

Small Business Still Missing the Boat on Social Media and Internet Advertising

Daniel Sullivan
Ashland University

Dan Fox
Ashland University

Robert Stoll
Ashland University

Raymond Jacobs
Ashland University

The United States economy is heavily dependent on the success of its 30.2 million small businesses. These businesses typically operate in local markets. Constrained by the limitations of local markets, many small business owners struggle daily to keep their businesses afloat. The pressure of maintaining and operating a small business leaves little time for advertising. In an age of digital media and online retailing, many small businesses still fail to embrace the internet and social media as platforms for growing their firms and increasing their customer base. This study examines the reasons small business fail to embrace digital media and continue to hold onto traditional business models.

Keywords: small business, social media, internet advertising

INTRODUCTION

The United States economy is heavily dependent on the success of its 30.2 million small businesses (Giese, 2020). Many of these businesses operate in small local markets. The pressure of maintaining and operating a business a small market can leave little time for digital and traditional advertising. According to Neil Jenson (2013), effective marketing is one of the top four problems facing small business owners today. Despite the rising popularity of the internet and social media, the average small business invests only 1% of its revenues into advertising (Hessinger, 2019) and that fifty one percent of small businesses do not invest content advertising online (Herhold, 2019). As a result, many small businesses continue their reliance on repeat customers and word-of-mouth to generate sales (Howell, 2017). The primary advertising vehicle used by many small business owners continues to be print media; Sunday circulars and coupon mailing (Beattie, 2018). In 2019, Americans are expected to spend over \$365.2 billion in on-line sales with 2020 expected to exceed \$419.9 billion (Clement, 2020). As a result, many small businesses are missing out on

the shift toward internet/social media advertising and continue to struggle through continued reliance on traditional advertising.

LITERATURE REVIEW

Despite the obvious success of online advertising, many small business owners continue their love affair with traditional marketing techniques. Of primary importance to their effort, is word-of-mouth advertising. According to Nielsen, 92% of people trust recommendations from friends and family over any other type of advertising (Warren, 2020). Word-of-mouth advertising is a function of the business owner's efforts to provide customers with unparalleled products and service, resulting in high customer satisfaction. The customer shares favorable experiences and influences other individuals seeking similar service. This word of mouth marketing approach often results in business growth and enhanced reputation. Currently, seventy-four percent of consumers identify word of mouth as a key influencer in their purchasing decisions (Warren, 2020).

Another favorite advertising media used by small business is traditional print advertising. Traditional print advertising typically occurs in the form of newspaper ads, coupons, and flyers. Distribution of this media ranges from scheduled publications and mailings to the simple act of passing out flyers on sidewalks, in schools, or even sporting events. eMarketer reported that for 2010 print advertising accounted for 49.9% or \$25.7 billion of all marketing budgets (Brownlee, 2010). The rising trend of digital marketing has taken its toll on print media. In 2019, business owners spent \$14.8 billion on print advertising (Marketing charts, 2019). Despite the decline in popularity, small business owners continue to utilize print advertising because it is inexpensive, provides them with complete control of the distribution, and is effective. According to Newsworks (2017), ad recall is 2.6 times higher for printed advertising than it is for ads appearing in digital format. In addition, branding is 107% stronger in print advertising versus digital advertising, and print ads are 2.4 times easier to understand than digital advertising. Another factor contributing to small business owners' love of print advertising is cost. The cost of print marketing advertisements continues to decline. The cost of most popular promotional items, such as pens, shirts, and flyers have an average cost per impression of \$0.002 while the cost of on-line advertising averages \$0.00678 per impression; thus, increasing the appeal to small business owners (Guttmann, 2020). Bryan (2014) further states that with the current technological advances in printing capabilities, small business owners not only control the distribution of their print media but also its design and appeal. Bryan (2014) contends that print media's appeal extends beyond visual aesthetics by providing the customer with an intimate appeal to purchase. The ability to touch and feel print media creates a unique experience in a personalized method for sharing pleasing items with friends Newsworks, 2017).

