



INFLUENCE OF ONLINE ADVERTISEMENT ON PROFITABILITY OF SMALL SCALE BUSINESSES IN CALABAR METROPOLIS, CROSS RIVER STATE, NIGERIA

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ABSTRACT

The study empirically examined the Influence of online advertisement on profitability of small scale businesses in Calabar Metropolis, Cross River State, Nigeria. The study adopted a survey research design, and a sample of 289 was drawn from the population of 300. The Reliability co-efficient, ranged from 0.7 to 0.83. Simple liner regression was used in testing the hypothesis on which the study was anchored. The findings made by the study from which data was collected using a structured questionnaire. The research revealed that, there is a significant relationship between online advertisement and profitability of small scale businesses in Calabar metropolis. It was therefore concluded that online advertisement communication tools have enabled small scale businesses to advertise their products and services to the general public through the use of online advertisements mediums such as: Instagram, WhatsApp, Facebook and twitter. The findings of the result showed that online advertisement has a significant influence on the profitability of small scale businesses in Calabar Metropolis. The research recommended that small scale businesses in Calabar Metropolis should ensure that they have the required funds to carry out online advertising on Instagram and Facebook because the cost of advertising on these platforms ranges from five dollars to five hundred dollars depending on the quality of advertisement before venturing into it.

1.0 Introduction

The term "online advertisement" refers to both audio and visual content. Businesses can utilize this tactic to publicly support a message that is objective and intended to sell or promote a specific product to a target market. The fundamental goal of an advertisement is to persuade a target market to buy or purchase a specific good or service (Pope, 2013). The internet and information technology have enabled multimedia effects, text, photographs, video, and audio files, as well as sophisticated online media and expanded the content of online advertising. Because it has transformed communication from the traditional one-way to a more

participatory form, this type of advertisement has further improved the interaction between advertisers and the targeted audience (MuiJoo & Teng-Chan, 2017).

Online advertising, sometimes referred to as Internet advertising, is a special kind of advertising in which the Internet plays a significant role in reaching the target audience with promotional messages. Because it lowers transaction costs and boosts profit margins for small businesses using the World Wide Web (www), it is both cost-effective and highly effective.

Suan and Wahidah (2015) define small scale businesses as companies with a limited amount of capital to operate. A business's primary goals are to increase profit, sales, and reduce operating costs. By using the internet to sell their goods and services, small businesses can cut costs and also use it as a platform for customer negotiations, engagements or transactions. However, e-business has made it possible for small enterprises to run around the clock without experiencing a significant increase in labour costs or other operating expenses. Vlachos (2008). Stated that when compared between traditional methods of advertising, online advertising is both more affordable and very effective. Nowadays, small businesses can use the effective and affordable internet to market their goods, services, and products.

Small businesses can monitor the outcomes of their web advertising at a micro level if they choose to spend money on it. By targeting the appropriate audience with their ads, they will be able to determine the precise number of people who have responded to them (Bob-Regnerus, 2018). According to a study by MuiJoo & Teng-Chan (2017), 8% of internet users account for 85% of display clicks, indicating the effectiveness of online advertising. Saleh (2015) also disclosed that, despite the poor average click-through rate, online advertisements account for 95% of Google's revenue. It would be illogical for an individual to assume that online advertising is not very advantageous to the advertiser in light of this enticing revenue.

Despite the advantages that come with small scale businesses using online advertising, some of them are hesitant to do so because of their low investment capital ratio which need money in order to install the required security measures to prevent theft, fraud, and invasion of privacy. on these social media sites—Facebook, Instagram, and WhatsApp—the expense of advertising is comparatively high. Depending on the quality of advert, the price range for Facebook and Instagram advertising is five

to five hundred dollars. Thus, it is relevant to investigate the degree to which online advertisement influence small scale business enterprises' profitability in Calabar metropolis.

1.1 Research Objective:

The general objective was to examine if online advertisement has a significant influence on profitability of small-scale businesses in Calabar Metropolis.

1.2 Research question:

Does online advertisement have a significant influence on the profitability of small-scale business in Calabar Metropolis?

Research hypothesis: The hypothesis below was formulated in a null form to statistically ascertain the research question:

Online advertisement has no significant influence on the profitability of small-scale businesses in Calabar Metropolis.

