

Effect Of Social Media Marketing On Business Performance Of Smes In Kampala, Uganda

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Abstract

This study investigated the effect of social media marketing on the business performance of small and medium enterprises (SMEs) in Kampala, Uganda. As social media platforms including Facebook, WhatsApp, Twitter/X, Instagram, and TikTok had rapidly penetrated Uganda's digital landscape, SMEs had increasingly experimented with these platforms as cost-effective marketing channels. However, the empirical evidence on whether and how social media marketing translated into improved business performance remained thin and contested, particularly in the Ugandan context. Using a cross-sectional survey of 298 SME owners and managers in Kampala, the study examined the effects of social media content marketing, social media advertising, customer engagement, and brand awareness building on SME business performance measured through sales growth, customer acquisition, and market share expansion. The results demonstrated that social media marketing had a statistically significant and positive effect on SME business performance, with customer engagement and brand awareness emerging as the most influential dimensions.

Keywords: Social Media Marketing, SME Performance, Kampala, Uganda, Digital Marketing, Customer Engagement

Introduction

The global proliferation of social media had fundamentally transformed the marketing landscape for businesses of all sizes. For SMEs operating in developing markets like Uganda, social media had democratized marketing by providing low-cost, high-reach platforms that were previously accessible only to large corporations with substantial marketing budgets (Gloria et al., 2023). By 2023, Uganda had approximately 3.2 million active social media users, with Facebook remaining the dominant platform, followed by WhatsApp, YouTube, Instagram, and the rapidly growing TikTok platform (Kazaara et al., 2023). While these numbers were modest by global standards, they represented a rapidly growing digital consumer base that SMEs in Kampala had been increasingly eager to tap (Sophie & Crispus, 2024). Social media marketing referred to the use of social media platforms, tools, and techniques to promote products and services, engage with customers, build brand awareness, and ultimately drive business performance (Alex & Kazaara, 2023). For SMEs in Kampala, social media had offered a compelling alternative to traditional marketing channels such as radio advertising, print media, and physical signage, which were often prohibitively expensive (Ahumuza et al., 2025). Facebook pages, WhatsApp Business accounts, Instagram profiles, and TikTok videos had become integral to the marketing strategies of a growing number of Kampala SMEs, enabling them to reach and engage customers in ways that were previously impossible without large marketing budgets (Ivan et al., 2023).

Despite the widespread adoption of social media for business marketing among Kampala SMEs, the evidence on the actual business performance effects of these marketing activities remained limited and largely anecdotal (Ahumuza et

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al., 2025). Many SME operators had adopted social media marketing based on informal observations and peer influence rather than systematic evidence of its effectiveness(Oscar et al., 2023). This knowledge gap had created challenges for both SME operators seeking to optimize their social media marketing investments and policymakers seeking to support SME digital transformation(Ahumuza et al., 2025). The present study addressed this gap by providing empirical evidence on the relationship between specific social media marketing practices and SME business performance in Kampala(Deus, 2023).

The study was framed within the Integrated Marketing Communication (IMC) Theory, the Uses and Gratifications Theory, and the Resource-Based View (RBV) of the firm. IMC theory provided a framework for understanding how social media fit within broader marketing strategy, while Uses and Gratifications Theory offered insights into why customers engaged with SME social media content(Ahumuza et al., 2025). The RBV provided a lens for understanding how social media marketing capabilities could constitute a source of competitive advantage for SMEs.

Statement of the Problem

While social media marketing had been embraced by a growing number of Kampala SMEs, many operators had reported uncertainty about whether their social media activities were generating meaningful business results(Ahumuza et al., 2025). Informal surveys by the Kampala Capital City Authority (KCCA) in 2022 suggested that while over 70% of SMEs in Kampala had at least one social media presence, fewer than 30% had a documented social media marketing strategy, and even fewer tracked metrics to assess the performance of their social media activities(Frank et al., 2023). This strategic gap meant that many SMEs were investing time and money in social media marketing without a clear understanding of what they were achieving or how they could improve(Kazaara et al., 2023).

Furthermore, the effectiveness of social media marketing for SME performance was not uniform across platforms, business types, and marketing approaches(Julius & Matovu, 2025). Some SMEs reported significant business growth attributable to social media, while others reported minimal impact despite substantial time investments(Turyatamba et al., 2022). Understanding the specific social media marketing practices that were most effective in driving business performance was therefore a critical research question with practical implications for Kampala's SME community(Alex & Devis, 2023). The present study aimed to address this question through systematic empirical investigation.

