The Role of Social Network Marketing to Micro, Small, and Medium Enterprises in Luzon Area

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Abstract

Social networking sites such as Facebook, YouTube, Instagram, TikTok, and the likes have given micro, small and medium enterprises the opportunity to innovate their marketing strategy. This study determined the role of social network marketing in micro, small, and medium enterprise (MSME) in terms of representation, customer engagement, and lead conversion. Using descriptive and comparative research design, the data gathered came from 260 MSME owners and were tested using descriptive statistics: frequency, percentage, and mean. Analysis of Variance (ANOVA) was also used. Results revealed that there is a significant difference in the representation, customer engagement, and lead conversion roles of the social networking sites when MSMEs are grouped according to size. Utilizing the results of the current study, a capstone project or action plan is proposed for implementation in order to help the micro, small and medium enterprises in the Luzon area.

Keywords: social networking sites, micro, small and medium enterprises (MSME), representation, customer engagement, lead conversion

1. Introduction

The web does not just connect machines, it connects the people. This is the famous line of Tim Berners- Lee, who invented the World Wide Web. A good example of social media platform of connecting people is Facebook in which photos and videos can be liked, shared, and commented on by friends and viewers. Social network marketing is a committed application wherein they can transfer information, chats, and images (Behera, et.al., 2019). The use of social networking these days plays a significant role in the growth of a business, especially during the time of the COVID-19 pandemic. The development of a broader and stronger platform such as social networking sites makes the business easily marketable without the costly set-up cost and transaction cost as in the case of Facebook. During the time of the pandemic, people resorted to doing business and attending schools in using social networking sites. According to research, among the 15 biggest Social Media sites in the world (KARL, Aug 2021), Facebook tops having the greatest number of users with 2.74 billion users. Despite its popularity, it is not the most visited social networking site with 25.5B monthly visits. Facebook only took ten months to reach a million subscribers and only eight years to reach a billion. India has the most Facebook active users with 290 million and being followed by US which has 73% of the active user login daily. While, the Philippines ranked sixth in the world with around 76 million users (Rodriguez, 2020). Second in social network site is YouTube with an impressive 2.24 active billion users. YouTube may be second to Facebook in active users but has a massive monthly visit in SNS of 34.6 billion.

This is because everyone can enjoy YouTube's contents whether they're registered users or not. Some facts regarding YouTube are: 80% of Youtubers of parents say their children watch YouTube videos, only 19% of parents say that their children do not watch YouTube, and more than half of parents said their children watched YouTube at least once a day (Auxier, et.al., 2020). Then on the third spot, we have WhatsApp with 2 billion active users all over the world. WhatsApp was founded in 2009 by two former Yahoo employees and its goal was not to be an instant messaging but rather to show people's "statuses". The number of WhatsApp users in the Philippines reached 500,000 active users (Degenhard, 2021). Then in the fourth and fifth spots of the social networking sites are Facebook Messenger (1.3 billion active users) and Instagram (1.2 billion active users), consecutively. "Social media is the content created by users, it is a collaboration of people who share ideas and opinions" (Venkateswaran, et.al., 2019). In this study, the locale of the study will be the NCR and CALABARZON area.

The Magna Carta for MSMEs was ratified by legislation in Philippines Congress in 1991 as a Republic Act 6977 (Tibaldo, 2019). This law aims to help and promotes MSME to develop Filipino entrepreneurship. They are supported by several government agencies such as the Technological Education and Skills Development Authority (TESDA), the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), and others such as schools and universities (Tibaldo, 2019). The micro-enterprise is defined as any business activity or enterprise whether single proprietorship, partnership or corporation whose total assets of not more than 3 million pesos for micro, between 3 million and 15 million for small, and 15 million to 10 million for medium enterprise (Tibaldo, 2019). In 2020, the Department of Trade and Industry posted a total of 957,620 business enterprises operating in the country of which, 952,969 (99.51%) are Micro Small and Medium Enterprises and 4,651 (0.49%) are large enterprises. Microenterprise shows 88.77% (850,127) of total MSME establishments. Followed by small at 10.25% (98,126) and medium enterprise at 0.49% (4,716) (PSA, 2020). Then in sectoral distribution, the top five sectors were: Wholesale and Retail Trade; Repair of Motorcycles and Vehicles got 445,386; followed by Accommodation and Food Services Activities got 134,046; third is Manufacturing got 110,916; while on the fourth place is Other Services (Wellness, repair of household goods, funeral and related activities, repair of computers and communication equipment and other Personal Services Activities) with 62,376; and Financial and Insurance Services got 45, 4458. The said industries accounted for about 83.77% of the total number of MSME establishments. In a per region distribution: NCR tops in MSMEs with 201,123 (21.20%), followed by the Region 4-A (CALABARZON) with 139,363 (14.62%), on the third spot is Region 3 (Central Luzon) with 111,262 (11.68%), on the fourth spot is Region 7 (Central Visayas) with 65,682 (6.03%). The top 5 areas sum up 60.33% of the total number of MSMEs in the country. The concentration of MSME is largely associated with economic activities, infrastructure, and population size (PSA, 2020). The current study determined the sizes of Micro, Small, and Medium enterprises in the Luzon area and the roles affecting MSMEs in using social network marketing. The main objective of the study is to identify the factors that influence owners to select a social networking site (Facebook, YouTube, Instagram, etc.) for their business, particularly, to determine the role of social network marketing differs when the enterprises are grouped are according to sizes. Consequently, a capstone or action plan was formulated, providing action plans and potential countermeasures to the issues and challenges identified in the current research study. Some of the concerns also in using social networking sites are viruses, phishing and malware that can be sent in many forms such as making the SNS portal that looks very identical to Facebook, Twitter, and Google+.

