEs by business sectors. As per 23% business sector were the enterprises engaged on retail and wholesale trade, vehicle repair services, home and hotel appliance, fixture and furniture, import and export trade. As per 22% were engaged in finance, insurance and real estate businesses. As per 19% are involved in transport service, warehouse service and communication work. As per 18% were engaged in construction work (18%). The remain different stated sub sectors cover the remain minimal percentage (Figure 4.1)

4.2 Analysis of Data Pertaining to the Study

4.2.1 Usage of internet marketing as a tool in SMEs

Figure 4.2 The use of internet marketing



Source: Survey, 2017 GC

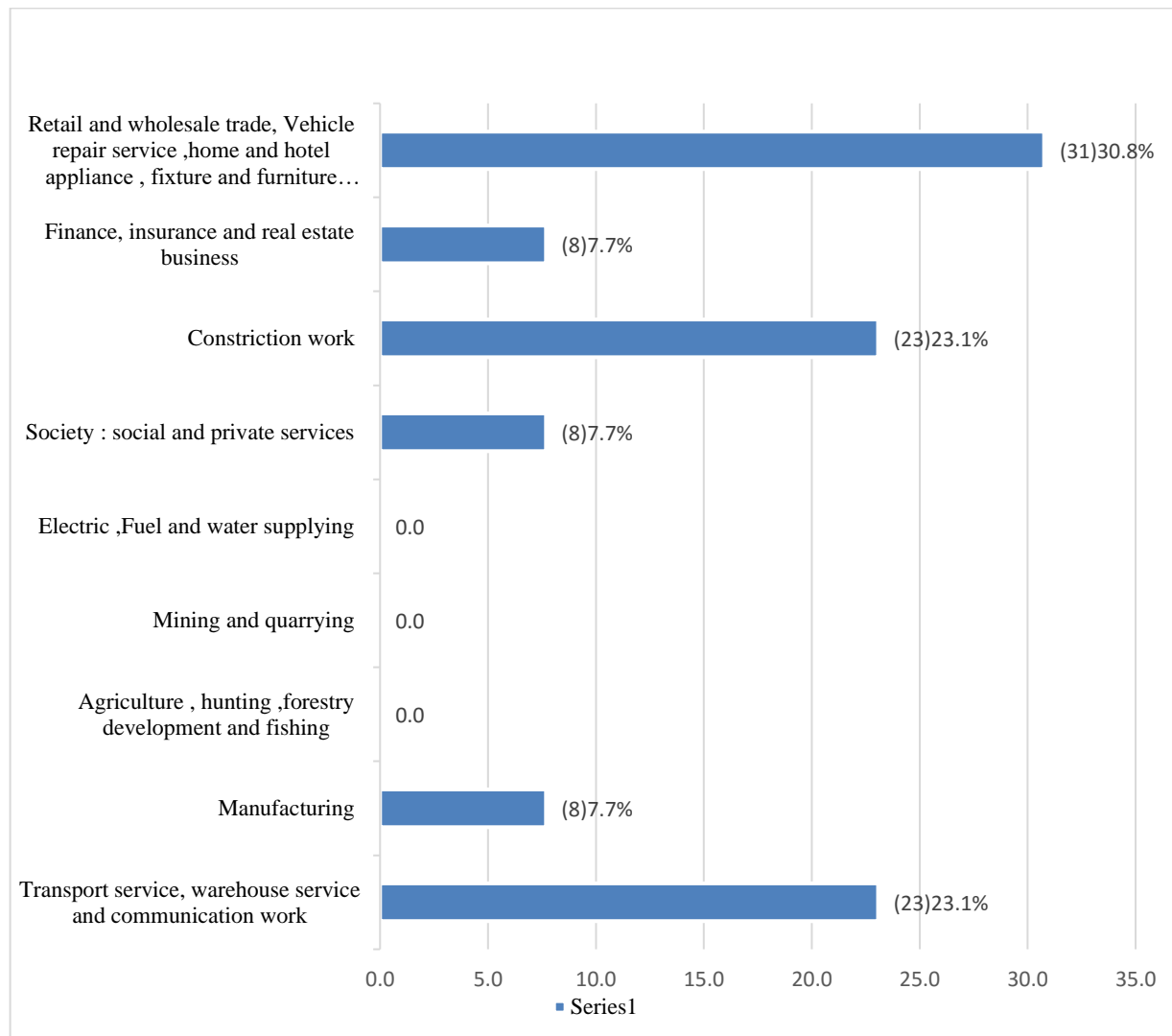
The respondents were asked whether they used internet marketing as a tool or not for their business. From the data collected, only 38% of the respondent use internet marketing as a tool to facilitate their business. The remain 62% are not using internet marketing for promotional purposes. This indicates that less than half percent of the respondent's use internet marketing as a tool. The researcher were asked why those respondents don't use internet marketing, 95% replied that no reason to connect to the internet due to good market coverage by using traditional marketing; fear of piracy of their design and absence of stringent copy right laws in the country; for instance, some of the garment facility are afraid of advertising their designs on internet because competitors may duplicate their designs; lack of skilled ICT personnel in the market and low internet connection were the reasons for not using internet marketing for their business activities (Figure 4.2)

