

IMPACTS OF MARKETING MIX STRATEGY TO
SMALL AND MEDIUM ENTERPRISES (SMEs)
PERFORMANCE

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Impacts of Marketing Mix Strategy to Small and Medium Enterprises (SMEs)
Performance

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The thesis is submitted in partial fulfilment of the requirements for the award of
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DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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DEDICATION

I would like to dedicate the appreciation to beloved family members who supported me from spiritually and financially, supervisor and panel who guided me throughout the research, friends that assisted me through the journey of research.

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ABSTRACT

Nowadays, marketing strategy play a major role in addressing inefficiencies and make a fundamental contribution to the performance and competitiveness of enterprises mainly for SMEs. Hence, most of the firms have also started to implement at least one type of marketing strategy which is marketing mix strategy in their business arena. However, SMEs faced many problems such as does not fully understand about the impacts of marketing mix strategy to their firms. Despite of the growing importance of marketing mix strategy, this research aims to increase the understanding of marketing mix strategy and SMEs performance. There were three main objectives in this research. Firstly, the research objective is to identify the elements of marketing mix strategy. Secondly, to examine the impacts of marketing mix strategy on small-medium enterprise (SME) performance in Malaysia and finally, to investigate the most important element of marketing mix strategy that will impact on SMEs performance. The data were collected using questionnaires survey from 210 SMEs in the state of Johor and Melaka. Data analysis was undertaken using SPSS software package version 20. The multiple regression analysis shows that SMEs are implementing various kinds of marketing mix strategies and these strategies would offer a lot of impacts to the company. The adoption of marketing mix strategy is significant related to performance of SME firms and it plays an important role to enhance firms' performance.

ABSTRAK

Pada masa kini, *strategi pemasaran mempunyai potensi untuk memainkan peranan utama dalam menangani ketidakcekan dan membuat sumbangan asas kepada prestasi dan daya saing perusahaan terutamanya untuk syarikat kecil dan sederhana. Oleh itu, sebahagian besar firma juga mula melaksanakan salah satu jenis strategi pemasaran yang merupakan strategi campuran pemasaran di arena perniagaan mereka. Bagaimanapun, syarikat kecil dan sederhana menghadapi banyak masalah seperti tidak memahami sepenuhnya tentang impak strategi campuran pemasaran kepada firma mereka. Walaupun semakin pentingnya strategi campuran pemasaran, penyelidikan ini bertujuan untuk meningkatkan pemahaman strategi campuran pemasaran dan prestasi PKS. Terdapat tiga objektif utama dalam kajian ini. Pertama, objektif penyelidikan adalah mengenal pasti unsur-unsur strategi campuran pemasaran. Kedua, untuk mengkaji kesan strategi campuran pemasaran ke atas prestasi perusahaan kecil-sederhana (PKS) di Malaysia dan akhirnya, untuk menyiasat elemen penting strategi pemasaran pemasaran yang akan memberi kesan kepada prestasi PKS. Data yang diperolehi menggunakan tinjauan soal selidik dari 210 PKS di negeri Johor dan Melaka. Analisis data dilakukan menggunakan pakej perisian SPSS versi 23. Keputusan menunjukkan bahawa PKS melaksanakan pelbagai jenis strategi campuran pemasaran dan strategi ini akan memberikan banyak kesan kepada syarikat. Penerapan strategi campuran pemasaran secara positif berkaitan dengan prestasi syarikat PKS dan memainkan peranan penting untuk meningkatkan prestasi firma.*

TABLE OF CONTENTS

CHAPTER	SUBJECT	PAGE
	DECLARATION	ii
	DEDICATION	iii
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	ABSTRAK	vi
	TABLE OF CONTENTS	vii
	LIST OF TABLES	xi
	LIST OF FIGURES	xii
	LIST OF ABBREVIATIONS	xiii
	LIST OF APPENDICES	xiv
CHAPTER 1	INTRODUCTION	1
	1.1 Background of Study	1
	1.2 Problem Statement	2
	1.3 Research Questions	3
	1.4 Research Objectives	4
	1.5 Scope of Study	4
	1.6 Limitation of Study	4
	1.7 Summary	5
CHAPTER 2	LITERATURE REVIEW	6
	2.1 Introduction	6
	2.2 Overview of Small and Medium Enterprises (SMEs)	6
	2.2.1 Statistics of SMEs in Malaysia	8
	2.3 Indicators of SMEs Business	10