2.0 Literature Review

2.1 Concept of Online Advertisement

Using websites or social media platforms as a means for advertising is known as online advertising. With the development of the world wide web (www), technology has made it feasible for businesses to sponsor online advertisements and promotional messages that show up on internet users' laptops, smartphones, tablets, and other devices even without them being clicked. Since the advent of these e-business tool, businesses of all sizes have had the chance to showcase their goods and services on the internet, which has a larger audience than the traditional approaches. Businesses can now exhibit their commodities, products, and other promotional materials in software, and, most of the time, mobile applications, as an alternative to the traditional technique of promoting. Online outlets for advertisements come in a plethora of varieties. There are three main online channels, according to Roe (2017). The

researcher emphasized pay per click, search engine marketing & optimization, and display advertising.

- A. Display advertising is a type of web advertising that is paid for and uses both text and images. The two most widely used types of display advertisements are pop-ups and banners. Display ads are distinct from other types of advertising in that they don't appear in search results. Instead, display ads can be seen on blogs and websites, which aid in directing visitors to the business's product page and point of sale.
- B. Although search engine marketing and optimization are two distinct forms of online advertising, they both support content and raise the possibility of attracting potential clients via the internet. Search engine marketing is a form of paid advertising in which advertisers pay each time a user clicks on their advertisement, forwarding them to the advertiser's page or website, whereupon the customer completes the purchase. On the other hand, search engine optimization entails using strategies like linking, focusing on keywords, and creating Meta descriptions (# tags).
- C. Pay per click: Pay per click is a powerful tool because advertisers only pay when a user clicks on their ads. Should the advertisement be viewed by 200 individuals but only 50 of them clicked on it, the advertising expenditure would be centred around those 50 individuals. Typically, pay per click advertisements consist of text and a small graphic.

2.2 Concept of Profitability

According to Janet (2018), a firm must learn to reach a satisfactory level of profitability. Profitability is the ability of a business to earn profit or yield financial gain. Profit is the total revenue remaining after all

expenses have been removed, including tax. In order to increase profitability, one must ascertain which aspects of a financial strategy are effective and which ones require improvement. The scholar continued by identifying the crucial variables that affect an organization's profitability, including sales, pricing, spending, and profitability measurement.

1. Sales: have a significant role in a company's profitability. Based on current year sales, the return on sales ratio can be used as a measurement tool to calculate profit after taxes. An increasing sales volume indicates that a company is better positioned to handle and navigate any potential economic downturn.
2. Pricing: Another important factor in assessing a company's profitability is price setting. Any organization looking to determine the ideal price strategy must carefully consider all factors. In order to set prices that are efficient enough to maximize profits, business organizations need to evaluate what their competitors are doing with reference to the pricing of their goods. Considering the price that a buyer is willing and able to pay for a product is another factor. It has been noted that buyers will pay more for a high-quality item.
3. Expenses: An organization's revenue must, above all, surpass its expenses in order for it to turn a profit. Expenses in an accounting year are the cost of resources used to operate a business. When all costs are subtracted from total revenue, the remaining amount is known as profit.
4. Measuring profitability: Any business's success is directly correlated with its level of profitability. The revenue and expenses for the business year are broken out in an income statement.

The profitability ratio is one way to gauge a business's level of success. A business's financial health is evaluated using profitability ratios. According to sales, total assets, and net worth, a profitability ratio examines how profit was made.

Effect of Online Advertisement on Profitability of Small-Scale Businesses

According to renowned advertisement scholar Kimberlee (2018), the internet's development has enabled businesses to run online advertising campaigns and provided a platform for identifying potential customers. It has also established the necessary systems for evaluating the effectiveness of these campaigns. Search engine, social media, and website sponsored adverts are examples of online advertising systems. The expert continued by saying that the main benefits of online advertising include cost-effective split testing campaigns, tracking and analytics, consumer targeting, advertising on any budget, and tracking.

1. Targeting the right customers: According to Kimberlee (2018), internet ads can be placed in the places where potential customers spend the most of their time. She continued by emphasizing that search engine advertisements target particular categories of websites that users may visit. A classic scenario would be a motor part dealer who would see their advertisement on a vehicle dealer website after placing an advertisement on a search engine. Thanks to Facebook, small businesses can now target their ads to customers based on their preferred salary range, age, hobby, and geographic area.
2. Marketing on a shoestring: Since most small businesses cannot afford the cost of a magazine layout, they typically use internet advertisement services, which are more affordable, stress-free, and effective. A promotional campaign can

be sponsored by advertisers on certain social media platforms for as little as 300–500 naira each day. While it's true that greater budgets frequently result in favourable rankings and prompt consumer action more quickly than smaller ones, the idea of being able to target an audience for a minimal quantity of money and monitor the success is simply unmatched.

