

SUPERVISOR DECLARATION

“I/We hereby declared that I/we had read through this research study and in my/our opinion that this report is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor Degree in Technology Management (High Technology Marketing)”

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DETERMINANT FACTORS OF ADOPTING DIGITAL MARKETING
IN SME SECTORS

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DECLARATION

“I declared that this report is the results by my own work except certain explanations
And passage where every part of it is cited with sources clearly stated in References”

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DEDICATION

I would like to dedicate this research to my beloved parents and siblings. Big appreciations to my family who always give me supports in term of moral, motivation, advice and financial. It will not be easy for me to go through the completion of my PSM without their concern and support. Their unconditioned love and encouragement have allowed me to strive and push myself beyond limits that never thought would be possible. With their support, I was able to complete this research paper smoothly. Thank you for always supporting me.

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ABSTRACT

For this research, it is about a study on determining the factors of adopting digital marketing in SMEs sector which is within food cafe industry in Melaka. This research covered at Melaka only. This will takes place here because of Melaka is a tourism state and food at Melaka has become one of the attraction to the tourist. Some food at Melaka has their own attractiveness. The way SMEs food cafe advertise and promote their products and services are different in order to attract the potential customer around their business. The business can attract the customer by using their own marketing strategy tools. Digital marketing can become such an efficient tools for SMEs business in planning their marketing strategy. Furthermore, digital marketing can give benefits to the owner or the SME business itself because an efficient marketing strategy tools can make the business become more well-known in the market and also improve in business performance that can lead in increasing business growth. This research use qualitative method that use interview to gain information. This study will beneficial to the industry practitioners and academicians to be served as future reference.

Keywords: Small and Medium-sized Enterprise (SMEs), Food Cafe Industry, Digital Marketing, Marketing Strategy Tools.

ABSTRAK

Untuk kajian ini, ini adalah kajian mengenai faktor-faktor yang mempengaruhi penggunaan pemasaran digital dalam sektor PKS dalam industri kafe makanan di Melaka. Penyelidikan ini diliputi di Melaka sahaja. Penyelidikan ini akan berlaku di Melaka kerana ia merupakan negeri pelancongan dan makanan di Melaka menjadi salah satu tarikan pelancong. Kebanyakan makanan di Melaka mempunyai daya tarikan mereka sendiri. Cara kafe makanan PKS mengiklankan dan mempromosikan produk dan perkhidmatan mereka berbeza untuk menarik pelanggan-pelanggan yang berpotensi di sekitar perniagaan mereka. Perniagaan dapat menarik pelanggan dengan menggunakan alat strategi pemasaran mereka tersendiri. Pemasaran digital boleh menjadi alat yang efisien untuk perniagaan PKS dalam merancang strategi pemasaran mereka. Selain itu, pemasaran digital dapat memberi manfaat kepada pemilik atau perniagaan PKS itu sendiri kerana alat strategi pemasaran yang efisien dapat menjadikan perniagaan menjadi lebih terkenal di pasaran dan juga meningkatkan prestasi perniagaan yang akan membawa kepada peningkatan pertumbuhan perniagaan. Penyelidikan ini menggunakan kaedah kualitatif yang menggunakan kaedah temuduga untuk mendapatkan maklumat. Kajian ini akan memberi manfaat kepada pengamal industri dan ahli akademik untuk dijadikan rujukan mereka pada masa hadapan.

Kata Kunci: Perusahaan Kecil dan Sederhana (PKS), Industri Kafe Makanan, Pemasaran Digital, Alat Strategi Pemasaran.

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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
SME	Small and Medium-sized Enterprise
IT	Information Technology
NEP	New Economic Policy
GDP	Gross Domestic Product
Corp	Corporation
ICT	Information and Communication Technology
SPSS	Statistical Package for the Social Sciences
CAQDAS	Computer Assisted Qualitative Data Analysis
Ads	Advertisement

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CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, the researcher had covered the background study of the research topic which is adoption of digital marketing in SMEs sectors. In addition, the researcher included about the problem statement that faced by SMEs sectors in implementing the digital marketing to the business. Furthermore, scope and limitation of study, important of the research, research questions and research objectives were presented in this chapter.