	Performance	
2.4	Concept of Marketing	13
2.5	Elements of Marketing Mix	14
	Strategy	
2.5.1	Product	14
2.5.2	Price	15
2.5.3	Place (Distribution)	16
2.5.4	Promotion	16
2.5.5	People	17
2.5.6	Process	17
2.5.7	Physical Evidence	18
2.6	Marketing Mix Strategy and SMEs	19
	Performance	
2.7	Research Framework	22
2.8	Hypotheses Testing	23
2.9	Summary	24
CHAPTER 3	RESEARCH METHODOLOGY	25
3.1	Introduction	25
3.2	Research Design	25
3.3	Research Method	26
3.4	Data Collection Method	27
3.5	Research Strategy	28
3.6	Research Location	28
3.7	Research Instrument	29
3.7.1	Questionnaire Design	29
3.8	Time Horizon	31
3.9	Sampling Design	31
3.9.1	Sampling Technique	31
3.9.2	Target Population	32
3.9.3	Sampling Size	32
3.10	Pilot Test	32
3.11	Data Analysis	33

3.12	Summary	33
CHAPTER 4	DATA ANALYSIS	34
4.1	Introduction	34
4.2	Reliability Test	35
4.3	Descriptive Analysis	36
4.3.1	Descriptive Analysis for Firm Background	36
4.3.1.1	Job Position of the Respondents	36
4.3.1.2	Business Industry	36
4.3.1.3	Estimate Company Annual Sales	37
4.3.1.4	Number of Full-time Employee	38
4.3.1.5	Company's Operation Period	39
4.4	Pearson's Correlation Analysis	41
4.5	Hypothesis Testing	44
4.5.1	Multiple Regression Analysis	44
4.6	Summary	50
CHAPTER 5	CONCLUSION AND RECOMMENDATION	51
5.1	Introduction	51
5.2	Summary of Descriptive Analysis for Firm Background	51
5.3	Discussion on Research Objectives and Hypothesis Test	52
5.3.1	Objective 1: To identify the elements of marketing mix strategy	53
5.3.2	Objective 2: To examine the	53

impacts of marketing mix strategy on SMEs performance	
5.3.3 Objective 3: To analyse the effect of green marketing strategies and benefits on SMEs performance	54
5.4 Managerial Implication	58
5.5 Limitations of Study	59
5.6 Recommendation for Future Research	60
5.7 Conclusion	61
REFERENCES	62
APPENDICES	68

LIST OF TABLES

TABLES	TITLE	PAGES
2.1	Definition of Small and Medium Enterprises (SMEs) in Malaysia	7
2.2	Number of Establishment by Sectors	9
2.3	Distribution of SMEs by Sector	9
2.4	Distribution of Establishment by State	9
2.5	Performance Dimension and Indicators	11
3.1	Sections in Questionnaire	30
3.2	Likert scale	30
4.1	Cronbach's Alpha Coefficient	35
4.2	Reliability Test of the Research	35
4.3	Job Position	36
4.4	Business Industry of SMEs	37
4.5	Estimate Annual Sales of SMEs	38
4.6	Number of Full-time Employees	39
4.7	Period of the Company's Operation	40
4.8	Rule of Thumb for Interpreting the Size of a Correlation Coefficient	41
4.9	Pearson Correlation	42
4.10	Model Summary of Multiple Regression	44
4.11	ANOVA Table	45
4.12	Coefficients Multiple Regression	46

LIST OF FIGURES

FIGURES	TITLE	PAGES
2.1	Research Framework on Marketing Mix Strategy and SME Performance	22

LIST OF ABBRAVIATIONS

%	=	Percentage
AMA	=	American Marketing Association
PSM	=	Projek Sarjana Muda
SMEs	=	Small and Medium Enterprises
SPSS	=	Statistical Package for Social Science

LIST OF APPENDICES

APPENDICES	TITLE	PAGES
A	Questionnaire	67
B	Pilot Test Result	74
C	Multiple Regression Test Result	78
D	Gantt Chart PSM 1&2	80

CHAPTER 1

INTRODUCTION

1.1 Background of Study

In the 21st century, marketing strategy has become an important tool for all the organization to remain the position in the competitive market environment. Aremu and Bamiduro (2012) see strategy is the method, technique, way or plan that an individual or organization want to use to achieve the success of their business in the marketplace or society. However, an organization not only want to survive in the market, their also want to improves their effectiveness and efficient in the marketing and improve the ways of promote marketing strategy.