Another favorite media for small business advertising is local radio. Experts view radio advertising as an intimate experience for the listener (Marketingcharts, 2019). Many people listen to radio while alone. According to Marketingcharts.com, 71% of people, listen to the radio while driving. The appeal of radio advertising to small business owners is a reliance on the habitual nature of customers. Everyone has a favorite radio station they listen to commuting to and returning from work. Customers usually will program their radios to preset stations accessing them at predetermined times. In addition, many individuals use radio as a way to fill dead spots in their workday. The habitual and captive nature of the radio audience greatly benefits small business advertising. The most sought-after time slots for radio advertising are during the morning and afternoon drives. Businesses use this opportunity to motivate customers to buy their product or service. Small business can easily taper their ads to appeal to different demographic groups because radio stations specialize in music types, such as R&B, rock, or country.

Radio advertising provides the business owner with the opportunity to engage the listener through voice and sound; an engagement that often leads to in-store sales (Hoey, 2018). Radio stations accommodate his demand by creating advertising packages for every small business budget. Most expensive radio advertising occurs during morning and afternoon drives. Less expensive options are available targeting less popular time slots. An effective local advertising campaign on a popular radio station could cost a small business

owns as much as \$200 per week in small town and as much as \$5,000 a week in a major metropolitan market such as New York City (Bourgeois, 2019).

Podcasts have emerged as one of the best informational and marketing resources for entrepreneurs (Smale, 2010). Podcasts are distributed digital audio files made available on the Internet for downloading to a computer or mobile device, typically available to subscribers. Similar to radio, podcasting offers small business owners a unique way to connect with customers. Studies show that in 2019 fifty one percent of the U.S. population ages 14 to 54 listens to podcasts (Peiser, 2019). Companies such as Google, Pandora, Spotify and other continue to build their libraries and create unique advertising opportunities for small business (Kaufer, 2020). The average podcast has three time slots for ad placement. The first slot is called a pre-roll. A pre-roll ad runs in the first 15 to 30 seconds of an episode. The second ad is called a mid-roll. A Mid-roll ads last 60 to 90 seconds and plays approximately halfway through an episode. The last advertising slot in a pod cast is called a post-roll. A post-roll ad runs for 20 to 30-seconds just before the closing credits. In 2018, advertising on podcasts generated \$402 million in revenue, and spending could hit \$659 million in 2020 (Southeastern University, 2019) .

An available but lesser used option for small business advertising is television. In many cases, television advertising is limited to small businesses located in areas with access to a local TV station. Small business owners in these markets have the option of advertising through broadcast or cable stations. Rates for television advertising vary by the time slot and programing targeted. A 32 second commercial can cost from \$200-\$2,000 to create when using a professional production company (LaMarco, 2019). The major drawback of using local broadcasters is the limitations placed by major cable companies on their distribution.

Experts agree that small business must embrace e-marketing tools (SBE Council, 2019). Many businesses view websites and e-marketing tools as an effective way to reach new customers. Advertising data form 2019 revealed that small and medium-size businesses generated \$57 billion in revenue through the use of digital marketing. In 2019, over 209.6 million Americans spent over \$365.2 billion on online shopping (Clement, 2019). This number of online shoppers in the U.S. is expected to climb to 230.5 million by the year-end by the end of 2021 (Clement, 2020). Despite these statistics, over 36% of small businesses have failed to embrace digital marketing (Herhold, 2019).

