



THE EFFECT OF ONLINE MARKETING ON SALES PERFORMANCE OF SMES IN NIGERIA: A GAME CHANGER IN THE DIGITAL ERA

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Abstract

In the digital era, online marketing has emerged as a transformative force, particularly for Small and Medium-sized Enterprises (SMEs) in developing economies like Nigeria. This study investigates the impact of online marketing strategies on the sales performance of SMEs in Ibadan, Oyo State, highlighting the potential of digital platforms to drive growth and competitiveness. Despite the increasing relevance of digital tools, many Nigerian SMEs have been slow to adopt them due to barriers such as limited technical knowledge, infrastructure challenges, and perceived inefficacy. Using a descriptive survey research design, data were collected from 278 SMEs and analyzed through multiple linear regression. The findings reveal that online marketing—especially social media marketing and search engine marketing—has a significant and positive effect on SME sales performance, with an R^2 value of 0.562 indicating substantial predictive power. The study affirms the role of online marketing as a cost-effective, scalable solution for overcoming traditional market limitations. It concludes by recommending that SMEs invest in digital literacy, leverage targeted online platforms, and integrate digital strategies into their core business operations to maximize market share and long-term sustainability.

Keywords: Online Marketing; Sales Performance; SMEs In Nigeria; Digital Era

1. Introduction

Online marketing has become a vital tool for companies of all sizes in today's digitally driven world, and it has altered and continues to alter how business is done globally (Nwoko & Obi, 2024). However, small and medium-sized businesses (SMEs) are most affected. SMEs frequently find it difficult to compete with larger firms due to their restricted budgets and resources. Thankfully, internet marketing provides an affordable, scalable, and quantifiable approach that can have a big impact on their sales results. Online marketing has emerged as one of the most potential channels for inter-organizational business operations as a result of the commercialization of the internet (Nwoko & Obi, 2024).

Small businesses can get clients from areas they might not have otherwise reached by using social media

marketing, search engine optimization (SEO), or Google Ads (Olusegun, Olympus & Olakunle, 2020). There are more sales prospects as a direct result of this broader reach. Additionally, Businesses can reach specific target groups at a fraction of the cost with platforms like email marketing, Instagram promotions, and Facebook Ads. Businesses, especially small and medium-sized enterprises (SMEs), now have more opportunities to sell their goods and services to a wider audience than they could have with traditional methods thanks to the expansion of the Internet (Olusegun, Olympus, & Olakunle, 2020).

Small and Medium-sized Enterprises (SMEs) are integral to Nigeria's economic development, contributing significantly to employment and GDP (Njelita, Onyeagwara, & Ekwunife 2023). However, these enterprises often face challenges such as limited market reach and stiff competition, digital skill gaps where by not all SMEs have the knowledge or staff to run effective campaigns, and cybersecurity where by Online exposure increases vulnerability to data breaches if proper security measures are not in place (Eze and Obikeze ,2017; Schaupp & Belanger (2014). The advent of online marketing presents an opportunity for SMEs to overcome these hurdles by expanding their customer base and enhancing sales performance. This study explores the extent to which online marketing influences the sales performance of SMEs in Nigeria.

1.2 Statement of the Problem

Despite the proliferation of digital technologies, many Nigerian SMEs have been slow to adopt online marketing strategies (Victor, Yashim & Ali (2021). This reluctance may stem from a lack of awareness, technical expertise, or perceived relevance. Consequently, these businesses may miss out on opportunities to increase sales and market share. Understanding the impact of online marketing on sales performance is crucial for SMEs aiming to thrive in a competitive business environment.

Studies by (Olusegun, Olympus& Olakunle, 2020; (Nwoko & Obi, 2024; Njelita, Onyeagwara, & Ekwunife 2023) in the literature have shown the positive effect of online marketing strategies on performance of SMEs, but most of this studies were done in Abuja, Lagos, Anambra, it will be difficult to accept their finding because the environmental factor in Ibadan and other state will be different, and also the finding of (Silas, Adenike, Yerima,& Felix ,2023; onana, 2024) revealed a negative relationship between online marketing and performance of SMEs, consequent upon this gat ,it is necessary to carry out the effect of online marketing strategies on performance of SMEs in Ibadan, Oyo state, Nigeria to validate the findings of others in the neighboring state.