Therefore, marketing strategy can be defined as a method by which a company providing goods and services to meet the customer needs and wants, offer the affordable price and use the promotion activities to attract the attention of customers (Ebitu and Ezekie, 2016). According to Mustapha (2017), marketing strategy starts with the market research, develop vision about the market, select market target strategies, design positioning strategies, setting objectives and implement the marketing programmes to meet the value requirements of the target markets. Thus, marketing strategy is an important requirement of company's ability to maximize its market share and minimize the impact from the competition.

Marketing mix is the general strategy in marketing. There are four elements consist in the marketing mix strategies which are product, price, promotion and place

(distribution) (Kotler and Armstrong, 2012). However, according to Booms and Bitner's (1981) cited by Mei Lin (2011), the element in marketing mix from 4Ps to 7Ps which add on people, process and physical. Marketing mix review as a very important issue in the industry because it will help the management to achieve the organizational goals. When the company implement the elements in the marketing mix strategies, it will bring a great impact to the firm's business performance (Mustapha, 2017).

In Malaysian economy, small-medium enterprises (SMEs) are very important and play an important role to the country's development (Fazak and Fazli, 2015). Small business is considered as a sub sector of SMEs in Malaysia, along with the small size enterprises which operates in the various industrial sectors and contributes the greater production and provides self-employment opportunities (Hashim, 2004). Since small-medium enterprise is very important to the development of Malaysia, it is therefore need to think about an understanding of implement the marketing strategy and what is the impacts of the marketing strategy to the business performance of SMEs in Malaysia. Therefore, this study aimed to examine the impacts of marketing mix strategy on SMEs business performance.

1.2 Problem Statement

The research concentrates on the marketing strategy and its impact to the SMEs performance. According to Aremu and Lawal (2012), business all over the world has faced a great difficulty in getting their product acceptable or sold in the market. Nowadays, a firm or an organization operates in a highly competitive market environment therefore marketing strategy has become an important tool for any organization to become stronger in the market and increase the competitive advantages (Nashwan, 2015). However, it is lack of research has been undertaken to systemically analyse the challenge and opportunity posed by such situation, which would give rise to the effectiveness of the marketing strategy for SMEs to compete in the market (Yan and Chew, 2011).

In Malaysia, SMEs faced a lot of challenges in the global environment such as low productivity, lack of financing, lack of managerial capabilities and poor access to technology in the management (Norzalita and Asiah, 2013). However, all of these challenges can be concluded that the organization perceived ineffective marketing strategy which is having negative effect on the organization's performance, customer satisfaction, company profitability and product quality (Audrey, David and Ken, 2001). Hence, to survive and thrive in a dynamic business environment, SMEs have to initiate and implement the marketing strategy to their business (Fazal, Razak and Fazli, 2015). When implement the marketing strategy, SMEs always lack of resource to their business compare to large firms.

Besides that, most of the owners of SMEs in Malaysia doing their business with traditional marketing which focused on selling the products that produced by the company (Rahim, Wahak and Saad, 2015). It is important to SMEs in Malaysia to adopt the appropriate marketing strategy in their business because this can make them know the customer satisfaction for the product and SMEs will produce the product according to the needs of the customers (Nazrol, Abdullah and Breen, 2017).

1.3 Research Questions

- i. What are the elements in the marketing mix strategy?
- ii. What are the impacts of marketing mix strategy on small-medium enterprise (SME) Performance?
- iii. What is the most important element of marketing mix strategy that will impact on SMEs performance?

1.4 Research Objectives

The objectives that the researcher aims to conclude by doing this research are as follow:

- i. To identify the elements of marketing mix strategy.
- ii. To examine the impacts of marketing mix strategy on small-medium enterprise (SME) Performance.
- iii. To investigate the most important element of marketing mix strategy that will impact on SMEs performance.