RESEARCH QUESTION

This study examines the approach small business owners take in regard to the use of digital advertising as an effective tool to advertise their business. The author posed the following research question:

1. Do small business owners view the internet and social media as effective methods of advertising their businesses?

METHODOLOGY

The following study was conducted from September 2017 and December 2019. In order to answer the above research questions, fifty-five small businesses located in North Central Ohio participated in a three-year study designed to examine their marketing practices. The study took place at a local private university in conjunction with the area's Economic Development Council and Small Business Development Center. Data was collected for the study via a free clinic staffed by university students. Each participating business had a history of poor sales and inconsistent customer interface. Problems brought to the clinic were not prescreened. Faculty from the university's school of business, representatives from the area economic development council, and the local small business development center supervised clinical activities. Thirty-one of the small businesses involved in the study were from the retail sector, seventeen were from the service sector, and seven were from manufacturing. All of the businesses involved in the study approached the clinic seeking ways to increase their customer base. Student advisors worked with each small business owner for a 12-week period. During this period, students completed the marketing projects requested by the business owner. Each project included and assessment of the businesses' use of digital media marketing.

Each projected included the construction of digital media marketing platforms and training on their use if needed.

RESEARCH RESULTS

An analysis of the data collected by the research study revealed the following three themes (TABLE 1).

**TABLE 1
THEMES EMERGING FROM STUDY**

Number	Theme
1	The number of employees working in a small business influence the use of digital advertising.
2	Age is a factor in the small business owner's willingness to use digital marketing.
3	The small business owner's education level influences the use of digital advertising.

Theme 1

The first theme to emerge from the data showed that the number of employees working in a firm influences its use of digital advertising. At the beginning of the study, forty of the fifty-five, or 72.7% of the small businesses involved in the survey employed three workers or less. Of these forty businesses with 3 or less employees, fourteen businesses, or 35.0% indicated that they were engaged in some type of digital marketing either through a website or social media. Upon investigation, at the start of the study, the researchers discovered that only three these websites (TABLE 2) and one social media site were actually current. Two of the social media sites claimed to be current by the small business owners at the start of the study had not been updated in fifteen months (TABLE 3).

**TABLE 2
WEBSITE USE VERSUS EMPLOYEES IN FIRM AT THE BEGINNING OF THE STUDY**

Number of Employees in Firm	Number of Businesses in Study	Businesses with Websites	% with Websites	No. of Websites Current	% of Websites Current
1	15	4	26.6	0	0.0
2	20	5	25.0	3	15.0
3	5	4	80.0	1	20.0
4	5	3	60.0	1	20.0
5	5	5	100.0	3	60.0
8	1	1	100.0	1	100.0
10+	4	4	100.0	3	75.0

**TABLE 3
SOCIAL MEDIA USE VERSUS EMPLOYEES IN FIRM AT THE BEGINNING OF THE STUDY**

Number of Employees in Firm	Number of Businesses in Study	Businesses with Social Media Sites	% with Social Media Sites	No. of Social Media Sites Current	% of Social Media Sites Current
1	15	0	0.0	0	0.0
2	20	1	5.0	1	5.0
3	5	2	40.0	0	0.0
4	5	2	40.0	2	100.0

5	5	4	80.0	3	60.0
8	1	1	100.0	1	100.0
10+	4	1	25.0	1	25.0

Study participants indicated that the primary reason Internet/social media advertising was ignored was based on the time commitments needed to maintain the sites. Each business owner indicated the belief that digital advertising was beneficial but when forced to choose between running the business on a day-to-day basis or maintaining the current digital advertising sites, they stated that the daily needs of the business came first. When asked if they would consider an outside firm to conduct digital media advertising on their behalf, all stated they had never considered the option due to cost constraints. Fifteen or 27.3% of small businesses involved in the study employed more than three employees. Of these 15 businesses, thirteen had websites at the start of the study and eight of these websites were current. These same eight participants had a social media account on either Facebook or Twitter, with all social media accounts kept current.

At the beginning of the study, each owner received training on the use and maintenance of digital advertising sites. At the conclusion of the study, only 21 of the 40 or 52.5% of the participants with three employees or less were actively involved in digital advertising either through the use of a website or social media platforms (TABLE 4). The remaining 47.5 % of the businesses owners in this category stated that the lack of available time was the reason they failed to actively engage either through their websites or social media platforms. Of the businesses, 15 employing more than three employees 14 or 93.3% were actively engaged in some type of digital advertising. The business owner in this category gave no reason for dropping the activity. An analysis of these results, finds that the number of employees employed in the firm influenced the business' decision to use digital advertising throughout the study.