Significantly, the succeeding research gaps would be filled by this paper. The observed impact and basis for conducting the study were developed as follows: First, the study is believed significant as it defines how different merchandise in the Luzon area were being marketed and represented in terms of MSME size. Representation signifies the branding and appearance of the business that is being advocated (Bodnar, et. al., 2011 discussed by Abalos, 2020). Secondly, it tackles customer engagement more. A social networking site is

user-friendly to its customer then it can create a large amount of customer engagement with business (Tsiotsou, 2019). On the third role of social network marketing is lead conversion, realizing how a commercial or advertisement generates boosted attention and queries from the customers regarding a posted product or service, which is called Lead Conversion (Abalos, 2020). It will answer the research gaps and the significance of the study, but it will focus more on answering the question, "How marketable is a product putting it into the social media regardless of its size. This question will be answered in this study with the help of a literature review, application of the conceptual and operational framework, deriving of hypothesis, statistical analysis, and conclusion and recommendation. The current study also benefits the proponent as the proponent is also a micro-enterprise owner. Moreover, this study helps in addressing one of the United Nation's Social Development Goals which is Decent Work and Economic Growth.

As the new normal evolves due to the COVID-19 pandemic, social media plays a major role in the lifestyle of many people. These changes in the work and school setting, develop into a hybrid work or school set-up which gives people more flexibility and security from the threat of being ill of COVID-19. Social media also innovates its platforms from a typical posting of videos and photos to going live in your video and having several effects in your photos to be used as a social network marketing tool. Businesses in the forms of micro, small and medium enterprise (MSME) need to adjust accordingly to the pandemic situation as the actual selling in some stores was merely prohibited and regulated by the local and national government (CNN, 2020). Social media becomes very essential (Allen, 2019) and a hit in businesses that offers different effects and innovations in order to showcase their products. Therefore, this research study aims to establish the effect of the use of social networking marketing to enterprise (MSME) differ when the enterprise are grouped according to sizes with the participation of owners in Luzon area. The research data are gathered from 260 owners, and be tested with Analysis of Variance. Statistical tests reveal the size of MSMEs, the role of social network marketing in terms of representation, customer engagement and lead conversion, and the significant difference in the role when grouped according to size.

1.1. Conceptual Framework

The conceptual framework of this paper was adopted from the study of Abalos (2020) entitled, "Social Network Marketing of Micro, Small and Medium Enterprise in the Province of Tarlac". The study described the profile of Micro, Small, and Medium Enterprises (MSMEs); the participation of owners in social networking sites (SNS); their role in representation, customer engagement, and lead conversion; and the challenges encountered by owners and customers in using Social Network Marketing. Data showed that they have traded items like shirts and bags with an initial investment of P10, 001-P 50, 000, with most respondents operating for 6 months to less than two years for those MSME owners living in Tarlac province.

In the study of Abalos (2020), respondents included both consumers and enterprise owners. Facebook is being favored by consumers and MSME owners as their SNS as they have been using it for one to three years. Considerably, both the owner and consumer respondents presented security and privacy concerns in the utilization of SNS. The consumers reported that they mainly visit sites to inquire about prices and to shop online while the owners used it to boost their marketing strategy. The owners arrived that they agree on the benefits of refining social media representation, customer engagement, and lead conversion. Despite these benefits, the MSME owners recognized problems in their use of SNS mostly, the amount of time needed in managing the pages, and the risk of inappropriate behavior such as impersonation and bullying.

