

**THE EFFECTIVENESS OF ONLINE ADVERTISING TO ENHANCE
PROMOTIONAL STRATEGY IN SME SERVICE SECTOR, MALAYSIA**

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**The thesis is submitted in partial fulfillment of the requirements for the award of
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DECLARATION OF ORIGINAL WORK

“I hereby declare that this report is the result of my own, except certain explanations and passage where every of it is cited with source clearly.”

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DEDICATION

I would like to dedicate the appreciation to my family members who supported me in terms of spiritual and financial, beloved supervisor and panel who guided me throughout the research and course mates that assisted me through the journey of research.

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ABSTRACT

Nowadays, the number of SMEs has been increase year by year. Even though the number of SMEs has increases but the number of bankruptcy among them also increases. The long period to sustain the business of SMEs was depending on the knowledge about marketing because marketing is the important roles of SME to sustain their business. Promotional strategy is one of the important elements in the marketing. Promotional strategy can improve the business through the good of advertising. Researcher wants to identify the effectiveness of online advertising to enhance promotional strategy in SMEs Service Sector, Malaysia. The types of service sector such as education, transportation, hotel and tourism. Researcher was used deductive research method by using theory based on the previous research and other source. This study was conducted by using the quantitative research method. It was important to consider the variables in this research as the main subject to test the framework. Variables work as the key point for the hypothesis. The data for this study were being collected using questionnaires from 58 respondents in Malaysia. The collected data was analyzed and discussed. The results showed three factor which is structural element, functional element, and online activity were significant influence on the effectiveness of online advertising to promotional strategy in SMEs Service Sector, Malaysia. As conclusion, this study will help SME company to realize about the main role of marketing in building company promotional strategy.

Keywords: Online Advertising, Promotional Strategy, SMEs Service Sector Malaysia.

Abstrak

Pada masa kini, jumlah PKS telah meningkat dari tahun ke tahun. Walaupun bilangan PKS telah meningkat tetapi jumlah muflis di kalangan mereka juga meningkat. Tempoh yang lama untuk mengekalkan perniagaan PKS adalah bergantung kepada pengetahuan mengenai pemasaran kerana pemasaran adalah peranan penting dalam PKS dalam mengekalkan perniagaan mereka. Strategi promosi adalah salah satu elemen penting dalam pemasaran. Strategi promosi boleh meningkatkan perniagaan melalui kebaikan pengiklanan. Penyelidik ingin mengenal pasti keberkesanan pengiklanan dalam talian untuk meningkatkan strategi promosi dalam Sektor Perkhidmatan PKS, Malaysia. Jenis-jenis sektor perkhidmatan seperti pelajaran, kenderaan, perhotelan, dan pelancongan. Pengkaji telah menggunakan kaedah penyelidikan deduktif dengan menggunakan teori berdasarkan kajian sebelumnya dan sumber lain. Kajian ini dijalankan dengan menggunakan kaedah penyelidikan kuantitatif. Ia adalah penting untuk mempertimbangkan pembolehubah dalam kajian ini sebagai subjek utama untuk menguji rangka kerja tersebut. Pembolehubah adalah sebagai titik utama bagi hipotesis. Data untuk kajian ini telah dikumpulkan dengan menggunakan soal selidik daripada 58 responden di Malaysia. Data yang diperolehi dianalisis dan dibincangkan. Hasil kajian menunjukkan tiga faktor iaitu elemen struktur, elemen fungsi, dan aktiviti dalam talian adalah pengaruh yang besar ke atas keberkesanan pengiklanan dalam talian untuk meningkatkan strategi promosi dalam Sektor Perkhidmatan PKS, Malaysia. Kesimpulannya, kajian ini akan membantu syarikat PKS untuk menyedari tentang peranan utama pemasaran dalam membina strategi promosi untuk syarikat.

Kata kunci: Iklan Atas Talian, Promosi Strategi, Sektor Perkhidmatan PKS Malaysia

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LIST OF ABBREVIATIONS

ABBREVIATIONS	MEANING
FYP	Final Year Project
SMEs	Small And Medium Enterprises
H ₀	Null Hypothesis
H ₁	Alternative Hypothesis
SPSS	Statistical Packages for Social Science

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides a brief overview of the study presented in this research. This chapter introduced the problem statement, research question, research objective, scope, significance of the research, and as well as the limitations of this research. The researcher also explains the definition term of this research.

