

I hereby confirm that I have examined this project paper entitled:

FACTORS INFLUENCING THE ADOPTION OF MOBILE MARKETING IN
SMALL MEDIUM ENTERPRISES IN MALACCA, MALAYSIA

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“I declare that this project is the result of my own research except as cited in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.”

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DEDICATION

This research paper is lovingly dedicated to my parents, En. Dolhadi B. Awi and Puan Azizah Binti Mohd Yassin, who have been my constant source of inspiration, they have given unconditional support with my studies. I am honoured to have their as my parents. Thank you for giving me a chance to prove and improve myself through all my walk of life. To all my family thank you for believing me for allowing me to further my studies. Lastly to my loved one, Muhammad Nur Hafizulrahim bin Che Ibrahim, thank you for your understanding and unconditional support to me.

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ABSTRACT

The increasing competition and the highly demands of globalization, Malaysia government strive for Small Medium Enterprise, SME for the development of innovative, ruthless with high technology. Mobile marketing adoption may be purposeful factor for an organization to be success and also to survive. This research project which aimed to identify the element of entrepreneur's attitude and knowledge, product fit and technical knowledge availability of the firm towards which will be the most significant that contribute to the adoption of mobile marketing in SMEs in Melaka, Malaysia and also examine the factors that affect the adoption of mobile marketing among the SMEs in Melaka, Malaysia. Besides that, this research investigate the relationship between the entrepreneur's attitude and knowledge, product fit and technical knowledge availability of the firm and the adoption of mobile marketing in SMEs in Melaka, Malaysia. A survey was carried out through a set of questionnaires to examine the entrepreneur's attitude and knowledge, product fit and technical knowledge availability of the firm. The sample selected comprised of CEOs of SMEs in three districts in Melaka, namely Melaka Tengah, Alor Gajah and Jasin. The data gathered were analyzed using descriptive analysis. The finding sees that there is a significant relationship between the adoption of mobile marketing (dependent variable) and the branding strategy and technical knowledge availability of the firm (independent variables). But, there is one factor that insignificant which is the entrepreneur's attitude and knowledge that has no impact with the adoption of mobile marketing.

ABSTRAK

Persaingan yang semakin meningkat dan permintaan tinggi daripada globalisasi menyebabkan Kerajaan Malaysia berusaha untuk Perusahaan Kecil Sederhana, PKS untuk pembangunan inovatif dan kekejaman teknologi tinggi yang sentiasa berubah. Dengan adaptasi pemasaran mudah-alih, boleh menjadi faktor terhadap kejayaan sesebuah organisasi untuk terus bertahan. Projek penyelidikan ini bertujuan untuk mengenal pasti elemen sikap dan pengetahuan usahawan, strategi penjenamaan dan ketersediaan pengetahuan teknikal firma. Antara elemen tersebut, yang mana adalah penyumbang utama terhadap adaptasi pemasaran mudah-alih di PKS di Melaka, Malaysia. Selain itu, projek penyelidikan ini akan menyiasat hubungan di antara sikap dan pengetahuan usahawan, strategi penjenamaan dan ketersediaan pengetahuan teknikal firma dan penggunaan pemasaran mudah-alih di PKS di Melaka, Malaysia. Kaji selidik telah dijalankan melalui satu set soal-selidik untuk mengkaji sikap dan pengetahuan usahawan, strategi penjenamaan dan ketersediaan pengetahuan teknikal firma tersebut. Sampel yang dipilih terdiri daripada CEO PKS di tiga daerah di Melaka, iaitu Melaka Tengah, Alor Gajah dan Jasin. Data yang dikumpul telah dianalisis dengan menggunakan analisis deskriptif. Hasil kajian mendapati terdapat hubungan antara adaptasi pemasaran mudah alih dengan strategi penjenamaan dan ketersediaan pengetahuan teknikal firma Tetapi, ada satu factor yang tiada hubungan iaitu sikap dan pengetahuan usahawan yang tidak mempunyai impak terhadap adaptasi pemasaran mudah alih.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The marketing mix has been the key concept to advertising. The marketing mix was suggested by Professor E. Jerome McCarthy in the 1960s and consists of four basic elements called the four P's. Product is the first P representing the actual product. Price represents the process of determining the value of a product. Place represents the variables of getting the product to the consumer like distribution channels, market coverage and movement organization. The last P stands for Promotion which is the process of reaching the target market and convincing them to go out and buy the product.

Promotion is the business of communicating with customers. It will provide information that will assist them in making a decision to purchase a product or service. The pace and creativity of some promotional activities are almost alien to normal business activities. The cost associated with promotion or advertising goods and services often represents a sizeable proportion of the overall cost of producing an item. However, successful promotion increases sales so that advertising and other costs are spread over a larger output. Though increased promotional activity is often a sign of a response to a problem such as competitive activity, it enables an organisation to develop and build up a succession of messages and can be extremely cost-effective.