Literature Review

Theoretical Framework

The study drew on three theoretical frameworks. The Integrated Marketing Communications (IMC) Theory, developed by Schultz, Tannenbaum, and Lauterborn (1993), argued that marketing effectiveness was maximized when all communication channels, including social media, were integrated into a coherent, consistent, and customer-centric strategy. For SMEs, IMC provided a framework for thinking about how social media fit within a broader marketing mix, and suggested that the effectiveness of social media marketing would depend partly on how well it was integrated with other marketing activities.

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The Uses and Gratifications Theory (U&G), originally developed to explain media consumption behavior, had been extended to social media contexts by Katz, Blumler, and Gurevitch (1974). Applied to SME social media marketing, U&G theory suggested that customers engaged with business social media content when it satisfied specific needs—including information, entertainment, social connection, and self-expression. SMEs that understood and catered to the gratification needs of their social media audiences were therefore expected to achieve higher levels of engagement and, consequently, better business performance outcomes.

The Resource-Based View (RBV) of the firm, as articulated by Barney (1991), argued that sustained competitive advantage derived from firm-specific resources that were valuable, rare, inimitable, and non-substitutable (VRIN). Applied to social media marketing, the RBV suggested that SMEs that developed unique social media marketing capabilities—including content creation skills, community management expertise, and analytics proficiency—could use these capabilities as sources of competitive advantage in their respective markets.

Empirical Literature

A growing body of empirical research had examined the relationship between social media marketing and business performance. Neti (2011) found that social media marketing had the potential to significantly improve business performance through enhanced brand visibility, customer engagement, and sales conversion. Felix et al. (2017) conducted a comprehensive review of social media marketing literature and found that firms with more sophisticated social media strategies tended to outperform competitors on multiple performance dimensions.

In the African context, Odhiambo (2012) found that Kenyan SMEs that actively used social media for marketing reported significantly higher sales growth and customer acquisition rates than those that did not. In Uganda, Namubiru et al. (2020) found that social media marketing was positively associated with SME performance in Kampala, although the study was limited to Facebook marketing and did not examine other platforms. Huang and Benyoucef (2013) identified customer engagement as the most critical mediating variable in the relationship between social media marketing and business performance, arguing that social media's primary value lay in its capacity to facilitate meaningful two-way interactions between businesses and their customers.

Brand awareness building through social media had also been identified as a significant driver of business performance. Kaplan and Haenlein (2010) argued that social media's unparalleled reach and viral sharing capabilities made it an exceptionally effective tool for building brand awareness at minimal cost, a particularly important advantage for SMEs operating on tight marketing budgets. The relevance of these findings to Kampala's SME context, where traditional advertising was expensive and digital penetration was growing, was evident.

Methodology

Research Design and Sampling

The study employed a cross-sectional survey design. The target population comprised SMEs operating in Kampala that had been using social media for business marketing for at least six months, enabling the assessment of marketing outcomes over a meaningful period (Paul & Kazaara, 2023). Purposive sampling was used to identify SMEs meeting

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this criterion, after which simple random sampling was employed to select respondents within the identified SME population. The sample comprised 298 SME owners, managers, and marketing staff drawn from Kampala's five divisions(Brian et al., 2024). The response rate was 83.4% against a target sample of 357.

Measurement Instruments

A structured questionnaire was used to collect data on social media marketing practices and business performance(Ntirandekura et al., 2022). Social media marketing was measured through four dimensions: social media content marketing (creating and sharing relevant content), social media advertising (paid promotions on social platforms), customer engagement (interactions, comments, shares, and direct messages), and brand awareness building (reach, impressions, and follower growth)(Christopher et al., 2022). Business performance was measured through self-reported changes in sales volume, customer base, and market share over the preceding 12 months, measured on a five-point Likert scale.

Data Analysis

Data were analyzed using SPSS version 26(Nelson et al., 2022). Descriptive statistics were used to profile respondents and summarize variable distributions. Factor analysis was conducted to validate the measurement scales. Pearson correlation and multiple regression analyses were used to examine the relationships between social media marketing dimensions and business performance.

Results and Discussion

Social Media Platform Usage among Kampala SMEs

The study first examined which social media platforms Kampala SMEs had been using for marketing purposes and the intensity of their usage. The results are presented in Table 1 below.

