



**UTILIZATION OF DIGITAL MARKETING AND E-COMMERCE IN SMES  
OF IPOH, PERAK**

A project report submitted in fulfillment of the requirement for the award Bachelor  
of Technology Management (High Technology Marketing) With Honours



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2023

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'With the exception of citations and quotations that have been properly acknowledged, I hereby declare that this thesis is based on my original work.' I further declare that it has not been submitted for any degree or award at Universiti Teknikal Malaysia Melaka or any other institution earlier or concurrently.'



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## DEDICATION

I would like to appreciate the dedication to my precious parents, Mr Balan and Mrs Leelavathy who have been my ultimate source of motivation. They always gave me strength when I thought of giving up, who continuously provide their moral, spiritual, emotional and financial support. A special thanks to my supervisor, Dr L. Ganagambegai and panel, Dr. Hasan Bin Saleh guided me throughout this research. To my relatives, friends and who shared their words of advice and encouragement to complete this research project. Without their blessing and encouragement, this research is impossible to complete in a very short period of time.



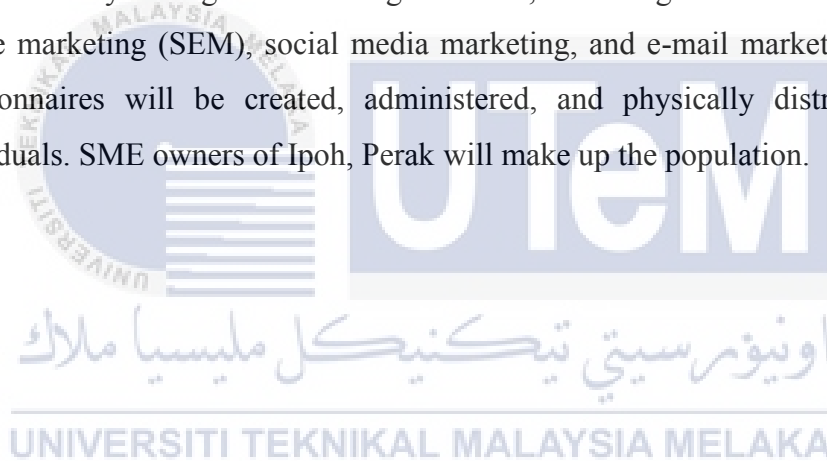
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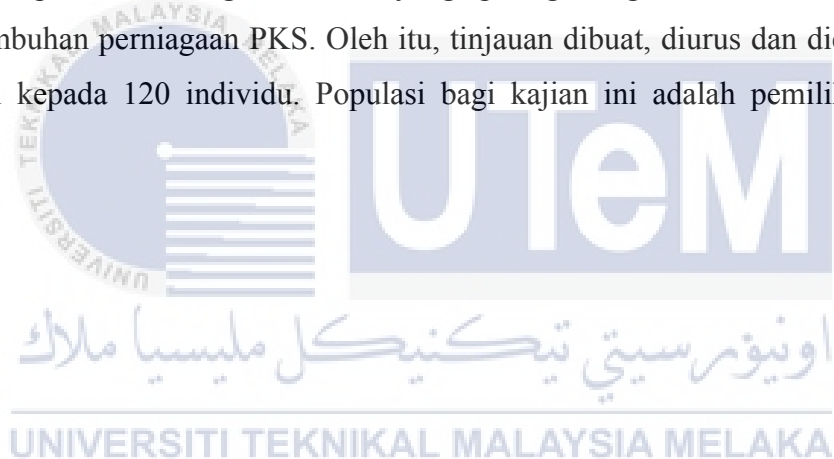
## ABSTRACT

SMEs have been at the core of Malaysia's economic transition from a low-income country to an upper-middle-income country since the 1990s, and they are a major source of employment and development. The loss of business possibilities has been attributed to the Movement Control Orders (MCOs) and the floods that devastated many SMEs. The goal of this study is to determine how SMEs use digital marketing channels to successfully manage and regulate their businesses in the face of unpredictably natural disasters, as well as to assess which digital marketing channels are most beneficial in promoting SMEs' business growth. This study was conducted using a variety of digital marketing channels, including mobile marketing, search engine marketing (SEM), social media marketing, and e-mail marketing. Therefore, questionnaires will be created, administered, and physically distributed to 120 individuals. SME owners of Ipoh, Perak will make up the population.



