

SUPERVISOR AND PANEL CONFIRMATION

I/we hereby declared that I/we had read through this thesis and in my opinion that this thesis is adequate in term of scope and quality which fulfil the requirements for the awards of Bachelor of Technopreneurship with Honours

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THE IMPACT OF BRANDING ACTIVITIES ON SMALL MEDIUM
ENTERPRISES (SME's) FOOD AND BEVERAGE INDUSTRIES'
PERFORMANCE IN MELAKA

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Submitted in partial fulfilment of the requirement for the Bachelor of
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DECLARATION

'I hereby declare that this report is the result of my own work except for the quotations and summary that have been duly acknowledged'.

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DEDICATION

This research paper is dedicated to my beloved family especially to my father, Mohd Khairudin Bin Abas, my mother, Maslinda Binti Surun and my siblings Muhammad Afi, Shahnina, Nur Hanisah, Mohd Haziq, and Nur Adriana who has been source of inspiration and also always encourages and stimulates me even in difficult or pleasure. Thank you for never ending support, attention, and motivation. Lots of love.

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Thank you.

ABSTRACT

Branding is one of the important factors for the success of a large business. However, is branding important for Small Medium Enterprise (SME)? The purpose of this study is to look at the impact of branding activities on Small Medium Enterprise (SME) performance that carried out around Melaka, Malaysia. Literature studies show that there are four activities that are carried out to illustrate brands and branding, which are brand name, marketing platforms, brand identity, and brand loyalty as the independent variables associated with the dependent variable, companies' performance. This study use quantitative research. Explanatory research is use to determine the relationship between variable. All data and answers from the questionnaire were collected and analysed. The total 150 respondents of SME are from food and beverage industry will select to answer the questionnaire. The method of the data analysis will measure by using descriptive analysis, correlation analysis, and regression analysis, then analysed using the SPSS Statistic Version 22.0. Research shows that performance of SME can be improved over time through branding activities. The researcher has completed and achieved all the research objectives where there is a significant relationship between branding activities with the SME's performance.

Keywords: Branding, Small Medium Enterprises (SME's), SME's performance.

ABSTRAK

Penjenamaan adalah salah satu faktor penting bagi kejayaan perniagaan yang besar. Walau bagaimanapun, adakah penjenamaan penting untuk Perusahaan Kecil dan Sederhana (PKS)? Tujuan kajian ini adalah untuk melihat kesan aktiviti penjenamaan pada prestasi Perusahaan Kecil dan Sederhana (IKS) yang dijalankan di sekitar Melaka, Malaysia. Kajian kesusasteraan menunjukkan bahawa terdapat empat aktiviti yang dijalankan untuk menggambarkan jenama dan penjenamaan, iaitu jenama, platform pemasaran, identiti jenama, dan kesetiaan jenama sebagai pemboleh ubah bebas yang berkaitan dengan pemboleh ubah bergantung, iaitu prestasi syarikat. Kajian ini menggunakan penyelidikan kuantitatif. Penyelidikan kuantitatif digunakan untuk menentukan hubungan antara pemboleh ubah. Semua data dan jawapan dari soal selidik dikumpulkan dan dianalisis. Sejumlah 150 responden PKS dari industri makanan dan minuman dipilih untuk menjawab soal selidik. Kaedah analisis data akan diukur dengan menggunakan analisis deskriptif, analisis korelasi, dan analisis regresi, kemudian dianalisis dengan menggunakan Statistik SPSS Versi 22.0. Penyelidikan menunjukkan prestasi SME dapat diperbaiki dari masa ke masa melalui aktiviti penjenamaan. Penyelidik telah dilaksanakan dan mencapai semua objektif penyelidikan di mana terdapat hubungan yang signifikan antara aktiviti penjenamaan dengan prestasi PKS.