1.2 Background of the Study

The Small and Medium-sized Enterprise sub sector business contribute an important part in the Malaysian company and it is considered as the foundation of modern expansion in the country. SME stands for Small and Medium-sized Enterprises which is a non-subsidiary and self-determining firms that consist of a small number of employees. Majority of those small company still using traditional ways in doing their marketing. The reason is because of the employee mostly lack in knowledge about the technology and also lack of others resources like capital, human and technology either internal or external.

According to Eriksson et al. (2008), SMEs are in wide-ranging at an initial stage of implementing digital channels. In placing more emphasis, Barnes et al. (2012) claimed that big company are more possible to have the essential resources and acquaintance to successfully implement new digital channels and tools. The reason why SMEs business still chooses the traditional ways to do marketing is because of some factors which are human resources, financial resources, and technological resources. Those resources are the leading factor explaining decision making in small businesses.

Digital marketing is an umbrella term for the marketing of products or services using digital tools, mainly on the internet, but also including digital devices like smartphones and computers, display advertising, social media and any other digital tools. Digital marketing is a current new approach tool to the organizations in order to publicize their product's activity and it is not just an old-style marketing boosted by digital features (Jarvinen et al., 2012; Liu, Karahanna and Watson, 2011; Rowley, 2008). Marketing using a digital technology is aggressively implemented by certain firms, especially in a big company or organization. This is because those companies has enough resources to run that kind of digital activity. From that, the company can positively respond to their customer needs and wants and at the same time, it helps to drives sales and can improvise their efficiencies by reducing costs. Furthermore, digital marketing has its own features and criteria which is dynamics plus with special characteristics that could be accepted in order to be able to choose effective marketing method and strategies.

Companies are intensely concentrated on the use of digital technology to enrich the quality of information provided to their customers (Foroudi et al., 2016). Information quality is a somewhat new concept to many business that consists of integrated promotion, integrated invention and valuing information that promises trustworthiness in product images and prices through marketing (Oh and Teo, 2010). Besides, the great quality of information spread in an appropriate way has an enormous effect to the customer behavior and marketing.

Digital marketing become significant to SMEs sector because it can offer many opportunities for small business to attract new potential customers and reach the existing customers more efficiently. Even in the early point of digitization, it has been shown to bring major opportunities to SMEs business such as reaching new target audiences, increasing performance and efficiency also improving growth and competitiveness. Other than that, using a digital marketing or internet can give benefit to the SMEs business by reducing cost as the cost is their main concern. Besides, for small businesses financial, it will become more efficiently spent because mostly SMEs does not have enough resources, especially in capital resources. Actually, by implementing the digital marketing in SMEs business, the financial flow in that company is well-control and can be reduced.

Digital technology in marketing activity is aggressively applied by firms nowadays to respond clearly to customer's needs and wants, and also improve customer-side actions. It supports the interest of consumers and businesses and at the same time, it will helps to drive sales in business. Digital marketing can give a huge effect on the SMEs business because it has its own importance in order to increase their sales and make those small business become more well-known in the marketplace. Therefore, with a proper marketing activity method, it will help the SMEs business in developing their brand awareness among their target customers in their business environment.

According to Kaplan and Haenlein (2011), digital marketing tools is considered to be a powerful medium for viral marketing movements. In addition, digital marketing tools usually as a center on business effort to build content about their products or services that

can attract attention and encourages the online audience to share it across their online platform. Digital marketing is an important part of spreading product's information and moving goods from the producer to the consumer. The digital marketing makes new dimensions and comprehension of client activities. Although, it is explicit that conventional of digital marketing tools brings an enormous opportunities for the firms in various sectors especially in the SMEs sectors.

The digital marketing tools have radically transformed how the firms run their business, especially the methods that the firms use to develop awareness of their products and services. Besides, the marketing activity is now shifting from traditional marketing medium (TV, outdoor, direct marketing etc.) to more a digital-centric approach (social media, websites, online marketing etc.) and the marketers are investing rapidly in digital at the expense of those traditional methods. Current business environment, managers rely heavily on digital marketing to build their brand image, taking the view that this approach also helps the company to get to know about their customers and to detect or anticipate negative client or market reactions (Tiago and Verissimo, 2014). This can be supported by Business Zone (2015) that stated the other benefits of digital marketing include the ease with which results can be tracked and monitored rather than conducting an expensive user research, managers can quickly view user response rates and measure the success of a marketing campaign in real-time, so that they can enabling more effective planning for the next campaign.

