

Internet Marketing Adoption by Small Business Enterprises in Malaysia

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Abstract

The study provides insights into small business enterprises' perceptions of the adoption of Internet marketing. Data were gathered from 10 in-depth semi-structured interviews conducted with small business owners located in Malaysia. The findings indicate that adopting Internet marketing assisted small business enterprises to have wider market coverage, reduce marketing cost, and increase customer relationship. The paper demonstrates the evolution of marketing approach; from traditional marketing to Internet marketing and the positive impact of Internet marketing to the businesses.

Keywords: Internet marketing, small business enterprises, interviews

1.0 Introduction

The use of the Internet becomes a popular platform for businesses to market their products and services in the globalized world. A study by Internet World Stats (2014) on the Internet users indicated that Asia has the most Internet users with users with 45.7 per cent compared to other regions. However, this is probably related to the higher population in Asia, which is almost 3396.4 million (for instance, as compared to Oceania which only 36.7 million). Perhaps, the use of the Internet, especially in developing countries has increased rapidly in recent years (Chinn & Fairlie, 2006; Qiang, 2010). This is supported by the International Telecommunication Union (2011), which indicated that there was an increase in Internet users, in both developed and developing countries. The International Telecommunication Union (2011) reported that there was an increase in fixed-broadband subscriptions of more than double over the past five years. Recently, wireless-broadband Internet access became the strongest growth sector of Internet subscriptions (International Telecommunication Union, 2011). The UNCTAD (2011) report also revealed that wireless-broadband access, including prepaid mobile broadband, is growing in developing countries and that there is a change of usage pattern, in that more Internet users are shifting from fixed to wireless Internet connections or devices. Wireless Internet connection offers a more practical broadband entry point for developing countries (UNCTAD, 2010). According to UNCTAD (2010) again, the cost to install wireless broadband is lower than fixed broadband. For mobile broadband, countries can rely on existing networks.

The revolution of the Internet has positive impacts on the sustainability of marketing advantages (Arnott & Bridgewater, 2002). Arnott & Bridgewater (2002) indicated that the impact of Internet marketing leads to the interaction with customers and allows marketers to replicate the 'one-to-one', personal selling relationships that previously existed only in the small market, such as business-to-business. The Internet also allows the marketers interact with the customers on one-to-one basis and to build the loyal brand relationship (Furash, 1999; Dutta and Segev, 1999). Thus the interaction via the Internet within customers able to improve the marketing performance (Furash, 1999; Dutta and Segev, 1999). The findings from UNCTAD (2011) from the business perspective supported that the use of the Internet affects the productivity in both large and small enterprises. Despite, the use of the Internet by enterprises continues to increase in developing countries even though there is still a difference in terms of type of ICT activity, which depends on the size of enterprises and the economic sector (UNCTAD, 2011). However, some enterprises in developing countries choose to stay with their traditional business practices rather than adopting the Internet. This paper presents the perceptions of Malaysian and Bruneian small business enterprises towards their experiences in adoption of Internet marketing for the businesses.

2.0 Literature Review

The Internet is an important factor in enhancing a firm's market reach and operational efficiency (Porter, 2001). Poon & Swatman (1999) found that Internet marketing managed to fulfil some business objectives. Based on the research findings, whilst sales were lower than expected with the use of the Internet as a virtual marketplace, it helped to minimize time consumption in searching for resources, developing networks, and sharing expertise. Poon & Swatman (1999) also added that the effective use of the Internet for businesses depends on which sector the businesses are in. Furthermore, Herbig and Hale (1997) indicated that some businesses were found to be successful in advertising, marketing, promoting and distributing their products and services via the Internet while other businesses were hesitant to use the Internet for their particular needs. They were afraid to jump on the bandwagon, but they are also afraid of being left behind by the current online businesses (Herbig & Hale, 1997). The Internet has become a strategic tool for businesses in a competitive business environment (Ching & Ellis, 2004; Porter, 2001). Bell, Deans, Ibbotson, and Sinkovics (2001) used the term 'internetalization' to describe the deliberate use of ICT for internationalization purposes and 'active online internationalization (AOI) by Yamin and Sinkovics (2006). AOI is a form of foreign market entry that involves Internet transactions which take place "*in the virtual rather than the real or spatial domain*" (Yamin and Sinkovics, 2006, p. 340). Mathews & Healy (2008) explored the influence of the Internet on international market penetration and development for Australian SMEs. The study found that the Internet has influenced the traditional way of accessing and processing information by enhancing communication interactions. Pezderka & Sinkovics (2010) focused on active online internationalization (AOI) for small and medium-sized businesses, particularly in the conceptualization of e-risk perceptions and implications. The study concluded that awareness of the potential risks in online internationalization comprise the first step in effective online risk management.