Kata kunci: Penjenamaan, Perusahaan Kecil Sederhana (PKS), prestasi PKS.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

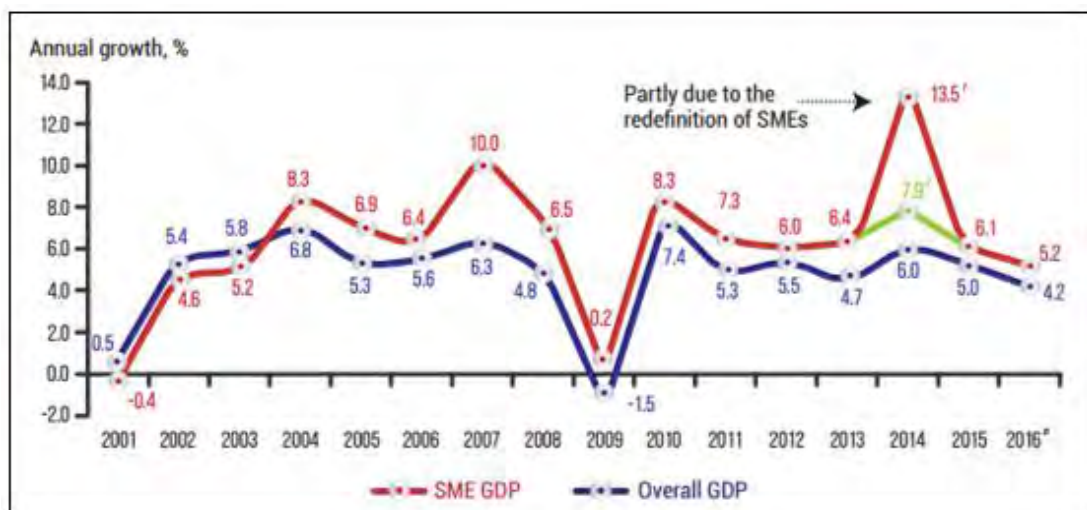
The first chapter introduce the topic of the research. This chapter contains a description of the background of the research, problem statement, objectives, and scope of the study. Others, this chapter also includes the limitation of the study and also the significant of the study.

1.1 Background Research

In the era of globalization, business in Malaysia has seen a lot of positive developments. Malaysia's trade performance continued to improve in 2016 despite the global market uncertainty, weak aggregate demand, low commodity prices and volatile financial markets in key economies. According to Ministry of International Trade and Industry (MITI), 2017, Malaysia's total trade in 2016 increased by 1.5 percent to RM1.48trillion from RM1.46 trillion the previous year. Imports increased to RM698.66bilion and exports increased to RM785.93bilion, resulting in a trade surplus of RM87.27bilion, representing nineteen consecutive years since 1998. The significant increase in volume was contributed by strong demand on manufactured goods and agricultural products largely produced by Malaysia's Small, Medium Enterprises (SME's).

SME development is strongly encouraged to achieve continuous economic growth, sustainable, consistent, and competitive. SME is an important asset of the state to enhance the process of economic growth and also plays an important role in the production process both inside and outside the country. The economy is progressing as SMEs become an important part of the economic fundamentals. SME also contributes to over 98% growth, while 65% of employment opportunities and 50% of GDP. SME has a high potential to form a solid foundation in economic growth and also a major contributor to the economy that is able to further strengthen the industry's activities in the future (SME Corp, 2017).

According to SME annual report 2016/2017, SMEs in Malaysia continue to move forward and grow more rapidly, even though they have to go through a challenging environment in 2016. Throughout the year, SME recorded a Gross Domestic Product (GDP) growth of 5.2%. This situation recorded an increase in SME contribution to 36.6% of the GDP. Positive developments and growth from SME GDP are supported from the country's major economic sectors, which are increasingly tourism activity, high domestic demand, and supportive policies from government.



Source: Department OF Statistics, Malaysia and SME Corp. Malaysia

Figure 1.1: SME GDP and Overall GDP Growth (%)

Table 1.1: SME GDP and Overall GDP Growth

	Annual Growth, (%)		
	2015 SME GDP	2016 SME GDP	2016 Overall GDP
Agriculture	2.0	-1.7	-5.1
Mining and Quarrying	8.9	8.2	2.2
Manufacturing	6.0	4.8	4.4
Construction	7.6	6.8	7.4
Services	6.6	6.4	5.6
TOTAL	6.1	5.2	4.2

Source: Department of Statistic, Malaysia

SME's is a large and widespread sector. In today's world economy, many large multinational firms are growing and their focus is on branding and marketing rather than focus on production. These firms prefer resources from flexible networks and thus enable them to acquire new supply chains get through into developing countries and provide many new opportunities for small firms. Finally, these small firms have the potential to be partners in this chain that serve as flexible sources of production.

