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The Effect of Digital Marketing on Brand Development in Small and Medium Businesses

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Abstract

Today, all people use the Internet and spend much time searching the digital world and social media. As a result, businesses are also affected by the digital space, and they must develop their brand in their target markets to surpass their competitors. Digital marketing strategies extend and increase the popularity of a brand in the online space and can be used to create a campaign of potential and profitable customers easily. Therefore, this research investigates the effect of digital marketing on brand development. The research's statistical population includes the small and medium businesses of Tabriz. A questionnaire with 17 questions was used to collect data. Experts' opinions confirmed its face validity, and its construct validity was confirmed using confirmatory factor analysis. In addition, Cronbach's alpha coefficient was used to confirm its reliability. Structural equation modeling, SPSS, and Amos were used to analyze data. The results indicated a positive and significant effect of digital marketing on its components and brand development. In addition, it was also shown that marketing research has a positive and significant effect on brand development. Moreover, distribution channels' positive and significant effect on brand development was confirmed. Finally, the results showed that customer-related activities positively and significantly affect brand development.

Keywords: Digital marketing, marketing research, distribution channels, customer-related activities, brand development, small and medium businesses

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Introduction

As a traditional conceptual product, marketing is formed due to societal changes, especially in people's behavior. As a result, the strategies used by companies have also changed. On the other hand, brand development has become a critical challenge for companies because the contemporary business environment is evolving and requires companies to adopt new practices. Digital marketing refers to the marketing strategies companies use to sell products in this era of internet development. Digital marketing was first limited to providing text information on companies' products and

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services. However, the growth of Internet use and social media marketing extended the scope of digital marketing beyond providing information. In addition, digital marketing acts as a platform for advertising while helping manufacturers interact with customers because the increased presence of consumers in digital platforms such as social media has made companies focus more on digital marketing [1]. Today, companies operate in a highly competitive world, and they seek to increase their sales volume and development in various fields of the market to guarantee their superiority and achieve competitive brand goals. An effective strategy that they can use is brand development. A brand is a combination of different elements such as a sign, symbol, design, logo, etc., and it is used to define the identity and distinguish the company's product or service in the market from other competitors [2]. Brand development means introducing new products using existing brands, and it was coined as a widespread strategy after the 1980s. Brand development affects the company's name and brand equity, and it helps consumers know the main brand and introduce new products and their rapid increase in newly created segments of the market [3]. Generally, a brand can be developed vertically and horizontally. Vertical brand development means supplying a product with a higher quality and higher price along with another product with a lower price and lower quality from the mother brand to the market. Horizontal development includes two categories of development in different classes and a linear development with the mother brand. Linear development supplies a product from the mother brand group to the market. This strategy can lead to form, shape, size, and brand use changes. In addition, it may expand in a different class and provide a different product from the mother brand to the market [4].

On the other hand, having marketing knowledge and skills in economic enterprises is one of the abilities or competencies needed to succeed in competitions. Today, companies employ two elements of customer satisfaction and higher sales and profitability through market research and understanding customer needs to survive in a competitive world. For this purpose, a possible method to reach the goals mentioned above is examining and using the marketing concept [5].

Digital marketing is widely used in digital channels to promote products or services and reach customers. Digital marketing goes beyond Internet marketing and even includes channels not requiring the use of the Internet, such as mobile phones (e.g., SMS and social media marketing messages, display ads, search engine marketing, etc.) and different digital media [6]. Research shows that digital marketing affects brand awareness and development [7]. However, it needs further investigation into whether digital marketing affects brand development in small and medium businesses (SMEs). For this purpose, the current research seeks to investigate and answer the question of whether digital marketing affects brand development in SMEs.