1.2. Operational Framework

While the study of Abalos (2020) focused on the owners and consumers in the province of Tarlac, this study was conducted in the areas of Luzon area and in particular, the MSME owners per se that use social network sites as the form of a marketing campaign. This study is guided by the operational framework posted in Figure 1 which illustrates the roles of social network marketing in terms of representation, customer engagement, and lead conversion and the test of significant differences when MSME are group according to size.
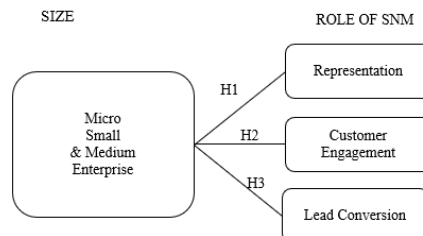
Figure 1. The Operational Framework of the Study

The contribution of this study is to determine if the roles of social network marketing to MSMEs differ when the MSMEs are grouped according to size. The size of MSME being measured here is according to Magna Carta for MSME or Republic Act No. 6977 (Tibaldo, 2019). According to an article (Konitzer, 2021), representation can greatly influence one's business and can make one unique from its competitors. Customer engagement means that customers trust a brand, become loyal to it, and feels excitement about brand (Bansal, 2016). There is another chance that the customer will eventually contact the MSME owner and buy again their products or services. The last variable is the lead conversion in which there is boosted attention and inquiries given from customers to a particular service or product (Abalos, 2020). Other articles consider lead conversion as a sales and marketing process that involves converting leads from a marketing-qualified lead to a sales-qualified lead in order to become a customer (Bretous, M., 2021).

1.3. The Research Objectives

Reiterating the main goal of helping MSMEs with the use of SNS, this study specifically aimed to address the following research objectives:

1. To determine if the representation role of social network marketing to MSME differs when they are grouped according to size.

2. To determine if the customer engagement role of social network marketing to MSME differs when they are grouped according to size.

3. To determine if the lead conversion role of social network marketing MSME differs when they are grouped according to size.

1.4. The Research Objectives

As such, the following hypotheses were tested:

H_{01}: There is no significant difference in the representation role of SNM to MSMEs when they are grouped according to size.

H_{02}; There is no significant difference in the customer engagement role of SNM to MSMEs when grouped according to size.

H_{03}: There is no significant difference in the lead conversion of the SNM to MSMEs using when grouped according to size.

2.0 Methodology

The current study utilized a descriptive comparative research design by conducting a research survey using a structured questionnaire from a published research study by Abalos (2020). The proponent tested the significant difference in the role of social network marketing such as representation, customer engagement, and lead conversion when MSMEs are grouped according to size. The survey was conducted among 260 owners with 130 respondents representing micro-enterprises, 66 respondents in small enterprises, and 64 respondents in the medium enterprise. The classification of MSMEs is based on Magna Carta for MSMEs. Table 1 shows the questionnaire specifications of the measures including the scale used and interpretation of the mean results to be used

Table 1. Specifications for Measurement variables section of the instrument for owners

Variables	Number of items and sequence	5-point Likert scale	Mean interpretation
Representation	5 2-6	Strongly Disagree (1)	Very low 1.00 – 1.80
Customer engagement/Network	5 6-11	Disagree (2)	Low 1.81 – 2.60
		Neutral (3)	Moderate 2.61 – 3.40
Lead Conversion	5 12-17	Agree (4)	High 3.41 – 4.20
		Strongly	Very high 4.21 – 5.00
		Agree (5)	

The instrument has four components. The first part consisted of one question to determine the dependent variable which is the MSME size. The second part is comprised of five questions regarding representation. The third part is comprised of five questions regarding customer engagement. The last part consisted of five questions regarding lead conversion. The instrument underwent a reliability test. Before the actual data collection, the measurement instrument was pilot tested on randomly selected 30 respondents. Table 2 shows the results of the reliability test utilizing Cronbach Alpha which resulted in 0.809, 0.836, and 0.856) which are all acceptable because it is above 0.7 (Taber, 2018). All questions used in this study have been found valid and reliable and none of them were removed nor replaced

Table 2. Cronbach Alpha Findings

Variable	Cronbach Alpha Results
Representation	0.0809
Customer Engagement	0.836
Lead Conversion	0.856

The questionnaires were distributed via Google forms the link to which was posted in Facebook communities in which the proponent is a member. As an alternative, hard copies of the questionnaire were also distributed to MSME owners mostly from the areas of the National Capital Region and the rest of Luzon. The data was analyzed using statistical tools such as frequency, percentage and mean on the profiles of MSMEs and initial investment. A composite mean was also established to indicate the overall response representing on the three (3) variables in the use of social network marketing. Additionally, the study used analysis of variance (ANOVA) to test the difference in the role of social networking sites when enterprises are grouped according to size.