However, SMEs in Malaysia have already exposed challenges that disturb their growth, performance, and development. There are include poor of resources, poor management, low technology and knowledge about branding, economics, and international factors. Previous research by Sheikh (2014) carried out that branding is very important in business. Branding can be defined as a 'name, term, sign, symbol or design, or a combination to identify the goods and services of one seller or group of a seller and to differentiate them from those of other sellers'. For sure, these challenges affected and directly influenced the growth, profitability and SME's success in Malaysia. As such, the study aims to analyse and examine critically the issues faced by SME's and to propose branding activities that potentially enhance the performance of SME's in Malaysia.

1.2 Research Problem

SME's are the backbone of economic growth in most countries in the world. In Malaysia as well, in a journey towards achieving Vision 2020, SMEs play a main role in contributing to the Malaysia economy. Based on Department of Statistics 2017, there are 907,065 establishments of Small and Medium Enterprise (SME's) in Malaysia, where 693,670 are from micro-enterprise with the highest number establishments. Then it followed by small enterprise and medium enterprise with each of 61,192,783 and 20,612 establishments. The vision of Malaysia to become a developed nation with high productivity and high income can be realized with a conducive atmosphere for developing SME's as the growth of innovation machines through various policies.

However, most of the previous literature, they have highlighted similar problems facing by SME's. For example, Laton et al (2017) stated that SME's are difficult to obtain funds from financial institution, lack of skill, high competition from another company, constraints of market knowledge, lack of business knowledge (Mokhtar and Ashhari, 2015) and lack education of new technology,. Additionally, lack of expertise in brand management affects business performance and limits the growth of business activities carried out by firms (Muhonen et al, 2017).

In Malaysia, there are many agencies exist to support SME's, for example, Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) that established by the Ministry of Agriculture and Agro-based industries. In Budget 2018, the government has set a high allocation to TEKUN amounting to RM5000 million, especially to SME's Bumiputera. It is an effort made to increase GDP to 41% by 2020 (Zainol, 2017). TEKUN is aimed at providing microloans and other support to help these small businesses.

However, the loan was not paid back by some of the entrepreneurs because of the problems they faced in their performance businesses as they did not progress and some failed businesses (SME Corp, 2017). This is because of the attitudes and behaviours of the entrepreneurs who take it easy in managing a business. Besides, Mungal (2014) stated that they also faced some important issues which are faced rising

cost of raw material, overhead cost, and cash flow problem that lead to disturb their branding activities.

Table 1.2: Some of the agencies that involved in SME development

Agencies / Programs	Objective
Perbadanan Usahawan Nasional Berhad (PUNB)	Gives advisory support that relating to: <ul style="list-style-type: none"> - Operation of premise - Premise evaluation - Business advisory services
Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN)	Provides assistance in the form of additional capital for Bumiputera small entrepreneurs in developing businesses more easily and quickly
Majlis Amanah Rakyat (MARA)	MARA provides: <ul style="list-style-type: none"> - Developing a successful and innovative entrepreneur - Produce global human capital and integrity - Facilitate delivery system
Program Tunas Usahawan Belia Bumiputera (TUBE)	The program targets Bumiputera youth between the ages of 18 - 30 who have in-depth interests to engage in entrepreneurship,
Program Peningkatan Perusahaan Bumiputera (BEEP)	Offering premises rent, modification and purchase of equipment, hardware, machines for start the business as addition to other costs specifically for young entrepreneurs

Malik et.al (2013) found that the factor that affects the selection of a product by a customer is the brand of the item. They are aware that branded products are products of high quality and best. A there are a handful of SME businesses are less aware of the importance of these branding activities and it will cause them to fail to grow their business.

From all the problems that arise, it will impact on growth and will further delay the SME's contribution to the national economy. Therefore, this research aim is to help entrepreneurs find solutions to the various problems they face within their company and this research focus in terms of branding activities towards SME's.

1.3 Research Questions

The research questions for this research are:

1. What are the level influence of each branding activities to the SME's performance?
2. What is the relationships between branding activities and SME's food and beverage industries' performance?
3. What are the level influence of whole branding activities to the SME's performance?
4. What is the most significant activity that influences SME's food and beverage industries' performance?