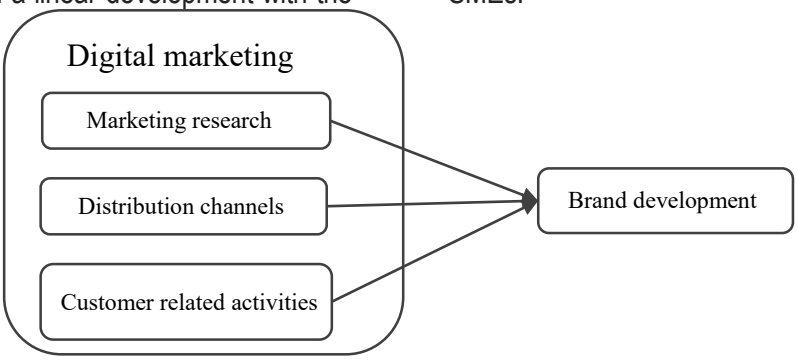

Figure 1: The research conceptual model

Research Methodology

This research is practical in terms of purpose because it examines the effect of sales networking through creativity and job satisfaction on sales performance, and the expected result can be applied to improving performance. In addition, this research is correlational in terms of methodology because the researcher investigates the mutual relationship of the research variables.

This research uses the library method to collect the required secondary information. In addition, it uses a field method and a questionnaire to collect the primary information and test the research hypotheses.

The research questionnaire has 17 items, consisting of three main parts as follows:

First part: This part introduces the researcher, presents a summary of the research, appreciates the respondent for their cooperation, and assures them that their information will be completely confidential.

Second part: It includes demographic information, including gender, age, and education level.

Third part: This part is divided into four separate parts. The questionnaire questions include 17 items: brand development has 6 items, and digital marketing has 11 items, which in turn is divided into marketing research (3 items), distribution channels (4 items), and customer-related activities (4 items). A 5-point Likert scale is used to measure the research items. The Likert scale is widely used in humanities and behavioral science research due to the ease of its understanding, application, and ability to measure attitudes. Likert scale is used to measure the attitude of managers and employees. Questionnaires were completed in person, and a short interview was conducted with respondents regarding how to answer the items before getting their answers to ensure the accuracy of responses. SMEs include companies with less than 500 employees. According to an inquiry from the East Azerbaijan Chamber of Commerce, there are 3327 companies with less than 500 employees in Tabriz. In order to determine the sample size, Cochran's formula was used. The sample size with a sampling error of 5% and a confidence level of 95% is 344.

The questionnaire's reliability is good because Cronbach's alpha is more than 0.7 for all the variables and dimensions.

Table 1. The confirmatory factor analysis (CFA) results for the questionnaire items

Variable	Item	Factor loadings	Kurtosis	Skewness	Significance level	Result	Cronbach's alpha
Marketing research	q1	0.61	-1.173	-0.066	0.000	Significant	0.779
	q2	0.72	-1.037	0.376	0.000	Significant	
	q3	0.78	-0.903	0.409	0.000	Significant	
Distribution channels	q4	0.75	-1.095	-0.023	0.000	Significant	0.804
	q5	0.76	-1.172	0.115	0.000	Significant	
	q6	0.65	-0.795	-0.262	0.000	Significant	
	q7	0.67	-0.984	0.383	0.000	Significant	
Customer related activities	q8	0.76	-1.140	0.096	0.000	Significant	0.783
	q9	0.71	-1.014	0.295	0.000	Significant	
	q10	0.65	-0.736	0.626	0.000	Significant	
	q11	0.42	-1.016	-0.221	0.000	Significant	
Brand development	q12	0.69	-1.243	0.088	0.000	Significant	0.830
	q13	0.60	-1.000	-0.226	0.000	Significant	
	q14	0.72	-0.910	0.343	0.000	Significant	
	q15	0.63	-1.136	0.177	0.000	Significant	
	q16	0.63	0.915	1.173	0.000	Significant	
	q17	0.61	-0.362	0.826	0.000	Significant	

Table 2. Fit indices of confirmatory factor analysis models

Index	Suitable value	Value
Degree of freedom (df)	-	113
Chi-square (χ^2)	2 df ≤ χ^2≤ 3 df	229.955
Optimized Chi-square ($\frac{\chi^2}{df}$)	< 3	2.035

Index	Suitable value	Value
The goodness of fit (GFI)	≥ 0.8	0.815
Root Mean Residual (RMR)	< 0.09	0.011
Comparative fit index (CFI)	0.9	0.943
Root Mean Squared Error of Approximation (RMSEA)	< 0.08	0.071
Parsimony Goodness of Fit Index (PGFI)	0.6-1	0.602
Parsimonious normed-fit index (PNFI)	0.6-1	0.676

As a general index, the relative or optimized Chi-square index is calculated by dividing the chi-square value by the degree of freedom of the model. The acceptable values for this index mainly place between 1 and 3. As can be seen in Table 2, the value of this index for the desired model is 2.035, which is a suitable and acceptable value. The comparative fit index (CFI) is a comparative index. If its value is between 0.9 and 0.95, it will be interpreted as acceptable, and values above 0.95 indicate a very good fit for the model data. The CFI value for this model is 0.943, which is more than 0.90 and indicates that the data are fitted very well. In other words, the model has moved away from an independent model and is approaching a saturated one.