1.5 Scope of Study

This research is mainly focus on the small and medium enterprise (SMEs) that has implemented the marketing mix in their business in Johor and Melaka. The targeted research respondents include all the SMEs from different industry in two states of Malaysia. These groups of respondents will be providing the primary data for this research

1.6 Limitation of Study

There are several limitations has been identified in this research paper. Firstly, this research is just focused on the SMEs in two states which are Johor and Melaka. Most of the SMEs in Malaysia are not accessed, thus, the data collected will occur insufficient. Therefore, the research still needs more empirical evidence to support in future studies. Next, the limitation would be lack of budgets and duration to conduct this research is too short.

1.7 Summary

In this chapter, the research is aim to examine the impacts of marketing mix strategy toward SMEs performance. Through the succinct description of background of study, the problem statement, research questions and research objectives are discussed to give a fundamental understanding of the whole research. Moreover, the scope of study and limitation that facing in this research conduct has also discussed.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter will presents a review of the literature related to the purpose of the study. It is importance to have established a literature base in order to provide a pure understanding of current knowledge base in the problem era. The literature review is based on the authoritative, recent and original sources such as journals, articles, dissertation and others published sources.

2.2 An Overview of Small and Medium Enterprises (SMEs)

The small and medium sized enterprises (SMEs) play a significant role in economic development and employment for a majority of countries in the world (Hafash, 2015). SMEs are a very heterogeneous group which involved in different market environment such as urban, rural, online, physical, domestic, regional and international. Small and Medium business entrepreneurs operate and manage various businesses such as Manufacturing, Services, and Agriculture area and contribute to the national economy.

In Malaysia, SMEs are defined based on two criteria which are turnover of business annual sales and number of full-time employees. The definition of SMEs in Malaysia have been varied over the years since there have been many developments in country economy such as structural changes, price inflation and change in business trends. According to National SME Development Council, a new definition of Small and Medium Enterprises (SMEs) for manufacturing sector (including agro-based) and manufacturing-related services is an enterprise with full-time employees are not exceeding 150 increase to not exceeding 200, and the annual sales turnover is also increase from not exceeding RM25 million increase to not exceeding RM50 million. However for services and other sectors (agriculture, construction and mining & quarrying), SME is new defined as the enterprise with the number of full-time employees less than 50 increase to 75, and the annual sales turnover less than RM5 million increase to less than RM20 million (Hafash, 2015). Table 2.1 shows the new definition of SMEs in Malaysia beginning 2014.

Table 2.1: Definition of Small and Medium Enterprises (SMEs) in Malaysia

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 OR less than 5 full-time employees	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200
Services & Other Sectors	Sales turnover of less than RM300,000 OR less than 5 full-time employees	Sales turnover from RM300,000 to less than RM3 million OR full-time employees from 5 to less than 30	Sales turnover from RM3 million to not exceeding RM20 million OR full-time employees from 30 to not exceeding 75

(Source: National SME Development Council, 2012)

According to the Malaysia Economic Planning Unit (2015), in the Eleventh Malaysia Plan Report for the period of 2015-2020, it was signified that the SMEs

contributed to about 97.3% of the total business establishments and 33.1% of the country's gross domestic product (Hafash, 2015). Recently, the government has set up a ministry for SMEs and entrepreneurs in Malaysia and they also provide a lot of service and incentives to SMEs. Hence, there is a focus in existing research on the effect of government incentives and assistance on the success of Malaysian SMEs.

In the Malaysian economy, SMEs play an important role and SMEs also considered as the backbone of country's economic development (Saleh & Ndubisi, 2006). Therefore, SMEs are vital in the economic nation due to it can provide a lot of income to the country (Castrogiovanni, 1996). They are the main source of job creation and they represent the seeds for future large companies and corporation (Monk, 2000). SMEs are often contributed to the economy and reinforcing foundation for the growth of existing ones and new industries, for Malaysia future development.

2.2.1 Statistics of SMEs in Malaysia

According to Census Report on SMEs 2011, there was a total of 645,136 SMEs operating their business in Malaysia, representing 97.3% of total business establishments. SME operates in various sectors such as services, manufacturing, agriculture, construction, mining & quarrying (SMEs Census Report, 2011). SMEs in the service sector are occupying the largest which results showed that 90% of the total establishments in that sector. Table 2.2, 2.3 and 2.4 illustrates the detail number of establishments and distribution percentage of SMEs by sector in Malaysia.