This finding is similar with Jeevarathnam (2013), which was stated that majority of respondents of small businesses were not effectively using the internet to promote themselves.

On the contrary Emmanuel (2014) found in his research that number of consumers patronizing marketing product and services on the internet are on the increases. Also, Japhet (2002) which was the study done in UK have found that 79% of the companies surveyed use internet marketing to facilitate their businesses, only 21% of the companies don't use internet marketing.

4.2.2 Sectors of SMEs that use internet marketing

Figure 4.3 Sectors that use internet marketing



Source: Survey, 2017 GC

As per 30% of the respondent's that use internet marketing are retail and wholesale trade, Vehicle repair services, home and hotel appliance, fixture and furniture, import and export

trade. This implies that the business sectors under this category are using internet marketing in better way compared to other business sectors. As per 23.1% of respondents are coming from two different sub sectors and each has equal share from the total value, those are construction works and transport service, warehouse service and communication work together. While three different sub sectors separately have 7.7% of the sector that were using internet marketing to facilitate their business were engaged in Finance, insurance, real estate business, manufacturing, social and private service. The remaining three sectors have been reported that they don't use this tool to facilitate their businesses (Figure 4.3)

4.2.3 Forms of internet Marketing

From total 101 respondents the range of mean score of Likert scale anchored by 5=Very great extent, 4=Great extent, 3=Moderate, 2= little extent and 1=No extent. The use of internet marketing forms for their business sectors have been assessed. The respondents were asked on the different forms of internet marketing through which they applied in their firms.

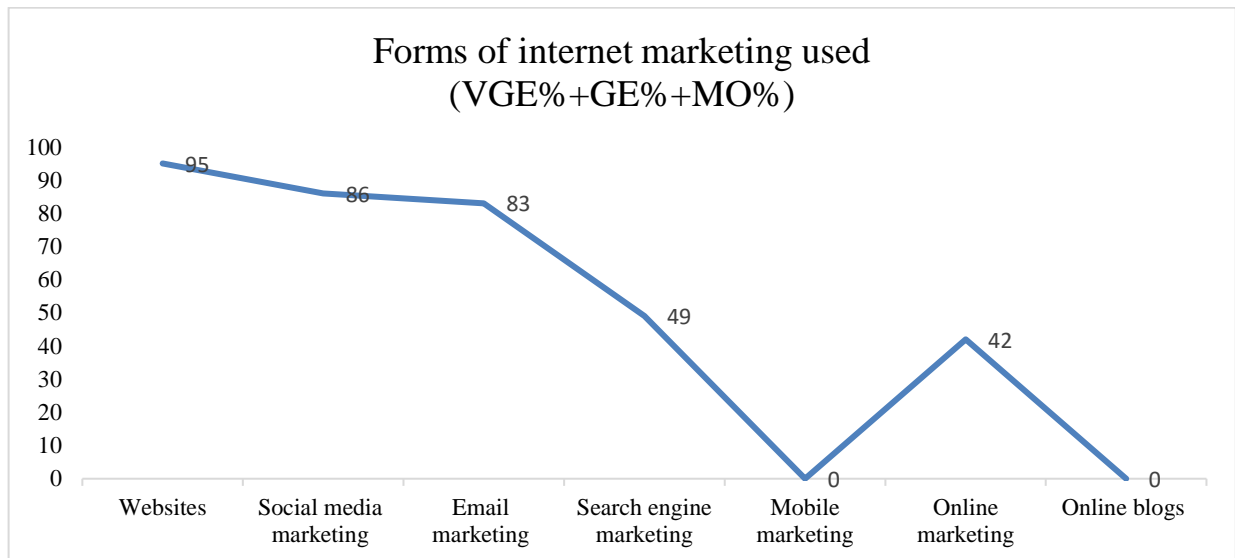
Table 4.3 Response on Elements of internet marketing