The Root Mean Squared Error of Approximation (RMSEA), like the RMR index, is based on analyzing the residual matrix. The acceptable value for this index is 0.07 or smaller. The fit of models with values more than 0.1 is considered weak. The RMSEA for the proposed model is 0.071, which indicates its acceptability.

According to the above explanations and the value of quantitative indicators, it can be concluded that the research's theoretical model is acceptable. Therefore, in the next step, we examine the relationships within the model and the regression coefficient values between the latent variables. To test the hypothesis, a p-value and a significant number are used, and a relationship is considered significant if its p-value is less than 0.05 or the significance level (t-value) is more than ±1.96.

Table 3. Mean, standard deviation, and correlation of the variables

Variables	Average	Standard deviation	1	2	3	4
Marketing research	2.575	0.812	-	-	-	-
Distribution channels	2.540	0.804	0.980*	-	-	-
Customer related activities	2.679	0.916	0.805*	0.830*	-	-
Brand development	2.426	0.839	0.751*	0.785*	0.793*	-

In the above table, the coefficients marked with * are significant at the 95% confidence level, and coefficients lacking this sign are insignificant. As can be seen, all the coefficients are significant. This table shows that the largest correlation coefficient belongs to the relationship between marketing research and distribution channels (0.980), and the smallest coefficient relates to the significant relationship between marketing research and brand development (0.751). Therefore, there is a significant relationship between all the research variables.

Findings

The results of the first part of the general questions, which are related to the respondents' characteristics, showed that the frequency of respondents who answered this question is as follows: 17.7% were female, and 82.3% were male. The respondents' age was as follows: 27.4% were less than 30 years old,

31.1% were between 31 and 35 years old, 35.7% were between 36 and 40 years old, and 5.7% were older than 41 years old. The respondents' education was as follows: 31.7% had a bachelor's degree or lower, 40.3% had a master's degree, and 28.0% had a Ph.D. degree. Regarding familiarity with digital marketing, 26.6% had less than 3 years of experience, and 73.4% had more than 3 years of experience.

Structural equation modeling was used to examine the hypotheses examining the direct effects between the main variables of the research, and the results are discussed below. The questionnaire data were analyzed to ensure the validity and reliability of the research tool, and the following structural equation model was obtained.

Table 4. Fit indices of the research theoretical model

Index	Suitable value	Value
Degree of freedom (df)	-	116
Chi-square (χ^2)	2 df ≤ χ^2≤ 3 df	267.96
Optimized Chi-square ($\frac{\chi^2}{df}$)	< 3	2.31
The goodness of fit (GFI)	≥ 0.8	0.838
Comparative fit index (CFI)	0.9	0.968
Root Mean Squared Error of Approximation (RMSEA)	< 0.08	0.047
Parsimony Goodness of Fit Index (PGFI)	0.6-1	0.659
Parsimonious normed-fit index (PNFI)	0.6-1	0.650

As a general index, the relative or optimized Chi-square index is calculated by dividing the chi-square value by the degree of freedom of the model. The acceptable values for this index mainly place between 1 and 3. As can be seen in Table 4, the value of this index for the proposed model is 2.31, which is a suitable and acceptable value. The goodness of fit index (GFI) is a comparative index, with values more than 0.8 indicating suitable goodness of fit. Since GFI for the model is 0.838, the model fits the data well. The comparative fit index (CFI) is a comparative index. If its value is between 0.9 and 0.95, it will be interpreted as acceptable, and values above 0.95 indicate a very good fit for the model data. The CFI value for this model is 0.968, which is more than 0.90 and indicates that the data are fitted very well. In other words, the model has moved away from an independent model and is approaching a saturated one. The Root Mean Squared Error of Approximation (RMSEA), like the RMR index, is based on analyzing the residual matrix. The acceptable value for this index is 0.07 or smaller. The fit of models with values more than 0.1 is considered weak. The RMSEA for the proposed model is 0.047, which indicates its acceptability.