Traditional marketing is kind of outdated marketing tools nowadays but some of SMEs firms still implement it in their business operation. SMEs did not realize about using the traditional marketing is much more involved in cost because they need to print all the brochures, flyers, catalogues and et cetera. In addition, the firms need to pay for ads in newspaper or mailers every time the firms run a new campaign or promotion. Besides, adding new products or sales promotion in digital platform does not create additional costs if the firms already have a person that handle in updating about the products information. Although this type of marketing have been successful in the past, they all have other disadvantages, especially with the rapid increase in digital environment nowadays.

Traditional marketing uses static text or advertising commercials to promote a products or services. If an ads is placed for example in the newspaper, it cannot be change until the firm place another ads. On the other hand, if on the internet or other digital tools, the firm can easily updates any information changes about their products.

1.3 Problem Statements

Currently, most of SMEs are still using the traditional methods to advertise their products or services. However, SMEs may decide to replace the traditional methods with new methods such as digital marketing. Digital marketing has become an important part of an organization's marketing communications and branding. Digital marketing plays an important role in providing the opportunities for small business the way to encourage and attract new customer and reach existing customers more efficiently. The study was to find why digital marketing is not fully adopt in SMEs sector while that tool is such an important platform for SMEs sectors for their marketing activity in order to build awareness for their brand and products.

According to Karjaluoto and Huhtamaki (2010), the reason to adopt digital channels in micro firms under three main categories; first, resource-related factors, second, firm-specific and owner-manager factors and third is environmental factors. The first problem arises when it comes to the resources-related factors into the SMEs organization. This concludes human resources, financial resources and technological resources. SMEs lacked sufficient human resources, capital, and knowledge to fully adopt digital marketing. The lack of human resources, time and expertise are the largest obstacles to digital marketing usage in the industrial context among both SMEs and also larger organizations.

Next is firm-specific and owner-manager factors. These factors are related to expertise and the skill to use new technologies or knowledge of how to get the benefit from them in business also the attitude of the manager and employee to the channels and motivation to use the channels. The owners with a solid knowledge of information technology (IT) were better able to adopt useful information technology solutions and deploy them in ways that ensured that investments supported the achievement of strategic goals. With all those weaknesses and limitations, it will result in not fully utilize the usage of the digital marketing which is the potential of digital marketing tools. This type of tools that using technologies demand more in-depth knowledge.

The cost also required to complement the digital marketing for SMEs to market their products or services. Actually, using the digital tools as their marketing platform did not need the high costing. But, the cost is spend when the company need to do the training for their employees which working in marketing department. The training session included sending off their staff to a professional trainer for getting know more about the digital marketing. The expenses for sending the employee to the seminar which the payment for the trainer is surely high.

Besides, most of SMEs firm is unable to adapt the environment of technology changes. That situation will give a huge effect to the SMEs growth and performance and it will make them fall behind in the competition within their competitors and also it will affect the SMEs which cannot catch up with the current market growth. This kind of situation will bring them down in less getting the profits which decline from time to time and it will leads to company's bankruptcy.

In addition, the other problem is the SMEs organizations thinking about the suitability of certain products for using a digital marketing as their advertisement platform. This consist of the types of the product and services, industry sectors, consumer or customer behavior and outside support. Some of the product or services can easily communicate through the digital channels and some other is not. In this case, the usage of the digital marketing in SMEs sector was affected.

Since the digital marketing is the current trend in marketing activity nowadays, it is crucial to know what are the factors contribute to adoption of digital marketing among SMEs sectors.

1.4 Research Question

The research questions are the first requirement for this research project to question the issues and the questions. The research questions of this research will be:

1. What is the importance of using the digital marketing in SMEs sector?
2. What factors that affect the adoption of digital marketing in SME's sector?
3. What is the best recommendation for SMEs sector in improving their businesses marketing?

1.5 Research Objective

It was essential for marketers to study in depth on marketing strategies to gain a better understanding of why digital marketing was the most important as effective tools for increasing business growth. The objective of this research was to understand why digital marketing become such an important platform for SMEs business in order for them to maintain in the business marketplace. Therefore, the primary purpose was listed as below:

1. To study the importance of implementation of digital marketing in SMEs sector.
2. To examine the factors that affect the adoption of digital marketing in SMEs sector.
3. To recommend a better improvement of using the digital marketing in SMEs sector for getting a better businesses growth.