Forms of internet marketing used	VGE		GE		MO		LE		NO		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Websites	52	51.4	39	38.6	5	4.9	5	4.9	-	-	101	100
Social media marketing	62	61.3	17	16.8	8	7.9	7	6.9	7	6.9	101	100
Email marketing	55	54.4	19	18.8	10	9.9	6	5.9	11	10.8	101	100
Search engine marketing	30	29.7	10	9.9	10	9.9	-	-	53	52.4	101	100
Mobile marketing	-	-	-	-	-	-	-	-	101	100	101	100
Online marketing	20	19.8	15	14.8	8	7.9	54	53.4	4	3.9	101	100
Online blogs		0		0		0		0	101	100	101	100

Source: Survey, 2017 GC

Taking website as element of internet marketing 51.4% of the respondent are using it to facilitate their businesses. Also, the researcher observes many of the sectors use website. While coming to the social media 61.3% of the respondent use this tool. Moreover, some business sectors like retail shops give special discount to customer, how like their sector profile on social media. On the same table respondent have mentioned their degree of extent in using email marketing with 54.4 %, respondents implied that they will send email to customer whenever they have new portfolio or news feed. Correspondingly 29.7% of the respondent are using Search engine marketing, sectors are using this tool to be discovered by customer easily. In the same way online marketing is being used by respondents with 19.8%. On the contrary none of SMEs use Mobile marketing and online blogs due to inaccessibility and lack of awareness (Table 4.3)

Figure 4.4 Forms of internet marketing used



Source: Survey, 2017 GC

Summing up the percentage value that have positive responses, starting from moderate up to very great extent the result is depicted on Figure 4.4. From the summary, Website has been used by most firms with percentage value of 95%. Likewise, Social media and Email marketing has been used by most of the sector with percentage value of 86% and 83% respectively. Next to that 49% of respondents answered that they use search engine marketing and 42% are use Online marketing to facilitate their businesses (Figure 4.4)

On the contrary mobile marketing and online blogs has never been used by any of the sectors. Similar research that was done by Lorraine (2014) implied that Social media and websites were the most applied forms of internet marketing. The basic reason for website and social media being dominant is that many of the business sector has better exposure compared to other tool in our country context. Where as the unused forms of internet marketing like online blog and mobile marketing are not been implemented by any of the business sectors due to inaccessibility and lack of exposure .

4.2.4 Practice of Internet Marketing

Table 4.4 Responses on the purpose of application of internet marketing

Marketing application	VGE		GE		MO		LE		NO		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Customer interaction and feedback	46	45.4	28	27.2	-	-	9	9.0	18	18.1	101	100
Advertisement of products or services	55	54.5	9	9.0	37	36	-	-	-	-	101	100
Accessing new markets	55	54.5	18	18.1	18	18	-	-	9	9.0	101	100
Improve products or services by using clients feedback	46	45.4	18	18.1	18	18	-	-	18	18.1	101	100
Monitor Customer satisfaction	37	36.3	9	9.0	37	36	-	-	18	18.1	101	100
Share promotional material	37	36.3	18	18.1	26	26	2	1.9	18	18.1	101	100
Information distribution and dissemination	55	54.5	28	27.2	-	-	-	-	18	18.1	101	100