A smartphone is a mobile phone built on a mobile operating system, with more advanced computing capability and connectivity than a usual mobile phone. The combination of the functions of a personal digital assistant (PDA) with a mobile phone make the first smartphone is in existence. After that, the smartphones has been added by the functionality of portable media players, low-end compact digital cameras, pocket video cameras, and GPS navigation units to form one multi-use device. All the modern smartphones also include high-resolution touchscreens and web browsers that display standard web pages as well as mobile-optimized sites. The quick development of mobile application markets and of mobile commerce has been drivers of smartphone adoption.

Information technology is the application of computer and telecommunications equipment to store, retrieve, transmit and manipulate data (Daniel and Rod, 2012), often in the context of a business or other enterprise. This term is commonly used as a synonym for computers and computer networks, but it also includes other information dissemination technology such as television and mobile (John, 2009).

Mobile marketing is marketing on or with a mobile device. According to Leppaniemi, Sinisalo, and Karjaluoto (2006), mobile marketing can be defined as the use of the mobile medium as a means of marketing communication. Mobile phones are one of the few consumer products have gained global acceptance in a relatively short period (Barnes and Scornavacca, 2004).

The term SME was introduces and adopted in Malaysia in the year 2006 by the National SME Development Council. SMEs fall into two broad categories: (i) manufacturing, manufacturing-related services and agro-based industries (enterprises with full-time employees not exceeding 150 or with annual sales turnover not exceeding RM25 million), and (ii) services, primary agriculture, information and communication technology sectors (enterprises with full-time employees not exceeding 50 or with annual sales turnover not exceeding RM5 million).

This research focuses on defining the factors influencing the adoption of mobile marketing which is via smartphones amongst small and medium enterprises (SMEs) in Melaka, Malaysia. Data is gathered from 150 SMEs' main decision maker and it used to be the Chief Executive Officer (CEO) of SMEs in Melaka from participating organizations in three districts of Melaka which are Melaka Tengah, Jasin and Alor Gajah.

1.2 Statement of the Problem

The Malaysian business environment has becoming more competitive. In order to remain competitive, many companies struggle to maximize their sales volume and use advertisement to market their products and services. In general, traditional advertising still play its role as a popular advertising technique and it is applied by most of the organizations around the world. However, in this millennium, most of the companies around the world advertise or promote their products and services by using internet.

Rationally, with such a great number of smartphone users in Malaysia, it is easy to utilize the mobile marketing activities among millions of smartphone users at anytime and anywhere. Nowadays, people tend to use internet and social media in their lifestyle. People do not only use laptop to browse the internet, but most of them use smartphones. Furthermore, smartphone is not only a personal device used to stay connected with friends and family, but also an extension of their personality and individuality. The marketers also take this opportunity to reach and serve consumers anytime and anywhere.

Malaysian SMEs need to be more concerned in several factors: access to export market, inadequate technological capability and low adoption in enabling technologies (EPU, 2006). So, SMEs should use the same tactics as the marketers to market their products or services. However, due to their small size, limited managerial capabilities, as

well as limited resources to SMEs face a challenging task in innovating their way to reach the consumers. SMEs as compared to larger firms are weakly structured in innovation, low market power and scarcity of resources in order to appropriate the benefit of their promotional skill.

1.3 Research Questions

This research explored the following key questions:

- 1.3.1 What is the level of understanding of mobile marketing among SMEs in Melaka, Malaysia?
- 1.3.2 What are the relationship between the entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm and the adoption of mobile marketing in SMEs in Melaka, Malaysia?
- 1.3.3 In between the entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm, which one is the most significant that contribute to the adoption of mobile marketing in SMEs in Melaka, Malaysia?

1.4 Research Objectives

This research has three objectives to be achieved, namely:

- 1.4.1 To examine the level of understanding of mobile marketing among SMEs in Melaka, Malaysia.
- 1.4.2 To investigate the relationship between the entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm and the adoption of mobile marketing in SMEs in Melaka, Malaysia.
- 1.4.3 To identify the element of entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm towards which will be the most significant that contributes to the adoption of mobile marketing in SMEs in Melaka, Malaysia.

1.5 Scope, Limitation and Key Assumptions of the Study

1.5.1 Scope

The scope of this research is to identify the element of entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm towards which will be the most significant that contribute to the adoption of mobile marketing in SMEs in Melaka, Malaysia and also examine the factors that affect the adoption of mobile marketing among the SMEs in Melaka, Malaysia. Besides that, this research will investigate the relationship between the entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm and the adoption of mobile marketing in SMEs in Melaka, Malaysia.

