

## UNLOCKING GROWTH: AN EMPIRICAL STUDY OF AFFILIATE MARKETING IN SMALL AND MEDIUM ENTERPRISES (SMES) IN GUJARAT, INDIA

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### Abstract:

In the ever-evolving landscape of digital marketing, Small and Medium Enterprises (SMEs) are continuously seeking innovative strategies to enhance their market presence, boost revenues, and stay competitive. Among the myriad of digital marketing approaches, affiliate marketing has materialized as a compelling and lucrative avenue for SMEs to connect with their TGA (Target Group Audience), foster brand visibility, and drive business growth. This research focuses on exploring the effectiveness of affiliate marketing within the diverse industrial sectors of Gujarat, India. Gujarat, renowned for its entrepreneurial spirit and diverse industrial activities, provides a unique backdrop for investigating the adoption and impact of affiliate marketing in the SME sector. With a robust presence in manufacturing, services, technology, and retail, the SMEs in Gujarat operate in a dynamic environment, navigating challenges and opportunities that shape their marketing strategies. Affiliate marketing, as a performance-based strategy, involves collaborating with external partners (affiliates) who endorse a company's products in barter for a commission for each successful sale or lead generated. This decentralized and results-driven approach has garnered attention for its potential to offer a high return on investment (ROI) and a measurable impact on key business metrics.

The objective of this research is to delve into the specific context of SMEs in Gujarat and examine the adoption and utilization of affiliate marketing practices. By assessing the effectiveness of affiliate marketing in this region, the aim is to understand its impact on revenue generation, customer acquisition, and brand visibility within the unique business landscape of Gujarat. The research intends to explore various channels, activities and methods employed by SMEs in Gujarat when engaging in affiliate marketing. The research further focuses on examining the perceived impact of affiliate marketing on the revenue, customer acquisition, and brand visibility of SMEs operating in diverse industrial sectors within Gujarat.

**Keywords:** Affiliate marketing, Small and Medium Enterprises (SMEs), E-commerce, Innovation

**Introduction:**

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**Significance of the Study:**

This research is significant as it contributes to the prevailing body of knowledge on any of the studies made in connect to online marketing, digital marketing, or for that matter any e commerce strategies tailored for SMEs, with a specific focus on the affiliate marketing landscape in Gujarat, India. The findings definitely would provide valuable insights for SME owners, marketing professionals, and policymakers, offering practical recommendations for optimizing affiliate marketing strategies in this region. Moreover, the research is relevant beyond Gujarat, serving as a reference for SMEs in other emerging markets that are contemplating the adoption of digital marketing strategies for sustainable growth. As digital ecosystems continue to evolve, understanding the efficacy of affiliate marketing becomes instrumental for SMEs

## Literature:

Overall based on the past literatures it could be summarized that quite a lot of contribution is made on effectiveness and performance of a brand in the recent years. Firms are effectively able to acquire relative more customers, increase their sales and are able to generate better ROIs through affiliate marketing leading them to spend more on social media and affiliate advertising, (Hung, 2022). The researches referred further addresses the growing call for influencers, affiliate posts and hence generating a pool of big data to be further examined for better consumer insights (Sheth and Kellstadt, 2021). The external validation leads to a positive connection between parasocial relationship and advertising disclosures (Breves et al., 2021). The study also exists investigating the consumer behavior and data pertaining to customer engagement, and the results show higher impact on engagement under the influence of social media content (Dolan et al., 2019). Although affiliate marketing is being witnessed to be a great tool to promote products online through third parties, a culture persisting amongst the Small and Mid-cap companies moderates its usage. A high developmental intension in the SMEs lead to positive relationship between intension and compatibility to practice affiliate marketing (Dolan et al., 2019).

## Methodology

Descriptive approach was used in the study aiming to assess the adoption of affiliate marketing, a proper introspection of SMEs extent of utilization of affiliate marketing activities was made through this study. 150 Small and Medium Enterprises were surveyed from Gujarat State to also understand the impact of affiliate marketing on their revenue acquisition and brand visibility. A diversification is been catered by surveying SMEs dealing intextiles, chemicals, petrochemicals, engineering, pharmaceuticals, and agro-processing. 25 from each type of SMEs were surveyed since the state has a significant presence of SMEs across various sectors, contributing to both the regional and national economy.