Source: Survey, 2017 GC

The researcher sought to find out for what propose SMEs are using internet marketing. Considering positive responses that incorporate moderate up to very great extent values,

72.6% of the respondents use internet marketing for customer interaction and feedback. On the same table respondent have mentioned their degree of extent in using internet marketing for Advertisement of products or service with 99.5%, this implied that almost all SMEs use internet marketing to the highest degree to advertise their product or services. Similarly, business sectors use internet marketing for accessing new market with 90.6%, which enable them to reach out to untapped customers. Business sector also use internet marketing to improve products or services by using clients feedback with 81.5%. Correspondingly 81.3% of the respondent monitor customer satisfaction. Not only monitoring customer satisfaction but also SMEs use internet marketing to share promotional material and distribute information with 80.4% and 81.7% respectively (Table 4.4)

4.2.5 Responses on the Benefit of Using Internet Marketing

Table 4.5 Response on the benefit of using internet marketing

Importance of internet marketing	V.GE		GE		MO		LE		NO		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Our firm profitability increased	46	45.5	18	18.2	28	27.3	9	9.1	0	0.0	101	100
Our firm market share has shown expansion	28	27.3	46	45.5	9	9.1	9	9.1	9	9.1	101	100
Increased market growth	46	45.5	46	45.5	9	9.1	0	0.0	0	0.0	101	100
Our firms image shows enhancement	37	36.4	55	54.5	0	0.0	0	0.0	9	9.1	101	100
The firm competitive advantage has been increased	28	27.3	37	36.4	37	36.4	0	0.0	0	0.0	101	100
Accessing to new market niches	28	27.3	28	27.3	28	27.3	9	9.1	9	9.1	101	100
Our firm's ability to reach out to international markets has improved	64	63.6	9	9.1	9	9.1	0	0.0	18	18.2	101	100

expertise advice regarding our product or service	55	54.5	9	9.1	18	18.2	0	0.0	18	18.2	101	100
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Source: Survey, 2017 GC

The results, as indicated in table 4.5, 63.6% of the respondents have agreed with very great extent that, their firm have the benefit of reaching out to international markets by using internet marketing. In the same way sectors has benefited to get expertise advices regarding their product or services regardless of the physical location with very great extent by percentage value of 54%. 45% of the Respondents have implied that internet marketing has the benefit of increasing firm’s profitability and market growth. Likewise, 36% of the respondents indicated that their firm image has shown enhancement. Whereas 27% of the sectors stated that their market share has shown expansion, their firm competitive advantage has been increased and their firms have the benefit of accessing to new market niches because of using internet marketing. Lorraine (2014) in his study on internet marketing and performance of SMEs in Nairobi, found that firms profitability, market share and ability to expand their market growth was increased with great extent. On the same research it has been indicated that the firm’s image was enhanced, an increased competitive advantage as well as more loyalty and access to new markets as impacts of using internet marketing. Japhet (2002) reported that the highest benefit gained from the use of internet marketing were improved communication (82%) followed by improved information gathering (65%) and better awareness of business environment (28%), availability of expertise regardless of physical location (22%) and ability to reach out to international markets (22%) (Table 4.5)

4.2.6 Challenges in Internet Marketing Application

The last aspect which has considered in this research is the challenges that SMEs are facing while using internet marketing. The analysis has been made by considering positive responses that incorporate moderate up to very great extent values.

Table 4.6 challenges of internet marketing application

Challenges of internet marketing application	V.GE		GE		MO		LE		NO		Total	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Inadequate finances	28	27.3	18	18.2	37	36.4	0	0.0	18	18.2	101	100
Difficulty of Building a quality website	37	36.4	0	0.0	37	36.4	0	0.0	28	27.3	101	100
Lack of skilled ICT personnel	46	45.5	0	0.0	37	36.4	0	0.0	18	18.2	101	100
Inadequate connectivity (internet connection)	46	45.5	9	9.1	28	27.3	9	9.1	9	9.1	101	100
Limited technology infrastructure	37	36.4	0	0.0	37	36.4	0	0.0	28	27.3	101	100
usage charges being too expensive	37	36.4	18	18.2	28	27.3	0	0.0	18	18.2	101	100
Difficulty in integrating internet marketing with its current operations	28	27.3	0	0.0	55	54.5	0	0.0	18	18.2	101	100