1.5.2 Limitation

This research is limited to the 150 SMEs' main decision maker in Melaka from participating organizations in three districts of Melaka which are Melaka Tengah, Jasin and Alor Gajah.

1.5.3 Key Assumptions

This research describes the factors that affects the adoption of mobile marketing in SMEs in Melaka, Malaysia and also identify the relationship between the entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm and the adoption of mobile marketing in SMEs in Melaka, Malaysia. Last but not least, this research evaluate the element of entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability of the firm towards which will be the most significant that contributes to the adoption of mobile marketing in SMEs in Melaka, Malaysia.

1.6 Importance of the Study

The importance of this research is to increase the SMEs' main decision maker knowledge about mobile marketing and the new way that they can promote or market their product or services. This study also can guide the new entrepreneurs on how to reach and serve the consumers anytime and anywhere by using mobile marketing.

1.7 Summary

Chapter 1 is about the development of the framework for the research. The framework acts as guidelines for the researcher to ensure the research align with the objective of the research. This chapter includes basic information about the research such as introduction of mobile marketing and SMEs. The purpose of doing the research and the expected outcome is also discussed in Chapter 1. The chapter also tells about the scope that the researcher will cover the limitations of the research and key assumptions of the result of the research. Finally, the chapter covers the importance of the research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter discussed about the overview of mobile marketing and also the SMEs in Malaysia. The entrepreneur's attitude and knowledge, branding strategy and technical knowledge availability also being discussed in this chapter which each of the variable is explained on how it will affect the adoption of mobile marketing among SMEs. Lastly, theoretical framework of the research had been drafted in this chapter.

2.2 Mobile Marketing

A study in the opening examples discovered evidence that mobile can be a very effective way to reach consumers and their reactions can be quite positive to the marketers' text message (Barwise and Strong, 2002). The study looked at consumers in the UK who were given an incentive to contribute in the study (\$7 each) and were compensated (7 cents) per text message received, up to three messages per day. This is in harmony by studies reviewed by Lewis (2001) that found US consumers were receptive to mobile advertising if it offset the cost of other mobile services such as e-mail and news services. A common finding is that a prerequisite for consumer

acceptance of this medium is the control and user authorization (Carroll, Barnes, Scornavacca, and Fletcher, 2007). Worldwide, 40% of mobile users actively access services such as messaging, games and news content (Pringle, 2005). In a 2001 study of more than 3,300 people in eleven major global markets, 88% of respondents were willing to receive mobile advertising in the form of electronic coupons for local retailers (HPI, 2002).

Statistically, from 2003 to 2005, the mobile marketing industry grew from US\$4 billion to US\$16 billion, serving over 500 million users world-wide (Carroll, Barnes, Scornavacca, and Fletcher, 2007). Besides that, another study from ABI Research (2008) estimates the global mobile marketing business is currently worth \$3 billion and it is projected to reach \$19 billion by 2011. The downside of the high mobile phone penetration rates is the accompaniment of a high number of unwanted text messaging or unsolicited Short Message Service (SMS) rates that is growing by 21.3 per cent per year in the European Union alone (Anonymous, 2008a). Air Wide Solutions reported that French consumers have seen the biggest increase in such messages, where the problem is growing 61.3% per year (Anonymous, 2008b). In Malaysia, survey on hand phones user in 2010 and 2011, only 14% and 12% respectively of users were using smartphones. But in 2012, the percentage of smartphone users more than doubling to 26% in 2012 (MCMC, 2012).

Nowadays, people always want the new and latest technology. The rapid of development in the mobile phone which is from feature mobile phone to smartphones makes the people always greed to try the new technology. The marketers also take this opportunity to advertise and promote their product or services in many ways such as SMS marketing, in-game mobile marketing, app-based marketing, QR codes, social media and many more. The mobile marketing was the most effective way to promote and advertise the product or services in Malaysia because this strategy was cost-effective and the marketers also can reach the consumers anytime and anywhere.

2.3 Small Medium Enterprises (SMEs)

The rapid development of small and medium enterprises (SMEs) since the 1970s makes the Malaysian economy has been geared. It represents an important fragment to the economic growth and has become a significant role to the whole production network, producing high-value-added parts and components and improving itself as a downstream supplier or/and service provider to larger and developed organisations (Munusamy, 2008). In the 1990s, Malaysia has made a start to revolutionize its economics basis from a commodity-based producing nation to a manufacturer of industrial products which focused on the export market. This transformation was led by SMEs through backward and forward integration activities to strengthen its industrial linkages (Sohail and Hoong, 2003).

The definitions of Malaysian SMEs are based on the sectors which have been approved by the National SME Development Council (NSDC). The bases of the definition are annual sales turnover and number of employees (Table 2.1).