1.4 Research Objectives

The research objectives of this research are:

1. To identify the influence of each branding activities to the SME's performance
2. To determine the relationships between branding activities and SME's food and beverage industries' performance.
3. To identify the influence of whole branding activities to the SME's performance
4. To identify the most activity that influences SME's food and beverage industries' performance.

1.5 Scope of the Research

This research aims to identify the impact of branding activities among SME's business in Melaka. There are a big number of SME's from all sectors such as food, manufacturing, and agriculture sectors concentrated in the state of Melaka. So, in this research, the researcher focus on SME which is from food and beverage industry. The study involved some important branding activities for thriving and competitive businesses from time to time in the mainstream.

1.6 Limitation of the Research

The respondents are the one of limitation in this research. The respondent is limited to SME's food and beverage industry only which there in the very small market. Furthermore, the research only focuses in Melaka. This research will discuss these issue and will elaborate how these small companies can market their products through branding activities and the branding effect on their business. Additionally, there is also a few limitations that the respondents do not answer the questions well and do not take questions seriously. It makes it difficult for researchers to get information correctly and accurately. This study is aimed at SME for them to continue to grow and lead the Malaysian business sector.

1.7 Significant of the Research

Foster awareness of the importance of branding. Salleh et.al (2017) identify that the high awareness will make an entrepreneur act faster to start or improve their business. Others, the significant of the research is to increase branding activity in the future, so that they can maintain the business in the long run because the small and medium business is very important to entrepreneur to be a larger business soon. In addition, with branding activities, it will cause businesses to become well-known among customers and boost the SME sales, performance and at the same time will spur

economic activity in Malaysia. Todor (2014) traces that branding is a key tool for maintaining the competitive advantage. Develops good strategies that have not developed by any competitors or the strategies that cannot be duplicated by other company to sustain company competitive advantage.

1.8 Summary

In conclusion, this chapter focus on the background, research problem, research objective, research question, scope and limitation, and significant of the research. The future chapter will explain and discuss more about the literature review related to branding in SME's.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, the relevant theory are discussed. The study also includes a variety of reference materials such as journals, books, articles, and other printed materials that reveal the definition of concepts. This section also seeks to explain the branding activities among Small Medium Enterprises (SME's) in Melaka.

2.2 Small and Medium Enterprises (SME's) in Malaysia

SMEs plays a big role in almost every economy in the world, especially in Malaysia which is a developing country. SMEs provides a wide range of job opportunities and is a source of income to a large proportion of people in Malaysia and it also contributes largely to the GDP (Department of Statistic Malaysia, 2015).

European Commission (2017) explain that SMEs consist of companies that employ less than 250 people and have an annual turnover of not more than 50 million euros, and/or an annual balance sheet amount of not more than 43 million euros. SMEs are world economic engines where important employment opportunities among people of a country, as well as fostering entrepreneurial spirit and competitiveness in the work. Ndesaulwa (2017) stated the meaning of SMEs is different between countries and it depends on their level of development. The criteria commonly used to define

SME's are a number of employees and total investment and sales turnover from four sectors which are services, manufacturing, mining, and commerce.

Generally, there is many worldwide definitions of SME's. However, in Malaysia, the SME's definition is based on annual sales turnover and the total number of full time. It can be separated into 3 main sectors such as general business, manufacturing, and agriculture. Micro, small and medium enterprises are considered as micro enterprise with less than 5 full times employees, considered as a small enterprise that employs 5-75, and medium enterprise with employees between 75- 200 (Rahman et.al, 2016). According to Company Development Council Small and Medium Enterprises (SMEs), and SME Bank (2014), a definition of SME is based on annual sales value and the number of full-time employees.

Table 2.1: Definition of category, namely micro, small and medium

	Manufacturing	Services and Other Sectors
Medium	Sales turnover: RM 15 mil \leq RM 50 mil Employees: From 75 to \leq 200	Sales turnover: RM 3 mil \leq RM 20 mil Employees: From 30 \leq 75
Small	Sales turnover: RM 300,000 $<$ RM 15 mil Employees: From 5 to $<$ 75	Sales turnover: RM 300,000 $<$ RM 3 mil Employees: From 5 to $<$ 30
Micro	Sales turnover: $<$ RM 300,000 Employees: $<$ 5	Sales turnover: $<$ RM 300,000 Employees: $<$ 5

Source: Adopted from SME Corporation (2017)