Source: Survey, 2017 GC

Five types of challenges that were stated on the questionnaire have the same percentage value of 81.9%. which implies that many of SMEs are facing similar obstacles. These are inadequate financing to invest more on internet marketing, firms lacking skilled ICT personnel, inadequate connectivity, internet connection usage charges expensiveness and difficulty in integrating internet marketing with their current operation were the most stated challenges. Subsequently difficulty in building quality website and limited technology infrastructure was also on the highest range with 72.8% value. In addition to the stated challenges respondents also mentioned below obstacles.

- Improper usage by end user such as duplicating orders to many times.
- Misunderstanding with customer after ordering process.
- Lack of electronic payment system and concern on how to tax and collect taxes over the network.

- Concerns on contract negotiation made over the internet are enforceable.
- Concerns that Ethio-Tele.Com is the only service provider in communication and not having options as it should be like other neighbouring countries.

This research findings match with the study done by Emmanuel (2014) from Ghana, in his research the greatest challenge that SMEs facing were limited internet resource in the country; Inadequate finances and lack of skilled ICT personnel.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

In this chapter the summary, conclusions and recommendations are discussed. Based on the findings of the study, and its objective, the conclusions were drawn, and recommendations are made to government bodies, managers and entrepreneurs of SMEs and finally for suggestion was made for other researchers of the area.

5.1 Summary of Major Findings

The study has intended to assess the use of internet marketing in SMEs. For this study a total of 357 paper based questionnaires have been distributed and 268 papers were filled and returned. The study covered all the nine-business categorized by the sub city and ministry of trade based on their business sector. The study has used descriptive design.

From the total studied population only 38% of the sector use internet marketing. These sectors are retail and wholesale trade, vehicle repair services, home and hotel appliance, fixture and furniture, import and export trade businesses with percentage value of 30%. The second sectors that use internet marketing with higher level are construction work, transport service, warehouse service and communication work with 23%. 7.7% of the sector were engaged in finance, insurance, real estate business, manufacturing, transport service, warehouse service and communication work.

Considering positive response starting from moderate up to very great extent, Website was the most used forms of internet marketing. Likewise, Social media and Email marketing has been used by most of the sector with percentage vale of 86% and 83% respectively. Next to the most used forms of internet marketing 49% of the sector use search engine marketing and 42% of the sector use Online marketing to facilitate their businesses. On the contrary mobile marketing and online blogs have never been used by any of the sectors.

The major benefit that was gained by implementing internet marketing are reaching out to international marketing by 63%. In the same way sectors that use internet marketing has benefited to get expertise advices regarding their product or services regardless of the physical location with very great extent by percentage value of 54%. 45% of the Respondents have

implied that internet marketing has the benefit of increasing firm's profitability and market growth. Likewise, 36% of the respondents indicated that their firm image has shown enhancement. Whereas 27% of the sectors stated that their market share has shown expansion, their firm competitive advantage has been increased and their firms has the benefit of accessing to new market niches as a result of using internet marketing. Respondents have implied that, the main purpose they use internet marketing is to advertise their products or service which account 99.5% from the total population. Similarly, SMEs use internet marketing for accessing new market with 90.6%. Also, they use internet marketing to improve products or services by using clients feedback with 81.5%. Correspondingly 81.3% of the respondent monitor customer satisfaction by using this tool. Not only monitoring customer satisfaction but also SMEs use internet marketing to share promotional material and distribute information with 80.4% and 81.7% respectively.

Finally challenges that SMEs are facing while using internet marketing are; inadequate financing to invest more on internet marketing, firms lacking skilled ICT personnel, inadequate connectivity, internet connection usage charges expensiveness and difficulty in integrating internet marketing with their current operation were the most stated challenges with similar value of 81.9%. Subsequently difficulty in building quality website and limited technology infrastructure was also on the highest range with 72.8% value.