Sr. No	Type of SME	Sample Size
1	Textile	25
2	Chemical	25
3	Petrochemical	25
4	Engineering	25
5	Pharmaceuticals	25
6	Agro-Processing	25

## Hypothesis

*H1: There is a significant difference between type of SMEs and their motivation in selecting affiliate marketing*

*H2: There is an association between Time of adoption and their extent of affiliate marketing utilization.*

*H3: There is an impact of Size of an SME on return from advertising (affiliate marketing).*

## Results:

### Objective 1: Assessing Adoption

The study focused on assessing the adoption of affiliate marketing among SMEs in Gujarat, we found that a significant portion of these enterprises has indeed embraced affiliate marketing as an integral component of their overall marketing strategy. Out of the 150 surveyed SMEs the **Adoption Rate of Affiliate marketing amongst the SMEs in Gujarat are** Approximately 70% of SMEs in Gujarat have incorporated affiliate marketing into their overall marketing strategy. And the **Time of Adoption since they had been using single or multiple affiliate marketing services are**, the majority of SMEs (55%) have been utilizing affiliate marketing for more than 1 year, indicating a sustained interest and commitment to this digital marketing approach. The study has further focused on analyzing the data to draw insights into patterns, preferences, and trends related to the adoption of affiliate marketing in this context.

H1: There is a significant difference between type of SMEs and their motivation in selecting affiliate marketing

The p value of less than .05 was required for significance. The ANOVA was significant  $F(5, 144) = 5.63, p = 0.025$ . This result allowed to rejecting the null hypothesis  $H_0$ . And accept the alternative, stating that there is a significant difference between types of SMEs and their motivation in selecting affiliate marketing. Since the overall test was significant, a post hoc test was conducted using Dunnett's C test, to compare the mean of taken 6 groups. The results indicated SMEs in to engineering, agro-processing and textile had significantly higher acceptance having mean score higher than the remaining counterparts like SMEs in to chemical, petro-chemical and pharmaceuticals.

### Objective 2: Utilization of Affiliate Marketing Practices

The owners and marketing managers of SMEs in Gujarat state when asked about their motivation in choosing affiliate marketing a performance-based marketing strategy to lead more traffic to them, the responses received opined 23 % of them are motivated due to its customer acquisition benefit, 25 % opined the affiliate marketing gave them brand visibility better than any other traditional medium. The affiliates promote, publish, help in tracking by placing the tracking cookie on the consumers devices for the brands to track, all this at fairly cheaper cost-effective methods which is why the owners of the small and medium enterprise jumped in to the modern marketing medium opined the 32 % of the respondents. The 10 % of the respondents said affiliate marketing enhances credibility and trust, authentic reviews and endorsement leads to audience positivity. The remaining 10 % were of the opinion that they used

or started using affiliate marketing to be in trend wagon. The benefits like building a partnerships or better rating on SEOs and online presence weren't not rated positively by these SMEs from Gujarat.

The questionnaire also focused on understanding the **Partner Selection** criteria of these SMEs, and the results were 40% of SMEs prefer selecting affiliates based on referrals from industry contacts, indicating the importance of networking in partner selection. 30% of SMEs use online affiliate marketing platforms to connect with potential affiliates. For **Tracking Mechanisms**, 60% of SMEs dedicated affiliate tracking software to monitor the performance of their affiliate marketing activities. From the data survey from Gujarat, 20% have implemented a customized tracking system tailored to their specific business needs, which is quite surprising and unexpected from a small and medium enterprise, as they break the myth of they being late laggards in adopting newer technologies or of being very rigid. And the remaining 20 % are the ones who although could be using affiliate marketing but aren't much keen or focused on tracking and calculating ROAS (Return on Advertisement Spend).

45% of SMEs reported challenges in finding suitable affiliates, emphasizing the need for better strategies in partner selection. 30% of SMEs identified tracking the performance of affiliate marketing activities as a notable challenge. Further few reported find aligning with the influencer is not a game they could gulp or understand its nitty gritty.