## ABSTRAK

Peranan perniagaan kecil dalam peralihan ekonomi Malaysia daripada negara berpendapatan rendah kepada berpendapatan sederhana atas adalah penting sejak 1990-an. Mereka menyediakan sumber pekerjaan yang hebat dan menyumbang kepada pembangunan ekonomi negara. Kehilangan peluang perniagaan berpunca daripada Ordinan Kawalan Pengangkutan (PKP) dan banjir yang memusnahkan banyak PKS. Tujuan kajian ini adalah untuk menentukan cara PKS menggunakan saluran pemasaran digital untuk berjaya mengurus dan mengawal perniagaan mereka dalam menghadapi bencana alam yang tidak dapat diramalkan, dan untuk menilai saluran pemasaran digital mana yang paling berguna untuk mempromosikan pertumbuhan perniagaan PKS. Oleh itu, tinjauan dibuat, diurus dan diedarkan secara fizikal kepada 120 individu. Populasi bagi kajian ini adalah pemilik SME, Ipoh, Perak.





## Table of Contents

CHAPTER	CONTENTS	PAGES
	<b>SUPERVISOR'S DECLARATION</b>	i
	<b>STUDENT'S DECLARATION</b>	ii
	<b>DEDICATION</b>	iv
	<b>ACKNOWLEDGEMENT</b>	v
	<b>ABSTRACT</b>	vi
	<b>ABSTRAK</b>	vii
	<b>TABLE OF CONTENTS</b>	viii
	<b>LIST OF TABLES</b>	xii
	<b>LIST OF FIGURES</b>	xiii
	<b>LIST OF APPENDICES</b>	xiv
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	
	1.0 Introduction	1
	1.1 Background of Study	1-3
	1.2 Problem Statement	3-5
	1.3 Research Questions	5
	1.4 Research Objectives	5
	1.5 Significance of Study	6
	1.6 Scope of Research	6
	1.7 Summary of Chapter 1	7
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	
	2.0 Introduction	8
	2.1 Literature Review	8-9
	2.2 The Concept of Independent Variables	
	2.2.1 Digital Marketing	9-10
	2.2.2 E-commerce	11-12
	2.3 The Concept of Dependent Variable	
	2.3.1 SMEs Performance	12-13
	2.4 Conceptual Framework	13
	2.5 Hypothesis Development	14
	2.6 Summary of Chapter 2	14

## CHAPTER 3 RESEARCH METHODOLOGY

3.0 Introduction	15
3.1 Research Approach	15-16
3.2 Research Design	16
3.2.1 Quantitative Research	16
3.2.2 Descriptive Correlational Research	17
3.3 Research Instrument	17
3.3.1 Survey Strategy	17
3.3.2 Questionnaire Design	18
3.4 Sampling Plan	19
3.4.1 Sampling Technique	19
3.4.2 Population	19
3.4.3 Sample Size	20
3.4.3.1 G*Power Analysis	20-21
3.5 Data Sources	21
3.5.1 Primary Data	21-22
3.5.2 Secondary Data	22
3.6 Data Analysis Tool	22
3.6.1 Pilot Test	23
3.6.2 Data Collection Procedure	23-24
3.6.3 Reliability	25
3.6.4 Validity	26
3.6.5 Descriptive Analysis	26
3.6.6 Pearson's Correlation Coefficient	27
3.6.7 Multiple Regression Analysis	27-28
3.6.8 Statistical Package for Social Science (SPSS)	28
3.7 Location of Research	29
3.8 Summary of Chapter 3	30

<b>CHAPTER 4</b>	<b>DATA RESULT AND FINIDING</b>	
4.0	Introduction	31
4.1	Descriptive Analysis	31-32
4.1.1	Respondent Demographic Analysis	32
4.1.1.1	Age of Company	33-34
4.1.1.2	Category	34-35
4.1.1.3	Full Time Staff	35-36
4.1.1.4	Digital Media Management	36-37
4.1.2	Research Question Analysis	37
4.1.2.1	Independent Variable 1	37-38
4.1.2.2	Independent Variable 2	38-39
4.1.2.3	Dependent Variable	39-41
4.2	Reliability Analysis	41-42
4.3	Pearson Correlation Analysis	43-44
4.4	Multiple Regression Analysis	44-46
4.5	Hypothesis Testing	46-47
4.6	Summary	48
<b>CHAPTER 5</b>	<b>DISCUSSION AND CONCLUSION</b>	
5.0	Introduction	49
5.1	Summary of Descriptive Analysis	49-50
5.2	Summary of study	50
5.3	Discussion of Objectives and Hypothesis Testing	51
5.4.1	Objective 1	51-53
5.3.2	Objective 2	54-57
5.4	Implication of Study	57-58
5.5	Limitation of Study	58
5.6	Recommendation for Future Research	58-59
5.7	Conclusion	59-60