5.2 Conclusions

From the above analysis and findings, the researcher has reached on the following major conclusion. Even though internet marketing has many benefits only smaller sectors of SMEs use this tool to facilitate their business. This implied that SMEs are not utilizing the internet marketing as a tool to facilitate their businesses due to many challenges that has been listed on this research and reap the benefit out of this tool.

Mostly used forms of internet marketing are website, social media and email marketing. Next to that, search engine marketing and online marketing has been used. While the reasons for using such types of internet marketing are they already exposed to this tool. Unfortunately, none of the SMEs sectors use mobile marketing and online blogs due to inadequate accessibility and exposure to this tool.

The study found that, the major benefit that was gained by implementing internet marketing are reaching out to international marketing and getting expertise advices regarding their product or services regardless of the physical location. Increasing firm's profitability and market growth are also benefit gained by using internet marketing. The main purpose that SMEs use internet marketing are to advertise their products or service with highest degree in order to attain customer attraction. Next is to access new market, to improve products or services by using clients feedback and monitor customer satisfaction by using this tool in order to survive at the market as well as earning profit. Not only monitoring customer satisfaction but also SMEs use internet marketing to share promotional material and distribute information.

Major challenge encounter by SMEs while using internet marketing are; inadequate financing to invest more on internet marketing, firms lacking skilled ICT personnel, inadequate connectivity, internet connection usage charges expensiveness and difficulty in integrating internet marketing with their current operation were the most stated challenges. Subsequently difficulty in building quality website and limited technology infrastructure was also on the highest range. This implied that many of the SMEs are facing similar challenges for not using internet marketing as a tool.

5.3 Recommendations

Conclusion given above reveals that SMEs that use internet marketing are very minimal, therefore to mitigate challenges on usage of internet marketing, below recommendation is forwarded.

- Government body; sub city administration should create awareness on the use of internet marketing for SMEs. It will favor the growth of SMEs as they impact positively on the economy. The administration also financing for SME to invest more and use internet marketing
- The best practice of sectors that use internet marketing should be taken as an example and be presented for other non-users of internet marketing.
- Creating policy that will favor the implementation of using different forms of internet marketing. The government should liberalize the telecommunication and deregulate rules and regulations related with internet.
- Creating awareness on non-used forms of internet marketing. Such as online blogs and mobile marketing.
- Ethio-Telecom to give access for SMEs that need to use mobile marketing. The company must reduce internet usage charge.
- Inviting organization that are engaged on IT sectors to advertise more about this tool for SMEs. At the same time this will create opportunity for IT sectors.
- Enhancing educational structure for IT sectors to have more qualified personnel's. Create short term training for SMEs that use internet marketing specially for IT departments. This will help on familiarizing how to integrate internet marketing with their current operation. Training can be provided by sectors that are involved on providing the IT solutions.

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ANNEXES 1
ST. MARY’S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA GENERAL PROGRAM
QUESTIONNAIRE

Questionnaire on “Assessment on The Use of Internet Marketing by SMEs in Bole Sub City Administration”.

This questionnaire is aimed at gathering the necessary information needed for the analysis of the research specified. The data gathered hereby will only be used for research purpose, and something I want to assure you is that the information you provide will be kept furtively. Therefore, I would like to request you to answer the following questions accurately.

Questionnaire to be filled by respondents (Please provide your response answers with a check mark (√) in the appropriate block provided)

- Questionnaire code _____
- Enumerator name _____
- Signature _____
- Date _____

SECTION-1: DEMOGRAPHIC CHARACTERSTICS OF THE RESPONDENTS

1. Please specify your Gender

- A. Male B. Female

2. Please specify your age

- A. 20-30 B. 31- 40 C. 41- 50
D. 51 & above

3. What is your highest level of education?

- A. Master’s degree B. First Degree C. Diploma
D. Certificate

4. What is your Position in the organization?

A. Business Owner

B. Top Management

C. Middle Management

Any other indicate _____

SECTION-2: GENERAL INFORMATION ON THE FIRM

1. Please specify the business sector you are engaged in

2. Please specify your website address (if there is any)

3. Please indicate your firm's year of operation

A. 0-2 years

B. 3-5 years

C. 6 -10 years

D. 11-15 years

E. Over 15 years

4. State the number of Employees in your firm

5. State your firm capital

SECTION-3: INTERNET MARKETING (for SMEs actors)