According to the above explanations and the values of quantitative indicators, it can be concluded that the research's theoretical model is acceptable. Therefore, in the next step, we examine the relationships within the model and the regression coefficient values between the latent variables. To test the hypothesis, a p-value and a significant number are used, and a relationship is considered significant if its p-value is less than 0.05 or the significance level (t-value) is more than ±1.96.

Finally, the results of testing the research hypotheses are presented below.

Table 5: The results of the research hypotheses

Hypothesis	Direct path	Path coefficient	p-value	Significance	Result
1	Marketing research → Brand development	0.23	0.000	13.104	Confirmed
2	Distribution channels → Brand development	0.19	0.000	11.185	Confirmed
3	Customer-related activities → Brand development	0.74	0.000	8.990	Confirmed
Main	Digital marketing → Brand development	-	0.000	1.96	Confirmed

Discussion

The research's main hypothesis states that digital marketing has a positive and significant effect on brand development, which is confirmed. In other words, the results obtained from the analysis showed that digital marketing positively and significantly affects brand development. This finding is consistent with the results of the previous research [8-13].

The first sub-hypothesis of the research claims that marketing research has a positive and significant effect on brand development. The results obtained from the study show that marketing research positively affects the development of e-commerce. In particular, since E-services affect customer loyalty and strengthen the company's competitiveness, which is consistent with previous research [14-16]. These studies show that companies and customers recognize the benefits of digitization and e-business.

The second sub-hypothesis of the research claims that distribution channels have a positive and significant effect on brand development. This study contributes to the existing research by examining the concept of digital marketing. In addition, studies have shown that distribution channels are a form of digital marketing that companies often use. This conclusion is especially evident in companies that use digital marketing. The engagement rate of users in social networks and the degree of their engagement are the most common ways to measure the effects of digital marketing. However, gaining followers from social networks requires spending a lot of time and experience, which is why this digital marketing tool is mainly used by companies that have been running it for more than five years. Companies that have used digital marketing for longer are further engaged with social networks, websites, and other forms of digital marketing, and they can better measure the effects of digital marketing. These companies can use digital marketing to become key players. These findings are consistent with previous studies [17, 18] and show that social networks are very effective tools for promoting companies and strengthening brands.

The third sub-hypothesis of the research claims that customer-related activities have a positive and significant impact on brand development, which is confirmed. In addition, the results showed that customer-related activities are cost-effective for brand promotion and positioning. Moreover, it was shown those companies that use digital marketing in their business believe that this form of marketing significantly affects their brand positioning, promotion, and e-commerce development. The study of the effect on advertising and brand positioning revealed that the longer the history of digital marketing in a company, the more likely it is that traditional marketing is inefficient for the positioning and promotion of the company's brand. In addition, the use of digital marketing can be considered an investment that takes time to gain customers' trust and collect positive feedback, and that is why companies with a longer history of implementing digital marketing have a greater ability to measure effectiveness [19].

The results of previous research suggest that various factors may influence the current research's variables. Since the present study's variables are not controlled, other factors may affect the results. Therefore, future studies can introduce new variables to the model and examine their effects.

The other limitation of the study was the lack of proper references on the research variables, which has been tried to use the available references as much as possible, but still, more extensive references can be included in future research. Moreover, the research scope was limited to the city of Tabriz. Therefore, a similar study can be conducted in other geographical areas or at different periods to see whether the results are the same.

Another limitation was that this study examines small and medium businesses. Future research is expected to cover this limitation and investigate large and even non-profit firms to check for possible different results.

The last limitation was that this study examined brand development from the perspective of business managers. Therefore, future research is expected to examine brand development from customers' perspectives and add value to the literature.

Conclusion

The results indicated that digital marketing positively and significantly affects its components and brand development. In addition, it was shown that marketing research positively and significantly affects brand development. Moreover, distribution channels positively and significantly affect brand development. Finally, the results showed that customer-related activities positively and significantly affect brand development

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