2.0. Literature Review

2.1 conceptual Review

2.1.1 Online Marketing and SMEs

Online marketing integrates the internet's creative and technical resources—such as design, development, sales, and advertising. As Susan (2018) notes, the online space attracts the majority of consumer attention, making it essential for businesses to establish a strong presence there. According to Amruta (2014), online marketing involves planning and executing the development, pricing, communication, and distribution of ideas, products, or services, leveraging digital technologies to facilitate exchanges that align with personal and organizational goals. Bressoles et al. (2016) explain that online marketing strategies aim either to attract new customers or to enhance the management of relationships with existing ones. Moreover, online marketing is closely integrated with traditional marketing methods, forming part of a broader multi-channel and cross-channel strategy. Essentially, it includes all marketing activities conducted through digital platforms. The

growth of online marketing in recent years has been fueled by the widespread expansion of information, communication, and technology (ICT). As highlighted by Olusegun, Olympus, and Olakunle (2020), online marketing utilizes technology-driven tools—including the internet, email, search engines, e-commerce, mobile devices, and social media—to promote products and services. In this context, online marketing spans a range of digital channels, such as social media platforms, email campaigns, search engines, and mobile applications, significantly boosting customer engagement and driving sales growth, as research indicates.

2.1.1 Dimension of Online marketing

2.1.1.1 Social Media Marketing

The use of social media marketing services is regarded as one of the most effective and impactful strategies for online businesses. These services deliver quick results and significantly influence a company's overall performance. Social media marketing involves promoting a business or website across various networking platforms and popular media channels such as Twitter, LinkedIn, Facebook, Blogger, and others. By leveraging social media marketing, businesses can drive increased traffic to their websites, leading to higher profits. With the widespread adoption of social media globally, companies have the opportunity to benefit from the extensive networks and connections these platforms offer.

Moreover, establishing an online presence through social media does not require substantial investment, as creating business profiles on these sites is generally free. As Evans (2008) points out, social networking platforms offer a simple and effective way to communicate and share products with a targeted audience. According to Bing Pan (2011), employing well-developed social media strategies can significantly enhance an institution's branding, improve its public image, and facilitate better communication with clients and stakeholders.

Social media usage has allowed customers to engage with businesses directly, access reviews and feedback, and make more informed purchasing decisions—ultimately fostering customer loyalty and expanding the client base.

In addition, mobile advertising has become increasingly important. In both developed and developing nations, mobile phones are widely used. For instance, Kenya has seen mobile phone usage spread even to rural areas, enabling businesses to communicate with large audiences easily. Small and Medium Enterprises (SMEs) can take advantage of the widespread access to mobile phones to market their products and services. Ryssen (2004) highlights the significance of mobile commerce, particularly the use of Short Message Services (SMS), to reach target customers across different geographical locations. The development of Bulk SMS services has made this method a cost-effective and practical communication tool for businesses today.

2.1.1.2 Search Engine Marketing

Search engine optimization (SEO) is now an essential component of online business. A company or website might not be able to achieve a high ranking on well-known search engines, especially Google, if SEO tactics and methods are not used properly. In order to give users the greatest results when they search for pertinent information for their query, several online directories and search engines have changed their algorithms due to the ongoing manipulation of SEO strategies in recent years. Placing specific highly sought keywords in specific locations across several web pages of a website is the primary goal of search engine marketing tactics. It seeks to raise the website's overall search engine ranking while offering your target audience pertinent and helpful content.

2.1.2 Performance of SMEs

Organizational performance is fundamentally determined by the ability to acquire and manage resources effectively, fostering a sustainable competitive advantage. Measuring financial performance is crucial, as it informs decision-making within economic entities by providing insights based on results. According to Lattin and Bucklin (1989), financial performance measurement offers valuable information that supports better decision-making and strategic actions within organizations.