1. Does your firm use internet marketing as a tool? If NO, kindly explain why?

2. Please indicate the extent to which you have applied the forms of internet marketing in your firm.

Where, 5 = very great extent, 4 = great extent, 3 = Moderate, 2 = little extent and 1= no extent at all

S.N	Forms of internet marketing used by firms	5	4	3	2	1
2.1	Websites					
2.2	Social media marketing					
2.3	Email marketing					
2.4	Search engine marketing					
2.5	Mobile marketing					
2.6	Online marketing					
2.7	Online blogs					

3. Kindly indicate the extent to which you have applied each of the following internet marketing in your firm operations

S.N	Marketing application	5	4	3	2	1
3.1	our firm use internet marketing for customer interaction and feedback (Customer relations)					
3.2	our firm use internet marketing for advertisement of products or services					
3.3	We use internet marketing for accessing new markets					
3.4	We use internet marketing to improve products or services by using clients feedback					
3.5	Our firm use Internet marketing to monitor Customer satisfaction					
3.6	We use internet marketing to share promotional material					

3.7	We use internet marketing for Information distribution and dissemination (providing customers information)					
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4. Please indicate the extent to which your firm have gain advantage as a result of internet marketing for each of the following indicators

S.N	Importance of internet marketing	5	4	3	2	1
4.1	Using internet marketing has increased our firm profitability					
4.2	Our firm market share has shown expansion due to the use of internet marketing					
4.3	Usage of internet marketing has increased market growth					
4.4	Our firms image shows enhancement due to the usage of internet marketing					
4.5	The firm competitive advantage has been increased as result of using internet marketing					
4.6	Internet marking has contributed to our firm by accessing to new market niches					
4.7	Our firm's ability to reach out to international markets has improved					
4.8	We have advantage of having expertise advice regarding our product or service regardless of the physical location by using internet marketing					

5. Please indicate the extent to which your organization has faced each of the following challenges in application of internet marketing

S.N	Challenges of internet marketing application	5	4	3	2	1
5.1	Our firm doesn't have adequate finances to invest more on internet marketing and be able to use all types of internet marketing					
5.2	Building a quality website is difficult					
5.3	Our firm doesn't have skilled ICT personnel					

5.4	Our firm is facing challenge to use internet marketing due to inadequate connectivity (internet connection)					
5.5	There is Limited technology infrastructure to use internet marketing					
5.6	The Connection and/or usage charges is too expensive					
5.7	Our company is having difficulty in integrating internet marketing with its current operations					

At last any comment you have please:

Thank you in advance for providing me your precious time!!

ANNEXES 2

ST. MARY’S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA GENERAL PROGRAM

INTERVIEW QUESTIONS

Interview questions on “Assessment on The Use of Internet Marketing by SMEs in Bole Sub City Administration”.

These questions are aimed at gathering the necessary information needed for the analysis of the research specified. The data gathered hereby will only be used for research purpose, and something I want to assure you is that the information you provide will be kept furtively. Therefore, I would like to request you to answer the following questions accurately.

Interview questions to be filled by respondents

1. What are your professional background and work experience?
2. What prior education do you believe is helping you in creating and implementing internet marketing strategy for your business?
3. What decision-making process do you use to create and implement your internet marketing strategy?
4. How would you describe your marketing mix? How does internet marketing fit into your marketing mix?
5. How did your internet marketing strategy evolve over time?
6. What percent of your total marketing budget do you allocate to internet marketing?
7. What is your internet marketing budget?
8. Who is handling your internet marketing? What are the responsibilities of the person
9. What challenges did you have when creating and implementing your internet marketing strategy?
10. What are the three specific things you are most satisfied with your internet marketing efforts?
11. What are the three specific things you are most unsatisfied with your internet marketing efforts?