TABLE 4
DIGITAL ADVERTISING USE VERSUS EMPLOYEES IN FIRM AT THE
END OF THE STUDY

Number of Employees in Firm	Number of Businesses in Study	Number of Websites	Number of Websites Current	Increase/Decrease from Start of Study	Number of Social Media Sites	Number of Social Media Sites Current	Increase/Decrease from Start of Study
1	15	14	6	6	14	11	11
2	20	16	6	3	16	7	6
3	5	3	1	0	3	3	3
4	5	5	4	3	5	3	1
5	5	5	5	4	5	4	1
8	1	1	0	1	1	0	1
10+	4	4	4	1	4	3	2

Theme 2

The second theme to emerge for the data was that the age of the business owner affected the firm decision to use digital advertising (TABLE 5). Fifteen or 27.3% of the business owners involved in the study fall in the generational classification of millennials ages 23 to 39 (Dimock, 2019). At the beginning of the study, six or 10.9% of the millennial owned business were actively engaged in some type of digital marketing. Twenty-four or 43.6% of the business owners involved in the study belonged to generation X ages 40 to 54 (Kagan, 2019). Ten or 18.1% of the generation X business owners were engaged in digital advertising at the beginning of the study. Sixteen or 29.1% of the business owners involved in the study were owned by members of the baby boomer generation ages 55 to 75, (Kegan, 2019). Only four or 7.3

percent of the baby boomer business owners were actively engaged in digital advertising at the beginning of the study.

The conclusion of the study showed an improvement in the use of digital advertising within each of the generational age group classifications. Two additional business owners in the millennial group became actively involved in digital advertising. This represents a 3.6% increase for this age group. Business owners from the generation X age group increased their active use of digital advertising by five business owners or 8.6%. Three additional business owners or 5.3% from the Baby Boomer generation became active users of digital advertising by the end of the study. Although these results are encouraging, 85.5 % of the millennial business owners, 72.7 % of the Generation X business owners, and 87.3% of the baby boomer business owners continue to ignore digital advertising as an effective way to grow their businesses (TABLE 6).

TABLE 5
DIGITAL ADVERTISING USE VERSUS AGE OF THE OWNER AT THE BEGINNING OF THE STUDY

Age of the Owner	Number	Use of Digital Advertising	% of Businesses using Digital Advertising
23 to 39	15	6	10.9
40 to 54	24	10	18.1
55 to 75	16	4	7.3
Total	55	20	36.3

TABLE 6
DIGITAL ADVERTISING USE VERSUS AGE OF THE OWNER AT THE END OF THE STUDY

Age of the Owner	Number	Use of Digital Advertising	% of Businesses using Digital Advertising
23 to 39	15	8	14.5
40 to 54	24	15	27.3
55 to 75	16	7	12.7
Total	55	30	54.5

Theme 3

The last theme to emerge from the data is that the business owners' level of formal education is an indicator of their willingness to advertise via the Internet/social media. Of the fifty-five business owners at the beginning of the study, only one had less than a high school education (TABLE 7). Twenty-seven of the study participant had a high school education. At the beginning of the study, sixteen or 59.2% of owners with only a high school education actively advertised through a website. Twenty-eight of the business owners had earned a college degree. Fifteen or 83.3% with a college degree were engaged in digital advertising as the beginning of the study. Nine of the business owners involve in the study had earned a Master's degree. Five or 55.6% of business owners with Master's degrees were engaged in digital advertising at the beginning of the study.

TABLE 7
DIGITAL ADVERTISING USE VERSUS EDUCATION LEVEL OF THE OWNER AT THE BEGINNING OF THE STUDY

Education Level	Number in Study	Using Digital Advertising	%
Less than High School	1	1	100.1
High School Only	27	16	59.2
College Degree Only	18	15	83.3
Master's Degree	9	5	55.6

At the end of the study, business owners with only a high school education digital advertising declined by 22%, from 59.2% to 37.9%. The business owners in this category expressed a frustration with the time and effort consumed in digital advertising and saw no benefit in continuing the practice. At the end of the study, the percentage of business owners holding a college degree and engaging in digital advertising remained unchanged. While the percentage of business owners with a Master's degree increased by 11.1%, from 55.6% to 66.7% (TABLE 8).