3. Analytics and tracking: Because there is no system in place to monitor the effectiveness of any business advertisement, the traditional form of advertising – which includes magazine and television commercials – is less effective for small firms. Online advertisements make it simple to track a promotional campaign from beginning to end. With the aid of analytics, business owners can now determine the total number of people who have seen their advertisement, as well as how many times the advertisement was run. Businesses can also benefit from analytics by knowing how long a user spent on their page and how many times they opened the ads.
4. Campaigns for split testing that are affordable: Split testing compares two different advertisements, such as A and B, for example. It works by comparing the results of both A and B. The advertiser then attempts to distinguish between A and B in order to determine which of the advertisements will garner more attention. A married pair between the ages of 25 and 45 could be the target of advertisement B if advertisement A is targeting married couples in that age range 25-50. The test could also be based on demographic data such as age.

3.0 Research Methodology

In order to get reliable results, this study used the survey research design approach, which comprises looking at a variety of small businesses in the Calabar metropolis. According to Emory (1980) as stated in Etuk (2010), the survey research design allows the researcher to look for verbal answers to questions or statements; it is the only workable technique to obtain a variety of information in the most efficient manner. This study was carried out in Calabar, Cross River State. Twenty (20) registered small scale businesses were selected in the study area. The population of the study comprise of all the staff of Andy systems (16), TUNS-7 (12), Grafikas (10), First Class barbing saloon (13), OZ Branding (13), The Fusion Calabar (15), Best boutique (10), Elitoks Furniture (26), Hennyplain wine & Gifts (10), La-Shakara Branding (20), Gadwine (10), Body Cave (11), Ibeanu& Sons Electronics(18), Sunny Boutique (12), Ejasco Cosmetic Centre (14), Abraham clothing line (25), Judon Electronics (10), Express Supermarket (15), Measureless Might Bakery(30), Starterbag (10) giving a total of three hundred (300).

The research employed a simple random sampling methodology. Every sampling unit has an equal probability of being chosen when using the simple random sampling

approach (Etuk, 2010). Primary sources were used in the data collection. The primary data was collected from small-scale businesses owners in Calabar Metropolis, Cross River State, using field surveys. The 5-point Likert scale—strongly agreed, agreed, strongly disagreed, disagreed, undecided—was used in the English designed questionnaire. The questionnaire includes questions about how online advertising affects small businesses' profitability in Cross River State's Calabar city. Simple Linear Regression analysis was employed in this study. The simple regression line's general expression is ($y = a+bx$). The statistical analysis tool known as regression, which utilizes the statistical package for social science (SPSS) Version 23 to test for correlations and effects between variables, this method was due to the variables' involvement. Nonetheless, the sample size from the entire population was determined using the Taro Yamane formula.

$$n = \frac{N}{1 + N(e)^2}$$

Where

n = Sample size

N = Actual Population

1 = Constant

e = tolerable error (5 per cent)

The sample size for the study was 289

4.0 Presentation of Results and Discussion of findings

Table 1: Distribution and return of questionnaire

S/n	Category	Frequency	Percentage
1.	Number of questionnaire properly filled and returned	280	96.9
2.	Number of questionnaire not properly filled	5	1.7
3.	Number of questionnaire copies not retrieved	4	1.4
Total		289	100

Source: Researcher's computation, 2023

In Andy Systems, TUNS-7, Grafikas, First Class Barbing Saloon, OZ Branding, The Fusion Calabar, Best boutique, Elitoks Furniture, Hennyplain Wine & Gifts, La-Shakara Branding, Gadwine, Body Cave, Ibeanu& Sons Electronics, Sunny Boutique, and Ejasco Cosmetic Center, Table 1 above shows the response rate of the data collected through questionnaire.

Abraham clothing line, Judon Electronics, Express Supermarket, Measureless Might Bakery, and Starterbag, among others, demonstrate that 289 questionnaires were distributed to the chosen small scale businesses, and 289 surveys were returned, of which 5 copies were deemed invalid due to incorrect filling. Consequently, 280 correctly completed questionnaires, or 96.9% of the total, were employed in the study.

Table 2: Descriptive statistics of variables

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
OA1	280	4	5	4.83	.381	.145
OA2	280	2	5	4.31	1.262	1.593
OA3	280	2	4	3.54	.841	.708
OA4	280	4	5	4.62	.485	.235
PROF1	280	4	5	4.77	.421	.177
PROF2	280	4	5	4.77	.421	.177
PROF3	280	4	5	4.76	.430	.185
PROF4	280	4	5	4.09	.280	.079
AGGREGATE MEAN				4.46		