3.0 Results and Discussion

3.1 Descriptive Statistics

Size of the enterprise

Table 3 shows the size of the enterprises. There were130 micro-enterprise which is equivalent to 50 percent of the population while, there were 66 respondents from small enterprises according to 25.4% of the population, and lastly, there were 64 medium enterprises 24.6% of the population.

Table 3. MSME Distribution according to Size

Enterprise	Frequency	Percent
Micro	130	50.0
Small	66	25.4
Medium	64	24.6
Total	260	100

Based on the results of Table 3, it is expected that the micro-enterprise will have the highest population compared to the other enterprise even if it is just in Luzon as the DTI posted last 2020 that they registered 850,127 micro-enterprise establishments or 88.8% of the total MSME establishments all over the Philippines (DTI, 2020). Other research also tops the micro-enterprise having 44%, followed by Small having 43% of the population and 12% for the medium enterprise of the population (Kota, et.al., 2018).

3.2 The representation, customer engagement, and lead conversion roles of social network marketing

Table 4 shows the representation role of SNM to MSME which revealed a composite mean rating of 4.13 being interpreted as high. This means that MSME regard representation to succeed in business. The highest mean rating of 4.13 is interpreted as high, is on the statement "I can edit anytime any posted ads". While, the lowest mean rating of 3.78, also interpreted as high is on the statement "My business looks professional just marketing my products on my different social networks. With a composite mean of 4.13, this indicates that the enterprise can help them in making their firms represented in the minds of the consumer. According to a study, marketing workers who share their images are engaging and anchoring is built on social representation theory (Cluley, et.al, 2019).

Table 4. The Representation Role of SNM according to MSME Owners

Representation	Mean	Interpretation
I can save more money in advertising by using social network rather than traditional way	4.18	High
I can easily reach larger audience of social media users by easily increasing my target market	4.12	High
My business looks professional by just marketing my products on my different social networks	3.78	High
It takes a few clicks to post my business	4.25	High
I can edit any time my posted ads and also post new ads for my business.	4.32	High
Composite mean	4.13	High

Table 5 below shows a tie score with a mean of 4.19 on the items indicating that customers can contact the owner whenever they want and can easily get customer feedback about their business and can easily target the right group of people for their posted ads. With the composite mean of 4.13, the respondents agree with the item that indicates that they trust the brand of the MSME owners after seeing it, friends and followers can easily increase after seeing the ads, and can easily give information to those who need more details and answer them immediately whenever they like MSMEs owner's ads. Based on the study, customer engagement is associated with trust or being trustworthy as any effort to build trust will directly result in higher customer engagement (Santini, et.al., 2019) Based on an article (Bump, A., 2021), Facebook is the best platform for small businesses due to it can build a business profile that includes links to their websites and details about their business. Once their profile is set up, owners can regularly post and customers can like, share, and sometimes give reviews about their services and products (Bump, 2021).

Table 5. The Customer Engagement Role of SNM according to MSME Owners

Customer Engagement	Mean	Interpretation
My clients can easily contact me anytime they want and can easily get customer feedback about my business	4.19	High
I can easily target the right group of people for my business by the increase of inquiries of my posted ads.	4.19	High
I can easily give additional information to those who need more details and easily answer inquiries about my posted ads.	4.03	High

My number of friends and followers can increase immediately when they like my ads.	4.03	High
I can easily build trust in my brand faster by seeing customers who like my business	4.00	High
Composite mean	4.11	High

Table 6 shows the lead conversion role of SNM to MSME. Most MSME owners agreed that social network marketing can help their business in terms of referring their friends, getting more visitors to their physical stores, getting more sales from social media than the traditional ones, and better profiles when they started the social network marketing, gaining a composite mean of 3.56.