TABLE 8
DIGITAL ADVERTISING USE VERSUS EDUCATION LEVEL OF THE OWNER AT THE END OF THE STUDY

Education Level	Number in Study	Using Digital Advertising	%
Less than High School	1	1	100.0
High School Only	27	10	37.0
College Degree Only	18	15	83.3
Master's Degree	9	6	66.7

CONCLUSION

The first significant finding from the study is that number of employees in the firm influences this is owner's decision to use digital marketing. 72% of the businesses involved in the study employed three people or less. At the beginning of the study, 35% of the business owners engaged in some type of digital marketing through either a website or social media platform. During the course of the study, every business was given training on the use of digital advertising with unlimited follow-up/reinforcement training sessions. At the conclusion of the study, business owners employing 3 employees or less increase their participation in digital advertising to 52.5%. Proving that with proper training the use of digital improves among small business owners. Unfortunately, 47.5% of the business owners in this category still contend that digital advertising is too time consuming to engage in the activity.

Age proved to be a significant factor in a small business owners' decision to use digital advertising. At the beginning of the study, digital advertising was a lightly used tool. Supporters of this advertising method were concentrated primarily among business owners from Generation X and the millennial generations. At the conclusion of the study each generational group show a modest increase in the use of digital advertising. Millennial business owners increase their use to 14.5 % a 3.6% increase in participation. Generation X showed the largest increase in the use of this media increasing 9.2% to 27.3% overall. The baby boomer generation business owners increased their participation in digital advertising from 7.3% to 12.7%. As a result, the younger business owners proved more likely to embrace digital advertising as an effect tool to grow their business than older business owners.

The last finding from the study was that education played a significant part in a small business owners' willingness to embrace digital advertising as an effective business tool. Among business owners with only

a high school education, the participation in digital advertising fell from 59.2% at the beginning of the study to 37% at its conclusion. Business owners stated that this 22.2% drop in participation was due to the time commitment involved in maintaining the digital sites and a general belief that digital marketing made no real difference to the success of their businesses. Among the business owners with only a college degree, participation remained a steady 83.3% level throughout the course of the study. At the beginning of the study, 55.6% of the business owners with both a masters and undergraduate college degree participated in digital advertising. This participation rate increased to 66.7% at the conclusion of the study.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study was limited to small businesses operating in North Central Ohio, which may not be representative of all industries. Further, the group had a limited number of participants who may not have had experience in all industries or all processes with respect to digital media business models.

This analysis gives the general understanding and trend of small business adopting digital media. It is useful as a guideline and structure for Collaborative Planning, Forecasting and Replenishment (CPFR) implementations but should be taken in the context of, and relative to, all the responses and potential shortcomings. These results should be accepted as indicative rather than conclusive of small business owners use of digital advertising. The appropriateness to generalize any of these findings varies on each subject. Therefore, it is dependent on the judgment of the reader and specific settings of the firm as to the appropriateness of generalization.

So, future study can be directed to focus on narrower areas of concern and perform extensive analysis to validate the results presented in this study.