Aderemi (2003) defines the performance of small businesses as their ability to contribute to job creation and wealth generation through successful startup, survival, and growth. Financial performance indicators are essential for evaluating the extent to which economic units achieve their strategic goals, objectives, and key success factors (Lattin & Bucklin, 1989).

Levasseur (2002) emphasizes that financial performance information is instrumental in predicting an enterprise's capacity and assessing how effectively it meets its set objectives. Among the most widely recognized profitability measures are return on assets, return on equity, and operating profit margin. Each of these indicators evaluates how well a business converts its resources into net income or profit, serving as measures of operational efficiency. Specifically, return on assets uses total assets, return on equity uses total equity or net worth, and operating profit margin uses gross revenues as inputs in assessing performance.

In contrast, financial metrics that do not directly measure net income are referred to as "financial efficiency measures." An important example is asset turnover, which gauges how intensively a firm utilizes its assets to generate revenue. Asset turnover is a critical financial efficiency ratio and should be included in any general manager's set of essential financial performance indicators.

2.1.2.1 Marketing Performance Measurements

Organizations measure the effectiveness of its trades sales promotion strategies in order to be able to ascertain the activities that are successful through performance evaluations- product market performance, market share, sales turnover (Aderemi, 2010); accomplishment of a given task ; optimal goals of the organization (Aderemi 2010); contribution to goals and objectives and specifically through marketing performance return on equities and return on investments; profit, sales, market share and cash flows (Ndubisi, N. O., and Chew, 2006); financial measures such as sales metrics (Ndubisi, N. O., and Chew,2006). However, this study will rely on the financial measures of market share

2.2 Theoretical Review

2.2.1 Social Network Theory

Social Network Theory provides SMEs with insights on the social ties that exist between individuals, organizations or groups. It views social relationships in forms of nodes and ties (York University, 2005). The individuals are represented in the form of the nodes, and the relationships between individuals are represented by the tides. In its simplest form, it studies the relationship between nodes and ties. It looks at the ability of owners to get access to resources not under their control in a cost-effective way through networking. It provides value to businesses by allowing them access to social resources that are embedded within a network (e.g., social media). Parker and Alstynne (2011), add that digital platforms are characterized by network effects and include Desktops, PDAs, network Switches, Multimedia, and mobile devices like smartphones and ERP systems to link the demand side to the supply side of businesses. Freeman (2006) studies social networks as structures made up of individuals connected by interdependencies, including

common interests, friendship, business communities or even dislikes. Social networking sites such as Twitter, LinkedIn, My Space, and Facebook have proved to be popular online activities in relation to time spent. According to Pradiptarini (2011), Facebook is the most common social media site followed by Twitter, LinkedIn, MySpace and YouTube in popularity. Social media has changed the strategies, and tools firms use to communicate, emphasizing. The widespread acceptance of digital marketing practices have greatly contributed to the personalization of marketing where commercial entities progressively link with individual clients and users and gaining feedback on a one-to-one basis. Social media has therefore, become significant as a means of internet marketing given its wider adoption.

2.3. Empirical Studies

Ilesanmi & Oyedepo (2023) determined the combined influence of digital marketing (social media marketing, email marketing, search engine marketing, mobile marketing, and internet marketing) on the performance of SMEs in Nigeria. A descriptive survey research design was adopted. The sample size of 397 was derived with the use of the Taro Yamane formula and a convenient sampling technique for data collection was equally employed. The study retrieved 374 properly filled questionnaires out of 397 questionnaires distributed to selected SMEs. The data were analysed using inferential statistics. The results revealed that Social Media Marketing, e-mail marketing, Search Engine Marketing, Mobile Marketing, and Internet Marketing have a collective significant and positive influence on SMEs' Performance. The study concluded that SMEs that effectively leverage digital marketing strategy experience improved performance.