H2: There is an association between Time of adoption and their extent of affiliate marketing utilization.

Further to study whether there is an association between the time since an SME is using affiliate marketing and their extent of usage of these services. A chi-square test of association was run to analyze the same. From the descriptive statistics mentioned above showed results of SMEs have a greater number of years utilizing the most services offered under affiliate marketing. Majorly the services like partnering with the influencers, optimizing the SEOs, promote the brand, generate reviews, using affiliate tracking software were used the most. But the association test results fail to accept the alternative with a sig(p) value of 0.38, clearly indicating that there is no association between the number of years of usage and extent of services used by an SME. The depth of the services or extent of the services used is irrespective of the SMEs orientation towards an affiliate marketing. The number of years have no significant relationship with the kind of services opted by these SMEs from Gujarat, in fact through the descriptive statistics results it is visible that the service used are on the bases of the type of SMEs, their product, their purpose, to be precise based on their needs. It is quite similar to that of any other firm who adopts newer services based on the need of the hour and it has nothing to do with whether they are new to it or have they excelled it since ages.

### **Objective 3: Impact Analysis**

These results collectively indicate a substantial adoption of affiliate marketing among SMEs in Gujarat, showcasing its role in driving revenue, customer acquisition, and brand visibility within the diverse industrial landscape of the region. 50% of the surveyed SMEs reported a moderate increase in revenue

due to affiliate marketing efforts. 25% of SMEs from the total 150 sampled SMEs expressed that they experienced a significant boost in revenue, suggesting that affiliate marketing has a tangible impact on their financial performance of SMEs. When the impact was assessed on the purpose of Customer Acquisition a majority (65%) of SMEs acknowledged that affiliate marketing has made a positive contribution to customer acquisition efforts. 15% reported a significant improvement in customer acquisition, highlighting the effectiveness of this strategy in expanding their customer base. Affiliate marketing tends to efficiently reach new customers, increase brand visibility, and drive sales, all while maintaining a cost-effective and performance-driven approach. 40% of SMEs perceived a positive impact on brand visibility through affiliate marketing. 30% reported a neutral stance, indicating that while some SMEs experience notable improvements, others might not observe a significant change in brand visibility.

H3: There is an impact of Size of an SME on return from advertising (affiliate marketing).

To understand the effect of independent variable, a size of an organization, by considering the number of employees in the organization has on the dependent variable annual turnover generated post affiliate marketing adoption a simple linear regression analysis Top of Form was run. And based on the result it is visible that there is a significant positive relationship between number of employees employed and the return from advertising spends ( $P \text{ value} < 0.001$ , with a 0.723-unit (+/-0.01) increase in return from affiliate marketing for every unit rise in number of employees employed. Thus, it clearly indicates that higher the size of the firm higher is return from advertising.

## Conclusion

Overall, it is found that out of 70 % of SMEs that had adopted affiliate marketing, the strategy is quite benefiting them. Of course, there lies a lot of difference in their motivation level and the kind of services they opt for, and through the results it can be concluded that it is in association with the type of SMEs they are. 32 % of the SMEs utilized an affiliate marketing due to its cost effectiveness whereas 25 % of SMEs opined the brand visibility is the major factor motivating them. Further 23 % of SMEs said customer acquisition is the push factor that made them join an all together a new horizon of affiliate marketing and 20 % of SMEs found lot of rise in credibility and being perceived to be trendy. When introspected on having an association between Time of adoption and their extent of affiliate marketing utilization, the result concluded that there is no association between them. It absolutely doesn't matter how long they had been in to using the affiliate marketing services.

Further when an open-ended question was asked to seek comments on the challenges in case these firm owners or marketing professionals ever faced while being in to affiliation with third party, the following were the challenges they referred to: it was commented that they did went through some fraudulent activities during the process, due to them being naïve in to it. Few reported lack of affiliate quality understanding, which quite means they were unable to somewhere get a good fit to voice their brand. The responses also had views like the SMEs lack of technology up gradation. The SMEs also has

reported unnecessary pressure of competition coming in due to affiliate marketing which they prior to this were in real mode of minding their businesses well.

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