<b>REFERENCES</b>		61-65
<b>APPENDIX</b>	Appendix 1	66
	Appendix 2	67
	Appendix 3	68-72
	Appendix 4	73



## List of Tables

Table	Title	Page
Table 3.1	Likert Scale Source:(Restivo A.1, 2017)	18
Table 3.6	Cronbach's Alpha Coefficient Range Source: (Saunders, Lewis and Thornhill,2016)	25
Table 4.1	Summary of Total Demographic Information	32
Table 4.2	Age of Company	33
Table 4.3	Category	34
Table 4.4	Full Time Staff	35
Table 4.5	Digital Media Management	36
Table 4.6	Digital Marketing Usage in SMEs	37
Table 4.7	E-commerce Usage in SMEs	38
Table 4.8	Digital Marketing on SMEs Performance	39
Table 4.9	E-commerce on SMEs Performance	40
Table 4.10	Cronbach's Alpha Coefficient Range	42
Table 4.11	Reliability Statistic	42
Table 4.12	Strength of the Correlation Coefficient	43
Table 4.13	Pearson Correlation Analysis	43
Table 4.14	Model Summary	44
Table 4.15	Anova	45
Table 4.16	Coefficients	45
Table 4.17	Results of hypothesis	47
Table 5.1	Summary of Descriptive Analysis of Respondent's Demographic	49
Table 5.2	Mean Score Analysis	54
Table 5.3	Mean Score Analysis	56

## List of Figures

Figure	Title	Page
Figure 3.2	Location of Ipoh on North-western Malaysia Map.	29
Figure 4.1	Age of Company	33
Figure 4.2	Category	34
Figure 4.3	Full Time Staff	35
Figure 4.4	Digital Media Management	36



## List of Appendices

Appendix	Title	Page
Appendix 1	Gant Chart for Final Year Project 1	66
Appendix 2	Gant Chart for Final Year Project 2	67
Appendix 3	Questionnaire	68-72



# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

This study's outline will be discussed in this chapter. Chapter 1 consists of 1.0 introduction, 1.1 background, 1.2 research's problem statement which will be stated and discussed, followed by 1.3 research questions and 1.4 research objectives. Furthermore, 1.5 significance of study, 1.6 scope of research and finally, at the end of this chapter 1, 1.7 summary of this chapter will be given.

اوتنور سیتی تکنیکل ملیسیا ملاک

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### 1.1 Background of Research

According to the World Bank, small and medium-sized enterprises (SMEs), particularly in developing countries, are essential to most economies. SMEs, which account for nearly 90% of all businesses, hold more than 50% of all jobs globally. Formal SMEs can contribute up to 40% of the GDP in emerging countries. This number may be higher if SMEs operate informally. Small and medium-sized businesses (SMEs) have gained attention due to their large economic impact and the number of people they employ, making them a major concern for so many governments (The Organization for Economic Cooperation and Development). Each



country's economic growth creates a lot of income and employment while simultaneously reducing poverty (Boonmalert,W. et al., 2021).

SMEs are essential for equitable growth and environmental sustainability in South Asia. By linking basic producers to value-added markets, they attempt to change commodities value chains (L.James, 2020). The Department of Statistics, Malaysia (DOSM) reported that as of 2021, there were 1,226,494 MSMEs in Malaysia, making up 97.4% of all enterprises. On the other side, the Department of Statistics Malaysia reports that the GDP of Malaysia's MSMEs increased at a slower rate in 2021, to 1.0% (from -7.3% in 2020). According to the time series of Malaysia's GDP and MSMEs, the similar pattern has been visible since 2020. With a value addition of RM518 in 2021, MSMEs' percentage of the GDP decreased to 37.4%. Small and medium-sized firms are being compelled by increased competition and globalization to create plans for competitive and sustainable growth. Etuk, Udoh, and Eke (2021) assert that SMEs must employ efficient marketing strategies to enhance their marketing efforts. Reaching organizational objectives and increasing potential customers are made possible by effective marketing techniques.

Despite the fact that marketing campaigns are expensive and time-consuming, SMEs can achieve their goals with little outlay by utilizing digital marketing tactics. In marketing campaigns and other commercial activities, this definition of digital marketing refers to the promotion of goods, services, information, and ideas using the internet, mobile devices, display advertisements, and other electronic media (Pradhan et al., 2018). A number of marketing strategies were also recognized by Roy, Datta, Mukherjee, and Basu (2021), including pay-per-click (PPC), search engine optimization (SEO), social media marketing (SMM), and email marketing, among others. Small and medium-sized businesses (SMEs) must function in a dynamic, constantly shifting market. SMEs must rapidly and consistently expand their businesses to stay on top of new and changing conditions.