Ajede, , Ibrahim, , Bakare, & Abdulwahab (2025). examined the main influence of online marketing on the business performance of SMEs. Specifically, the study determined the impact of social media marketing on the business performance of SMEs in Kwara State. The study was a survey consisting of 343 participants drawn from a population of 3,124 SME owners who were selected through simple random, purposive and convenient sampling techniques. The participants were purposively selected based on their registration with the Kwara State Board of Internal Revenue, with a sample size of 343. Multiple linear regression was used to analyse the hypothesis. The study results reflected in the model summary with an R square value of 0.666, implying that social media marketing significantly influences the business performance of SMEs in Kwara State. The model indicated a strong relationship between the dependent variable (business performance) and the independent variable (social media marketing). It is therefore recommended that more SMEs in Kwara State embrace online marketing to increase awareness of their products/ activities, improve their business visibility and expand their customer base through the utilization of Facebook, email, WhatsApp, Google, and Ad Words. In addition to the above, organisations and employees should be trained on digital marketing tools in order to be able to reach out to more prospective customers, meet up the pace of other bigger business owners and achieve greater financial stability.

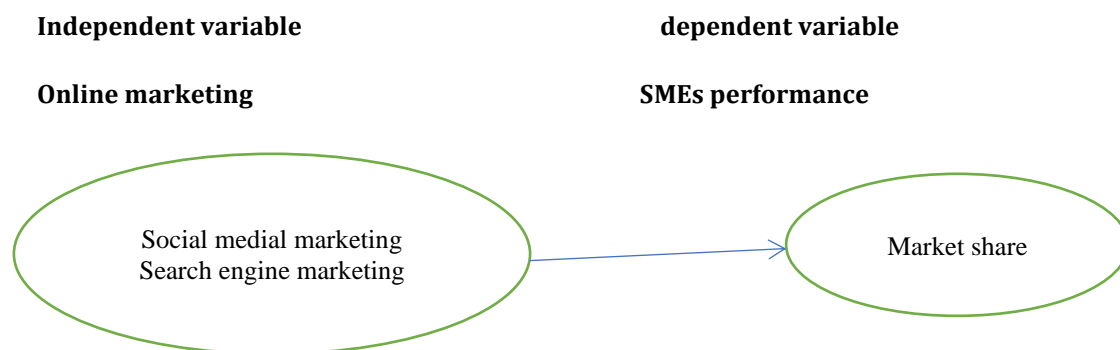
Onana, 2024 Micro enterprises in Nigeria lack brand equity in terms of customers awareness for distinct Nigerian micro enterprises brands, trust in perceived quality for micro enterprises products, loyalty and brand associations which limits their ability to perform well despite use of digital marketing. This study sought to ascertain the effect of digital marketing on consumer-based brand equity (CBBE) of micro enterprises in Nigeria with social media marketing, email marketing, mobile marketing, web solutions marketing, search engine optimization and pay per click advertising as the independent variables of the study, while micro enterprises consumer-based brand equity was the dependent variable of the study. The study adopted survey research design with a sample of 400 respondents from a population of micro enterprises' customers who were registered active internet users in the country. Factor Analysis using structural equation modelling (SEM) was employed in analyzing the primary data collected for the study from structured questionnaire in google forms electronic survey tool. The study found that social media and mobile marketing have positive but

insignificant effect on the brand equity of micro enterprises while webs solutions has a negative but insignificant effect. Email, search engine optimization and pay-per-click on the other hand have positive significant effects on brand equity of micro enterprises in Nigeria.

Silas, Adenike, Yerima, & Felix (2023) Micro, Small and Medium Enterprises (MSMEs) are engaged in recreation and economic wellbeing of a nation. They generate diversified sources of national income, improve a country's competitive advantage and support economic development leading to suppleness of the economies. This study examines the influence of digital marketing on MSMEs performance in Plateau State, survey research design was used, data were obtained from 130 MSMEs in Plateau State through self-administered questionnaires and the study instruments were adapted from previous studies. The study instruments were subjected to determine the validity and reliability of the research instrument and subsequently to determine the hypothesized direct relationships among the variables through multiple regression analysis method. The findings revealed that social media marketing, e-mail marketing, internet marketing, and mobile marketing, are positive related to the performance scale of micro and medium scale enterprises in plateau state, while search engine marketing has no relationship with firm performance.