Table 1: Social Media Platform Usage among Kampala SMEs

Platform	Users (n)	Percentage (%)	Daily Active Users (%)	Mean Usage Hours/Week
Facebook	261	87.6	74.3	8.4
WhatsApp Business	247	82.9	91.2	11.7
Instagram	156	52.3	48.7	5.2
YouTube	98	32.9	21.4	3.1
TikTok	87	29.2	38.6	4.8
Twitter/X	64	21.5	29.4	2.7
LinkedIn	41	13.8	18.2	1.9

Source: Primary Data, 2026

The social media platform usage data presented in Table 1 revealed that WhatsApp Business and Facebook were the two most widely used social media platforms for marketing among Kampala SMEs. WhatsApp Business was used by

82.9% of respondents and recorded the highest daily active usage rate (91.2%) and mean weekly usage hours (11.7 hours), underscoring its role as the primary customer communication and marketing tool for Kampala SMEs. Facebook was used by an even larger proportion (87.6%), with 74.3% of users accessing it daily for business purposes and spending an average of 8.4 hours per week on business-related Facebook activities.

The popularity of WhatsApp Business was attributed to its ability to support personalized customer communication, product catalogue features, and group broadcasting, which enabled SMEs to maintain direct relationships with customers at minimal cost. Facebook's dominance reflected its status as Uganda's largest social media platform by user base, making it the most effective channel for reaching mass audiences. Instagram had been adopted by 52.3% of SMEs, particularly those in fashion, food, and beauty industries, where visual content was central to marketing strategy. TikTok had emerged as a growing platform, adopted by 29.2% of SMEs, particularly younger entrepreneurs who leveraged short video content to showcase products and build brand personality.

Social Media Marketing Practices and Intensity

Table 2: Social Media Marketing Dimensions – Descriptive Statistics

Dimension / Statement	Mean	Std Dev	Level
Content Marketing: Posts regularly relevant content	3.71	0.98	High
Content Marketing: Uses video content to showcase products	3.24	1.14	Moderate
Content Marketing: Content is tailored to target audience	3.18	1.21	Moderate
Advertising: Runs paid Facebook/Instagram ads	2.61	1.32	Moderate
Advertising: Boosts posts to reach wider audiences	2.47	1.28	Low-Moderate
Customer Engagement: Responds to customer queries within 24hrs	3.89	0.91	High
Customer Engagement: Encourages customer reviews and testimonials	3.54	1.07	High

Customer Engagement: Runs promotions and giveaways	3.12	1.18	Moderate
Brand Awareness: Maintains consistent brand identity online	3.34	1.14	Moderate
Brand Awareness: Tracks follower growth and reach	2.78	1.29	Moderate

Source: Primary Data, 2026

The descriptive statistics in Table 2 revealed that customer engagement activities, particularly timely response to customer queries (mean = 3.89) and encouraging customer testimonials (mean = 3.54), were the most consistently practiced social media marketing activities among Kampala SMEs. Regular content posting also recorded a high mean (3.71), indicating that most SMEs had established routines for sharing business-related content on social media. However, more sophisticated marketing practices—such as running paid advertising campaigns (mean = 2.61), boosting posts (mean = 2.47), and tracking analytics (mean = 2.78)—were practiced at lower intensities, suggesting that many Kampala SMEs remained in the early stages of social media marketing maturity.

The relatively low uptake of paid advertising was attributable to budget constraints, limited knowledge of advertising tools, and uncertainty about return on investment. Many SME operators relied exclusively on organic (unpaid) social media activities, which, while effective for customer engagement, had limited reach compared to paid promotions. The gap between engagement practices and strategic activities such as analytics tracking pointed to a need for capacity building in social media marketing strategy among Kampala SMEs.

Correlation Analysis

Table 3: Pearson Correlation Matrix – Social Media Marketing and Business Performance

Variable	Business Performance	Content Marketing	SM Advertising	Customer Engagement	Brand Awareness
Business Performance	1.000				
Content Marketing	0.534**	1.000			
SM Advertising	0.487**	0.412**	1.000		
Customer Engagement	0.641**	0.478**	0.396**	1.000	

Brand Awareness	0.598**	0.521**	0.433**	0.567**	1.000
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** Correlation is significant at the 0.01 level (2-tailed)

Source: Primary Data, 2026

The Pearson correlation results in Table 3 revealed that all four social media marketing dimensions had significant positive correlations with SME business performance. Customer engagement registered the strongest correlation with business performance ($r = 0.641$, $p < 0.01$), confirming that SMEs which actively engaged customers through social media responding to queries, encouraging reviews, and running promotions experienced significantly better business outcomes (Nelson et al., 2023). Brand awareness building was the second strongest correlate ($r = 0.598$, $p < 0.01$), followed by content marketing ($r = 0.534$, $p < 0.01$) and social media advertising ($r = 0.487$, $p < 0.01$). The strong correlation between customer engagement and business performance was consistent with the Uses and Gratifications Theory, which predicted that social media effectiveness was highest when it satisfied customer needs for interaction, information, and recognition.