REFERENCES

- Bourgeois, D. (2019, August 23). *Radio Advertising Costs & How to Negotiate Lower Rates 2019*. Retrieved March 19, 2019, from <https://fitsmallbusiness.com/radio-advertising-costs/>
- Brownlee, J. (2010, December 21). *2010 is the first year that advertisers spent more on the web than print*. Retrieved March 18, 2020, from <https://www.geek.com/news/2010-is-first-year-that-advertisers-spent-more-on-web-than-print-1301256/>
- Clement, J. (2020, February 6). *United States: Retail e-commerce sales 2017-2024*. Retrieved March 17, 2020, from <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>
- Dimock, M. (2019, January 17). *Defining generations: Where Millennials end and Generation Z begins*. Retrieved March 22, 2020, from <https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/>
- Giese, C. (2020, March 4). *How Many Small Businesses Are in the U.S.? (And Other Employment Stats)*. Retrieved March 17, 2020, from <https://www.fundera.com/blog/small-business-employment-and-growth-statistics>
- Gutmann, A. (2020, March 3). *Social media ads CPM worldwide Q2 2018 - Q4 2019*. Retrieved March 18, 2020, from <https://www.statista.com/statistics/873631/social-media-advertising-cpm/>
- Herhold, K. (2019, February 27). *The State of Small Business Advertising in 2019*. Retrieved March 17, 2020, from <https://themanifest.com/advertising/small-business-advertising-2019>
- Hessinger, S. (2019, December 5). *How Much Do Small Businesses Spend on Advertising and Marketing?* Retrieved March 17, 2020, from <https://smallbiztrends.com/2018/04/much-small-businesses-spend-on-advertising-marketing.html>
- Hoey, K. (2018, July 20). *How Selling Radio Ads Helped This Entrepreneur Build Her Digital Business*. Retrieved March 19, 2020, from <https://www.forbes.com/sites/kellyhoey/2018/07/20/how-selling-radio-ads-helped-this-entrepreneur-build-her-digital-business/#793233cc50d3>
- Kagan, J. (2019, June 25). *Generation X – Gen X*. Retrieved March 22, 2020, from <https://www.investopedia.com/terms/g/generation-x-genx.asp>

- Kaufer, K. (2020, January 6). *Podcast Advertising Trend Predictions For 2020*. Retrieved March 19, 2020, from <https://www.forbes.com/sites/forbesagencycouncil/2020/01/06/podcast-advertising-trend-predictions-for-2020/#4af6dd696a14>
- LaMarco, N. (2019, January 15). *How Much Does Television Advertising Really Cost?* Retrieved March 19, 2020, from <https://smallbusiness.chron.com/much-television-advertising-really-cost-58718.html>
- Marketing Charts. (2019). *US Online and Traditional Media Advertising Outlook, 2019-2023*. Retrieved March 18, 2020, from <https://www.marketingcharts.com/advertising-trends-108995>
- Marketing Charts. (2019, April 23). *AM/FM Radio Listeners Keep Tuning In*. Retrieved March 19, 2020, from <https://www.marketingcharts.com/cross-media-and-traditional/radio-traditional-and-cross-channel-108187>
- Newsworks. (2017). *Print vs digital advertising Insight from RA Metrics*. Retrieved March 18, 2020, from <https://www.newsworks.org.uk/resources/print-vs-digital-advertising>
- Pieser, J. (2019, March 6). *Podcast Growth Is Popping in the U.S., Survey Shows*. Retrieved April 10, 2020, from <https://www.nytimes.com/2019/03/06/business/media/podcast-growth.html>
- SBE Council. (2019, September 10). *Online Advertising Delivers BIG Benefits for Small Businesses*. Retrieved March 19, 2020, from <https://sbecouncil.org/2019/09/10/online-advertising-delivers-big-benefits-for-small-businesses/>
- Smale, T. (2019, January 31). *How You Can Make Podcasts Your Secret Weapon for Promoting Your Business*. Retrieved March 19, 2020, from <https://www.entrepreneur.com/article/327151>
- Southeastern University. (2019, April 30). *Is podcast advertising effective?* Retrieved March 19, 2020, from <https://www.marketingdive.com/spons/is-podcast-advertising-effective/553581/>
- Warren, M. (2020). *Word of Mouth Marketing in 2020: How to Create a Strategy for Social Media Buzz & Skyrocket Referral Sales*. Retrieved March 17, 2020, from <https://www.bigcommerce.com/blog/word-of-mouth-marketing/#what-is-word-of-mouth-marketing>