1.1 Background of Study

At present, the promotion strategy is important for SMEs, especially through digital advertising for SME companies because through advertising customer can know

the existence of the company in the market. Promotion strategy is one of the elements in the 4P's in the marketing. Promotion can be defined as to raising customer awareness of a product or brand, generating sales and creating brand loyalty. Digital advertising is one of the elements in the promotion mix. Digital advertising refers to marketing media that is digitally displayed. Digital advertising technology exists on the internet, smart phone and hand-held media device and even on automobiles and billboard. Advertising is one of several methods of promotion that many companies consider as an important tool for communicating with their customers about products and services they have to offer (Werner 2013).

According (Zulkifli & Corresponding, 2010) it is apparent that small and medium enterprises (SMEs) play a vital role in the economic development of a country. According to SME Corp Malaysia (July, 2013) given that there have been many developments in the economy since 2005 such as price inflation, structural changes and change in business trends, a review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th NSDC Meeting in July 2013. The definition covers all sectors, namely services, manufacturing, agriculture, construction and mining & quarrying. For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million OR number of full-time employees not exceeding 200. For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.

In this study, SMEs need to know the importance of the promotional strategy to build up the more effective online advertising to help the performance of the company.

This research was made because the researcher wants to identify several issues about promotional strategy that occur in the SME industry. The chosen issues were to identify the effectiveness of online advertising towards SMEs, to analyze the role of promotional strategy to build the SMEs performance and find out the factors for SMEs to use online advertising.

1.2 Problem Statement

Promotion strategy was one of the factors leading to the success of a business. However, nowadays, there were many SMEs companies that failed in the execution of a campaign primarily through advertising. This is because, the company of SMEs lack of knowledge to implement of marketing or promotional strategy. The lack of disclosure has caused an error while performing promotional and advertising activities. Internet was one of the online advertising.

According to (Hanafizadeh, Behboudi, Ahadi, & Varkani, 2012) lacking sufficient budgets for publishing their advertisements, SMEs have no choice but to adopt the internet medium as one of the cost-effective channels for their advertising. SMEs also faced with the capital to do the digital advertising. On the other words, the SMEs do not focus the marketing or promotional strategy as huge part of business due to several cost needed in this field. Furthermore, SMEs service sector was inability or difficulty in finding access to financing and working capital (SME Corp Malaysia, 2015)

1.3 Research Objective

- i. To identify criteria of online advertising that is used in Malaysia SMEs service sector.
- ii. To identify the factors influencing effectiveness of online advertising to enhance promotional strategy in SMEs service sector, Malaysia.
- iii. To analyze the most influencing factor of online advertising to enhance promotional strategy in SMEs service sector, Malaysia.

1.4 Research Question

The research questions of this research are:

- i. What are the criteria of online advertising that are used in SMEs service sector, Malaysia?
- ii. What are the factors that influence effectiveness of online advertising to enhance promotional strategy in SMEs service sector, Malaysia?
- iii. What the most influencing factor of online advertising to enhance promotional strategy in SMEs service sector, Malaysia?

1.5 Scope of Study

The scope of this study only focused on the SMEs service sector in Malaysia. The topic that was being discussed in this study was about the effectiveness of digital marketing in online advertising to enhancing SMEs promotional strategy. This study was to find out what is the criteria of online advertising that has been used by the SMEs. The effectiveness of the online advertising was also has been tested. This study was also to identify some issues that were related with the SMEs which are to identify the factor influencing the effectiveness of online advertising to enhance SMEs promotional strategy. Other than that, this study was to identify the relationship between online marketing and SMEs service sector. The study was to find out whether the online advertising can give effect to the SMEs service sector or not.

Based on this study, the researcher wants to look either the finding of this study were come out with the positive result where the objectives of the research were achieved.

1.6 Limitation

The limitation that was being faced while doing the research was the respondents not answering the questionnaire with their honest and not give the opinion. Besides that, many SMEs service sector not gives cooperation to answer the questionnaire. The respondent has adequate knowledge about the topic the researcher wants to do which was about the online advertising. In addition, respondent including the owner of SMEs service sector in Malaysia lack of experience about the online advertising. All this can bring to the limitation of this research and the result also.

1.7 Important Of The Study

The results of this study were helping the SMEs Malaysia to improve the promotional strategy in enhancing the performance of the company. This study was providing the solution for the SME to use the better of promotional strategy that focuses on the online advertising, especially for the service sector. This study also helps the SMEs service sector in Malaysia to more understand the concept of online advertising in enhancing promotional strategy. This study not only can use for the service sector but it also can help for SMEs Malaysia in other industry such as fashion and others.

1.8 Summary

In this chapter, the issues that have been mentioned were about basic detail about the effectiveness of digital advertising towards SMEs promotional strategy in Malaysia. It all explains the background of the study, the problem in the SMEs especially about the digital advertising, the research question, the research objective and the scope of the study.