Internet marketing practices of the businesses include the use of a company's website together with online promotional techniques, such as search engine marketing, interactive advertising, e-mail marketing and partnership agreements with other websites (Chaffey et al., (2006). Thus Internet marketing supports the objective of marketing to acquire new customers and provide services to existing customers as well as to maintain the customer relationship. The implementation of Internet marketing by small business enterprises could change the nature of their business around the world, as the Internet creates a faster communication channel for marketing (El-Gohary, 2007). The Internet can be a source of information to provide feedback and maintain the relationship with the customers (Aziz & Yassin, 2004). Aziz and Yassin (2004) also contended that the Internet helps marketers in gathering the information to customize their offers to their customers and prospects. Thus, the Internet has affected markets in many ways (Herbig & Hale, 1997).

2.1 Marketing and Small Business Enterprises

Although the basic principal of marketing is generally accepted in businesses, both large and small (Reynolds, 2002; Siu & Kirby, 1998), marketing in small business enterprises become an issue that has been debated among both academics and practitioners (Brodie, Coviello, Brookes, & Victoria, 1997; Gilmore, Carson, & Grant, 2001). Marketing approaches for small business enterprises are mixed and less formal, depending on how owners run the business, making decisions on their own, and responding to current circumstances and opportunities. Thus, their decision making may be haphazard and chaotic, based on either personal or business priorities at any given point in time (Gilmore, et al., 2001; Scase & Goffee, 1980). Gilmore et al. (2001) and Hill & Wright (2000) added that behind the reason for informal, haphazard and limited marketing approaches is the relationship to the way owners run the business. Wright, ul-Haq, & Oktemgil (2005) highlighted that the skills in setting up the business and technical knowledge in developing the products or services are not comparable with the skills needed to run the business successfully. In other circumstances, the owner responds based on the opportunities and the decision making tends to be haphazard if not apparently chaotic (Wright, et al., 2005). In contrast, Blankson & Stokes (2002) defined small business marketing as unplanned activities that are based on the intuition and energy of the owners to decide it. Many do not engage in strategic planning for their businesses (Bode, 2003).

This is supported by Jamal (2005) who found that small business owners paid less attention to marketing strategies and marketing tools.

2.2 Marketing Opportunities for Small Business Enterprises on the Internet

The growth of ICT provides an opportunity for businesses to expand access and escalate the use of new technologies (Khalil & Kenny, 2008).

The web page could be considered as an electronic billboard, electronic advertisement or electronic catalogue that provides information concerning the products and services to existing and potential customers (Kiani, 1998). Kiani (1998) indicated that the Internet provides opportunities and benefits for small businesses to expand their businesses globally with limited financial resources. Rayport & Sviokla (1995) believed that the virtual value chain¹ provides opportunities for small businesses to minimize the cost of products and services in the market, which has been dominated by large companies. Chaston (2004) discussed the benefits of using the Internet in business, particularly for small businesses. Among the benefits that can be gained by businesses are lower costs, improve distribution, reduce personal selling cost, customize promotion, build relationship, rapid market response, and new market opportunities. However, according to the study done by Gallagher & Gilmore (2004), small business enterprises were slow to respond to the changes brought by the Internet and they are not effective users of it even though it offers benefits and opportunities for employing an Internet marketing in the business. Small business enterprises, often viewed the Internet as a distinct and separate entity and do not integrate it within the whole organization. Small business enterprises also failed to use the Internet in creating a real competitive advantage and simply make do with the direct operational benefits that it has to offer in terms of marketing communication (Gallagher & Gilmore, 2004).

2.3 The 4 Cs: The New Four Ps of Internet Marketing

The Internet does affect the four basic Ps –product, promotion, place and price objectives – and adds a set of its own four corresponding objectives that extend beyond these basic four. These 4Cs minimize the most basic objectives and help define a website's primary purpose. The 4Cs are *customer, cost, convenience and communication* (Smith, 2003). Smith suggested that businesses should know what the *customer* needs and wants instead of the *product* itself. The new era of the marketing approach via the Internet offers improved customer service by customizing offerings for customers, personalized sites and provides added value that leads to customer loyalty and creating a totally new shopping experience rather than the traditional marketing approach, which is more concerned with physical presence (Walsh & Godfrey, 2000).