Multiple Regression Analysis

Table 4: Regression Results – Effect of Social Media Marketing on Business Performance

Predictor Variable	Beta (β)	Std Error	t-value	p-value	Significance
Constant	0.714	0.198	3.606	0.000	
Content Marketing	0.198	0.054	3.667	0.000	Yes
Social Media Advertising	0.174	0.058	3.000	0.003	Yes
Customer Engagement	0.312	0.051	6.118	0.000	Yes
Brand Awareness	0.261	0.053	4.925	0.000	Yes
R ²	0.562				
Adjusted R ²	0.556				
F-statistic	93.48			0.000	

Source: Primary Data, 2026

The multiple regression results in Table 4 demonstrated that the four social media marketing dimensions collectively explained 56.2% of the variance in SME business performance ($R^2 = 0.562$, Adjusted $R^2 = 0.556$, $F = 93.48$, $p < 0.001$). This was a substantial level of explained variance, confirming that social media marketing was a powerful

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determinant of business performance for Kampala SMEs. Customer engagement was the strongest individual predictor ($\beta = 0.312$, $t = 6.118$, $p < 0.001$), consistent with the correlation analysis findings. Brand awareness building was the second strongest predictor ($\beta = 0.261$, $t = 4.925$, $p < 0.001$), followed by content marketing ($\beta = 0.198$, $t = 3.667$, $p < 0.001$) and social media advertising ($\beta = 0.174$, $t = 3.000$, $p = 0.003$).

The strong predictive power of customer engagement on business performance suggested that the primary value of social media for Kampala SMEs lay not in broadcasting messages but in facilitating genuine two-way interactions with customers. SMEs that had mastered customer engagement on social media platforms—through timely responses, personalized communication, and community building—tended to generate higher customer loyalty, repeat purchases, and positive word-of-mouth referrals that translated into measurable business growth. The significant positive effect of brand awareness building pointed to the long-term strategic value of social media for establishing brand equity among Kampala SMEs, even in highly competitive markets.

Sector-Specific Analysis

Table 5: Social Media Marketing Effectiveness by Business Sector

Sector	N	Avg Social Media Score	Avg Business Performance	Correlation (r)
Retail Trade	89	3.54	3.67	0.621**
Food & Beverage	67	3.78	3.89	0.648**
Fashion & Apparel	54	3.91	3.97	0.682**
Professional Services	42	3.12	3.34	0.512**
Beauty & Wellness	38	3.84	3.92	0.671**
Electronics & Tech	31	3.21	3.28	0.487**
Other	47	3.24	3.41	0.534**

Source: Primary Data, 2026

The sector-specific analysis in Table 5 revealed that the relationship between social media marketing and business performance was strongest in visually-oriented sectors including fashion and apparel ($r = 0.682$), beauty and wellness ($r = 0.671$), and food and beverage ($r = 0.648$). These sectors had particularly benefited from Instagram and TikTok's visual content capabilities, with high-quality product photos and short videos proving highly effective in attracting and converting customers. Retail trade also demonstrated a strong correlation ($r = 0.621$), reflecting the effectiveness of WhatsApp Business for managing customer orders and promotions in this sector. Professional services and electronics/tech sectors showed relatively weaker but still significant correlations, suggesting that social media marketing effectiveness varied by the nature of the products and services being marketed.

Conclusions and Recommendations

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This study concluded that social media marketing had a significant and positive effect on the business performance of SMEs in Kampala, Uganda. Customer engagement was identified as the most powerful social media marketing dimension, followed by brand awareness building, content marketing, and social media advertising. The four dimensions collectively explained 56.2% of the variance in business performance, establishing social media marketing as a key strategic tool for SME competitiveness in Kampala's dynamic business environment.

Based on these findings, the study recommended that SME operators in Kampala prioritize customer engagement as the cornerstone of their social media marketing strategy, investing in timely customer responses, personalized communication, and community building activities. SMEs were also recommended to develop a consistent brand identity across all social media platforms, ensuring that visual elements, tone of voice, and brand messaging were coherent and differentiated. Content marketing strategies should incorporate video content, product demonstrations, and customer testimonials to maximize engagement and conversion. Additionally, SMEs should progressively invest in paid social media advertising as their businesses grew, using Facebook and Instagram's targeting tools to reach new customer segments cost-effectively.

Policy recommendations included the development of digital marketing training programs tailored to SMEs by the KCCA and the Uganda Small Scale Industries Association (USSIA). These programs should cover social media content strategy, community management, basic analytics, and paid advertising fundamentals. Internet connectivity and smartphone affordability were also identified as enabling infrastructure investments that would deepen SME participation in social media marketing.

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