Table 6. The Lead Conversion Role of SNM according to MSME Owners

Customer Engagement	Mean	Interpretation
My customers are willing to order to me directly	3.5	High
I get more sales from social media than other traditional ads	3.44	High
I earn a better profit when I started to use social media	3.23	Moderate
I got more visitors to my physical store after using my different social networking sites.	3.53	High
More and more customers are referring me to their friends	4..08	High
Composite mean	3.56	High

According to research by ASCEND (2020), social media is the number one for generating leads for marketers having 55% to building their relationships with their audiences and turning them into customers. Marketers also have high success rates in turning audiences into customers with their websites having 43% and email automation efforts with 42% (Ascend, 2020).

3.3 The significant difference in the roles of SNM when enterprises are grouped according to size

Table 7 shows the result of the test of difference regarding the three roles of SNM namely representation, customer engagement, and lead conversion. In terms of the representation role, the medium enterprise registered a mean of 4.35 while the small enterprise has a mean of 4.22 and in the micro-enterprise got a mean of 3.98. With a p-value of 0.00, this indicates that there exists a significant difference in the aforementioned role of SNM.

Table 7. The significant difference in the roles of SNM when enterprises are grouped according to size

Profile			Mean	F	p-value	Interpretation
Representation	Micro	130	3.98			
	Small	64	4.22	8.906	.000	Significant
	Medium	66	4.35			

Customer Engagement	Micro	130	3.8477	50.835	.000	Significant
	Small	66	4.4182			
	Medium	64	4.3281			
Lead Conversion	Micro	130	3.8662	55.015	.000	Significant
	Small	66	3.2121			
	Medium	64	3.3000			

Referring again to Table 7, regarding the customer engagement role of SNM, small-enterprise registered a mean of 4.41, micro-enterprise has a mean of 3.8477 and medium enterprises got a mean of 4.32. With a p-value of 0.00, this indicates that based on the size of the micro-enterprises, their perception of the customer engagement role of SNM significantly differs.

In the lead conversion role, still as illustrated in Table 7 above, the micro-enterprise which has a mean of 3.867 got a significantly higher lead conversion compared to the small enterprise with a mean of 3.21 and medium enterprise with a mean of 3.30. With a p-value of 0.00, this indicates the lead conversion role of the SNM differs across the 3 sizes of enterprises considered in the study

3.4 Conclusion

1. The hypothesis H_{01} stating that there is no significant difference in the representation role of SNM of the Social Network Sites to MSMEs when they are grouped according to size is rejected. In addition, the representation role of SNM is significantly perceived highest by the medium enterprises.

2. H_{02} stating that there is no significant difference in the customer engagement role of the Social Network Sites to MSMEs when grouped according to size is rejected. Furthermore, the customer engagement role of SNM is significantly perceived highest by the small enterprises.

3. H_{03} stating that there is no significant difference in the lead conversion role of the Social Network Sites to MSMEs using social networking when grouped according to size is also rejected. Consequently, the lead conversion role of SNM is significantly perceived highest by the micro.

3.5 Recommendations

The medium enterprise may continue adopting social network marketing as it enhances the representation of their enterprises in the consumer's mind. Medium enterprises build the right presence by choosing the right application or network and not just selecting any platform because it is popular. For instance, the right platform should consider the nature of the target market, the nature of the company's products and the resources available to the company. If the items being sold are expensive, the medium enterprises may use hashtags in the post so that when clicked the consumer is directed to the product being promoted. Boosting posts is also recommended by addressing the right audience or market so that the item being sold becomes easily searchable.

Furthermore, this study revealed that the customer engagement role of social network marketing is significantly perceived highest by small enterprises. Small enterprises may engage in social network marketing that provides engaging content. One good example of engaging content is live selling, wherein customers can immediately ask about the price, minimum order quantity, quality of the materials, freebies

such as discounts vouchers and free deliveries, and many more. In this manner, customers build trust with the seller or owner of the business.

In addition, the findings of this research revealed that the lead conversion role of social network marketing is perceived as the highest among micro-enterprises. The micro-enterprises may engage in social network marketing strategies that convert inquiries into sales. This may include SNM applications that readily provide available question-and-answer features which is a remedy on occasions that MSME owners are offline while the consumer is searching for information. The MSME owner must also learn to capture the right market. One good example is providing a community or group page wherein consumer referrals of others community members can lead to identifying seller options.

3.7 Limitations of the research

The study did not consider the differences in the media platform used by the enterprises. Studies in the future may include at least the top 5 most used commonly social networking sites. The researcher was able to send survey questions for MSMEs in the Visayas and Mindanao, however, due to time constraints, these were not included in the analysis.

3.8 Acknowledgments

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