Olusegun, Olympus & Olakunle, (2020) investigated Online Marketing and the Performance of Small and medium scale enterprises in Ikeja Local Government Area of Lagos State. Survey research design was employed for the study where 142 respondents (sample size) from the selected total estimated population of 221 SMEs for the study area and were gathered using structured questionnaire. Their responses were tested using appropriate statistical tools of SPSS package using the ANOVA, the correlation, and the regression too. Our study revealed that the Online Marketing affected the performance of SME positively which has allowed youths to be self-employed and created economic growth and regional development. Therefore, the study recommended that solving the performance of SME development can be single handedly done using Online Marketing. Hypothesis one shows correlation (r) value = 66.6% (0.666), at the P value of < 0.05, which shows that the regression model was fit. Hypothesis two shows that R² of 0.452, and value of P > 0.05, adjusted R² = 0.446, R² measures the percentage of variation in the dependent variable caused by variation in the independent variable. This research provides recommendations extracted from findings that, businesses need to develop indigenous technology; new products or processes based on innovations; seek, commercialize or exploit new technology ideas to meet market needs, customer expectations/preferences and consumer demands and identify market opportunities.

2.4 Conceptual Framework



3.0 Methodology

A descriptive survey research design was employed to assess the impact of online marketing on SME sales

performance. The study targeted 1000 SMEs that not registered in Ibadan Oyo, State. A sample of 278 SMEs was selected using Krejcie & Morgan (1970) formular, purposive, and convenient sampling techniques were used. Structured questionnaires were administered to collect data on the SMEs' online marketing practices and SMEs performance. Data were analyzed using multiple linear regression to determine the relationship between online marketing strategies and SMEs performance.

4.0. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Effect of online marketing on performance of SMEs in Ibadan Oyo State, Nigeria

Regression analysis, an inferential statistic, was employed to examine how online marketing strategies affect performance. The results revealed that the predictor variable (social medial and search engine online marketing strategies) were statistically significant to SMSe performance. Social media explained 23.2% of the variance in the SMEs performance, while Search Engine marketing explained 43.5% of the variance in SMEs performance in Ibadan, Oyo State. However, the overall effect of Online marketing on SMEs performance was significant (F= 6.339, p<0.05).

Table 4.1: Effect of online marketing on performance of SMEs in Ibadan Oyo State, Nigeria

Model	Unstandardized coefficients		Standardized coefficients Beta	T	Sign	Collinearity statistics	
	B	Std Error				Tolerance	VIF
Constant	5.332	1.423	.332	3.375	.000	.041	3.737
SM	.232	.126	.412	4.264	.000	.041	3.737
SE	435	.452		5.354	.001		
Model Statistics							
R	.722						
R ²	.562						
Adjusted R ²	.421						
S. E of estimate	2.44573						
F- stat	6.128						
Sig (F stat)	0.000						
DW stat	1.783						

Source: Field Survey, 2025

a. Dependent variable MARKET SHARE

Predictors: (Constant), SM, SE

SM= social media marketing

SE=search engine marketing

The regression analysis revealed a significant positive relationship between online marketing and market share of SMEs. The model summary indicated an R^2 value of 0.562, suggesting that approximately 56.2% of the variance in market share could be explained by online marketing practices. These findings align with previous studies, reinforcing the notion that online marketing is a critical driver of sales growth for SMEs.

5.0 Summary, conclusion and recommendations

The study concludes that online marketing significantly enhances the market share of SMEs in Ibadan, Oyo State, Nigeria. By adopting digital marketing strategies, SMEs can expand their market reach, engage customers more effectively, and increase sales. It is recommended that SMEs invest in building their online presence and leverage various digital channels to remain competitive in the evolving business landscape.

Declaration of Conflicting Interests

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