Source: Researcher's computation, 2023

Table 2: descriptive statistics based on responses to the variables under study, namely online advertising and small-scale business profitability in Calabar Metropolis. The study included data gathered from 280 participants. The aggregate mean was calculated for each variable. The mean of all the constructs (except OA2, OA3 and PROF4) were above 4.46 which indicates positive responses to the questions. OA2 represented the second question used in measuring online advertisement which is "Online advertisement has significantly helped me overcome market saturation.", OA3 represented the third question in measuring online advertisement which is "Online advertisement has created an opportunity to venture into new market", PROF4 represented the fourth question used in measuring profitability which is "The cost of acquiring fuel negatively affect profit". The minimum response of the constructs

was 2, 2, 4, (strongly disagree, disagree), (strongly disagree, disagree), (strongly disagree, disagree, undecided and agree) as seen in OA2, OA3, PROF4 while the maximum is for OA3 4 (agree) and 5 (strongly agree) as seen in most of the constructs. The standard deviation for most of the constructs were below 1. This shows that up to 68 percent of the spread of the values are clustered around the mean; and the variances show the spread of data is adequate.

Test of hypothesis

H₀: Online advertisement has no significant influence on the profitability of small scale businesses in Calabar metropolis.

Test Statistics = Simple Linear Regression

Table 3: Model summary of the effect of online advertisement on the profitability of small scale businesses in Calabar Metropolis.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847 ^a	.717	.716	.579

a. Predictors: (Constant), Online Advertising

Source: Researcher's computation, 2023

Online advertising's potential to impact small scale businesses' profitability in Calabar Metropolis is assessed, as seen in Table 3 above. As can be shown in the R column, Table 3, the model summary, shows that there is a significant degree of correlation (84.7 percent) between the two variables. When all other factors are held constant, the adjusted R² value of 0.716 indicates that online advertising can account for as much as 71.6% of the profitability of small scale businesses in Calabar Metropolis.

Table 4: Analysis of variance (ANOVA) result on the influence of online advertisement on the profitability of small scale businesses in Calabar Metropolis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	237.011	1	237.011	705.967	.000 ^b
	Residual	93.332	278	.336		
	Total	330.343	279			

a. Dependent Variable: Profitability

b. Predictors: (Constant), Online Advertising

Source: Researcher's computation, 2023

The relationship in Table 4's F-test (705.967, $p < 0.05$) shows that there is statistical significance in the independent variable's overall prediction of the dependent variable. As a result, the regression model fits the data well and offers enough proof to draw the conclusion that online advertising has a major impact on small businesses' profitability.

Table 5: Coefficients table for the effect of online advertisement on the profitability of small scale businesses in Calabar Metropolis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.931	.358		24.981	.000
	Online Advertising	.350	.013	.847	26.570	.000

a. Dependent Variable: Profitability

Source: Researcher's Computation, 2023

The t-test result ($t=26.570$) indicates that there is a direct and positive relationship between the two variables, and the coefficient table (Table 5) demonstrates that the independent variable (online advertising) statistically contributes significantly to the model. As a result, it is determined that online advertising significantly affects the profitability of small scale businesses in Calabar Metropolis, rejecting the null hypothesis.

4.1 Discussion of Findings

Based on the hypothesis's conclusion that demonstrated that the profitability of small scale businesses in Calabar Metropolis is significantly impacted by online advertising.

Suan and Wahidah (2015) corroborate this finding, stating that small businesses are ventures with limited funding for operations and that the primary goals of any business are to boost sales, increase profit, and cut operational expenses. By selling their goods and services online, small businesses have been able to cut costs and use the internet as a tool for negotiation with suppliers and customers. Online advertising is more affordable and highly effective than traditional forms of advertising, according to Vlachos et al. (2008). With the use of the internet, small businesses can now effectively and economically market their goods, services, and products.

5.0 Conclusion

The study demonstrates a clear correlation between small scale business profitability in Calabar Metropolis and online advertising. When compared to traditional methods of advertising, online advertising is both more affordable and very effective. Small businesses can now use online marketing channels like Instagram, WhatsApp, Facebook, and Twitter to promote their goods and services to the wider audience thanks to online advertisement communication tools.

5.1 Recommendation

Based on the findings of the study, it was recommended that the management of TUNS-7, Grafikas, First Class Barbing Saloon, OZ Branding (13), The Fusion Calabar, Best Boutique, Elitoks Furniture, Hennyplain Wine & Gifts, La-Shakara Branding, Gadwine, Body Cave, Ibeanu & Sons Electronics, Sunny Boutique, Ejasco Cosmetic Centre, Abraham Clothing Line, Judon Electronics, Express Supermarket, Measureless Might Bakery, and Starterbag should ensure that they have the required capital or funds to carry out online advertising on WhatsApp, Instagram, and Facebook because the cost of advertising on these platforms ranges from five dollars to five hundred dollars depending on the quality of advertisement.

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