Applying information and communication technology (ICT) is one of the most significant prospects for supporting the improvement of business and competitiveness globally. Of course, with the emergence of information technology innovations and

computer applications, the e-commerce industry is expanding speedily in the business market, making it a very attractive possibility for SME's scale business actors (Dutta, Suryawanshi, Gujarathi, & Dutta, 2019). The latest COVID-19 pandemic condition has increased e-commerce sales and popularity globally.

E-commerce is the practise of performing economic transactions using electronic networks, according to the Organization for Economic Co-operation and Development (OECD), 2002. Customers' online buying habits have changed significantly in certain areas (Vilkas, 2020). The expansion of e-commerce has been global. E-commerce businesses have gained a lot of new clients in Vietnam, China, and India, for instance, while consumers' purchasing habits have usually migrated from brick-and-mortar stores to online retailers (Pantelimon et al., 2020).

As a result, SMEs today are still moving more slowly than they did in earlier years, despite their tremendous capacity to fuel economic growth. This research represents the urge for SMEs to adopt and use new platforms like digital marketing and e-commerce to do business.

## 1.2 Problem Statement

CEO of SME Corp Malaysia Rizal Nainy asserts that between July 2020 and July 2021, there was a 7.3% decline in the number of micro, small, and medium-sized enterprises (MSMEs). The epidemic, Movement Control Orders (MCOs), and the floods that impacted countless SMEs in December of last year are all to blame for this. Many business owners predict the cloudy skies will persist beyond 2022 despite government efforts to provide light by opening up economic sectors and offering financial aid.

Around 1.15 million SMEs account for 97.2% of the country's total number of businesses. Last year, they provided 38.2% of the national GDP, or RM512.8 billion, making them the backbone of the Malaysian economy. Despite the fact that most

SMEs are currently in recovery mode, overall performance is poorer than it was in 2020, according to SME Association of Malaysia national secretary general Chin Chee Seong. He ascribed this to the end of the moratorium and the fact that the government will no longer offer salary subsidies. As a result, most SMEs are currently experiencing severe cash flow issues.

Datuk William Ng, chairman of the Malaysian Small and Medium Enterprises Association, said SMEs should automate their operations as much as possible, highlighting Malaysia's Digital Adoption Index of 69 percent, compared to Singapore's (87 percent) and South Korea's (86 percent) and noted that because of the high expenses, this has always been a difficult option, but the epidemic has proved that the only way for SMEs to survive is to reduce reliance on labour, digitize operations, and diversify revenue streams. Due of their reliance on brick-and-mortar operations, SMEs underperformed during the pandemic (Liew, M. E., 2022). According to Datuk Sulaiman, CEO of AmBank Group, just 20% of Malaysian SMEs have used digital marketing to expand their customer base.

In addition, SME Corporation Malaysia pushed SMEs to adopt e-commerce in order to embrace digitalization, and the Micro and SMEs E-commerce Campaign was initially introduced under the National Economic Recovery Plan (PENJANA) and is presently being expanded under Budget 2021 in order to promote and empower more Micro and SMEs (MSMEs) to adopt e-commerce and e-payment as the new ways to do business while expanding their market reach. By converting to digital operations, SMEs can successfully overcome all of their challenges, particularly when it comes to marketing their brands online.

In this respect, using an e-commerce platform can make it easier to open a wider market access swiftly and affordably by embracing e-commerce in conducting business (Dutta, Suryawanshi, Gujarathi, & Dutta, 2019). Besides that, with comprehensive information, the market will be able to acquire information that is accurate and meets client expectations. E-commerce enables customers to trade whenever and wherever they choose, as long as they have access to the internet (Iorait & Miniotien, 2018). Customers can research products and services before making a purchase. The adoption of digital marketing also makes it simple for entrepreneurs to

keep track of and meet all of the needs and wants of potential customers, as well as for possible consumers to search and get product details by just surfing the internet.

The study was also motivated by research gaps identified in previous studies on the topic. In Arusha City, Tanzania, studies of Lyimo, B.J (2022) focused on social media and small business growth. However, this research was carried out in a different country. This research was carried out in a variety of contexts and focused on various concepts. As a result, the research revealed both conceptual and contextual knowledge gaps, which the current study aims to fulfill by focusing on the use of digital marketing strategies to help SMEs develop in Ipoh, Perak. In addition to, there are still few studies addressing the impact of digitization on the internationalization management of SMEs, despite the current significant expansion of e-commerce (see Dethine et al., 2020).



### **1.3 Research Questions**



1. To what extent SMEs in Ipoh, Perak have adopted to digital marketing and e-commerce?
2. What are the benefits that digital marketing and e-commerce have contributed to SMEs in Ipoh, Perak?

### **1.4 Research Objectives**

1. To assess to what extent SMEs in Ipoh, Perak have adopted to digital marketing and e-commerce.
2. To evaluate the benefits that digital marketing and e-commerce have contributed to SMEs in Ipoh, Perak.

## 1.5 Significance of Study

This research regarding the use of digital marketing and e-commerce will be beneficial to a large number of people. To begin, SMEs' sales will improve and expenses will reduce as a result of adopting digital marketing and e-commerce help to raise brand awareness, reach out to a niche audience has become easier, cheaper, and measurable, and SMEs will have easier access to a considerably larger audience. Following that, the economy will benefit from this research. This is because, since SMEs are the backbone of Malaysia's economy, accounting for the majority of the country's GDP, if SME sales expand, the economy sector would grow as well. Additionally, as the economy grows, the government and society both profit because the government can provide more facilities to citizens. Furthermore, when a small business digitizes its operations, the businesspeople will need to hire digital marketers and technologists to run the business in the digital mode. This means that SMEs will be able to provide more job opportunities, lowering the unemployment rate. Finally, this research will help the economy, government, society, and small businesses.

## 1.6 Scope of Research

The purpose of this study is to highlight how SMEs in Ipoh, Perak, use digital marketing and e-commerce to sell and promote their products. This is because, according to an article, it is stated that Ipoh will be Malaysia's fourth smart city by 2030, making it easier to conduct research on people's attitudes toward technological transformation. After Johor Bahru, Ipoh is the 7th most packed and populous state in Malaysia, according to Malaysia Population (Live). The Ipoh city is particularly interesting for this study since there are many different types of SMEs, and the area is made up of entrepreneurs of many races. As a result, conducting this research in Ipoh city is advantageous and practical. The respondents in this study are the proprietors of 120 SMEs in the Ipoh city. A set of questionnaires will be provided to question the SME owners in the city of Ipoh. The complete survey process will only take 5 to 10 minutes, and the entire process will take 8 weeks.

## 1.7 Summary of Chapter 1

In chapter 1, the researcher discusses the importance of SMEs utilizing digital marketing and e-commerce to promote their businesses. The issues that SMEs confront, as well as how SMEs might overcome these obstacles, were also covered. The significance of this study, as well as the scope of the investigation, have been stated.



## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This study's outline will be discussed in this chapter. Chapter 2 consists of 2.0 introduction, 2.1 literature review, 2.2 the concept of independent variables, 2.3 the concept of dependent variables, followed by 2.4 conceptual framework and 2.5 research hypothesis. Finally, at the end of this chapter 2, 2.6 summary of this chapter will be given.

#### 2.1 Literature Review

A literature review is a piece of writing that summarizes, synthesizes, and/or critiques the literature discovered through a literature search. It can be utilized as a backdrop or context for primary research. This chapter covers what digital marketing, e-commerce and SME performance are and how they might affect small businesses. This study has incorporated some information from previous papers on the issues. By presenting a summary of the paper, including theoretical definitions and previous researches, this literature review supports the notion of the topic of this research, which is Utilization Digital Marketing and E-Commerce in SMEs of Ipoh, Perak."

The role of digital marketing and e-commerce in business have been outlined in several publications. The idea of marketing has transformed from conventional to digital with the growth of the Internet. Consumer behavior in receiving information from magazines, newspapers, and, in certain cases, television and radio has changed as a result of the Internet. In order to sustain in the market, small businesses can employ digital marketing techniques. There will be supporting facts for the dependent and independent variables in every portion of this literature study. In this literature study, the SMEs' performance is classified as a dependent variable, with variables that influence it classified as independent variables. The two independent variables in this study are digital marketing and e-commerce.

## **2.2 The Concept of Independent Variables**

### **2.2.1 Digital Marketing**

According to Pradiani, T. (2018), digital technology facilitates the activity, institution, and process of digital marketing in order to create, communicate, and impart values to customers and other interested parties. Digital marketing is also described by Sidi AP and Yogatama AN (2019) as the use of technology to support marketing initiatives that attempt to expand consumer awareness by tailoring it to their requirements. Digital marketing is another electronic communication platform that marketers use to promote their goods and services to the public. Digital marketing is specifically described as the exchange of information, goods, and services over a computer network or the internet (Rao & Ratnamadhuri., 2018). It entails mobile advertising, web banner ads, social media marketing, email marketing, search engine marketing, and marketing through social media (Bala et al., 2018).