According to Market-Vantage (2004), many products are not functionally simple, and when combined with other associated technologies or services they are often too complex to be a complete solution. Even consumer products often require a brand to help influence the buying process going beyond the basic product features. The consumer must conform to adapt the operating environment that shapes perceptions about the relevant value to a consumer (Market-Vantage, 2004). Businesses should consider the *cost* bear by the customers as well as making profits. The use of the Internet also provides *convenience* to customers as they could purchase the products from home (Smith, 2003). Internet marketing can offer services around the clock and around the world, which means people can access it wherever they are located (Walsh & Godfrey, 2000). Businesses also need to focus on developing two-way communication with customers instead of having one-way communication (Smith, 2003). Businesses can take advantage of the Internet as a *communication* channel to exchange and communicate information with customers (Kiang, Raghu, & Shang, 2000). They added that the Internet could allow the businesses to quickly respond to market changes and customer preferences.

The 4Cs marketing mix was applied in this study. The interview questions were based on the 4Cs marketing mix (customer, cost, convenience and communication).

3. Research Methodology

The following research methodology was employed in this study:

3.1 Sample

A case study approach was applied in this study, with the field interviews of Malaysian and Bruneian small business owners.

The Malaysian small business enterprises were presented as a sample in the context of developing countries. Interviews were chosen as a data collection technique in this study as it gave opportunities to participants to deliver their views and thoughts in greater depths as compared to other data collection techniques such as questionnaires (Holstein & Gubrium, 2003).

¹Virtual value chain is where businesses coordinate, manage, measure and control the business processes with the use of ICT as a tool.

The participants had to fulfil a few criteria to be included in the field interviews: they had less than twenty employees (that is they were small business), they were independent businesses, which not belong to any companies or subsidiaries, and they used the Internet in their business activities. The interviews were carried out in Malay Language or English based on participants' preferences. Overall ten interviews were conducted with Malaysian small business enterprises.

Table 1 presents the profile of Malaysian participants respectively (consists of location, type of service, and their ID) that will be used in the later discussion.

Table 1: Profile of Participants

Location	Services	ID
Terengganu	Inbound Travel Agent	MR – Tour (01)
Terengganu	Resort	MR – Resort (02)
Terengganu	Bakery	MU – Bakery (01)
Kuala Lumpur	Photography Studio	MU – Photo (02)
Johor	Snack retailer	MR – Snack retailer (03)
Johor	Caterer	MR – Caterer (04)
Terengganu	Photo shop	MR – Photo (05)
Selangor	Wedding Boutique	MU – Wedding Boutique (03)
Selangor	Mother and baby products	MU – Baby Apparel (04)
Kuala Lumpur	Apparel	MU – Apparel (05)

3.2 Data Analysis

The data gathered from the field interviews were analyzed using a content analysis. The analysis was performed after each of the interviews had been completed. Then, the data was presented in the electronic spreadsheet to be analyzed. The emerging themes across all of the interviews were identified in the analysis. For this study, the researcher decided to use thematic analysis as a part of data analysis. According to Ezzy (2002, p. 88) the aim of thematic analysis is to identify the theme within the data. Ezzy (2002) also mentioned that thematic analysis is more conducive compared to content analysis as the categories into which themes are categorized are induced prior to coding the data. Perhaps thematic analysis employs many principles and procedures of content analysis; the term 'code' and 'theme' is used interchangeably in the conceptualization of thematic analysis.

4. Result

The findings from the interviews were based on the 4Cs approach (cost, customer convenience, and communication). The perceptions of participants towards Internet marketing adoption in regards to the use of 4Cs approach was based on the literature.

All the participants agreed that the use of the Internet in the business helps them in marketing and promoting their products or services. They commented that Internet marketing benefits them in terms of the market coverage, enhanced awareness of the existence of the businesses, and providing convenience to the customers to access the latest information, anywhere and anytime. MR-Snack retailer (03) indicated that Internet marketing was an easier and cheaper way to market products and services. This is supported by MR-Food caterer (04) and MR-Photo (05). MR-Photo (05) added that Internet marketing was about a new trend to purchase products online. It is more convenient and customers have more time to select and browse products before making any purchase.

There were several reasons that prompted small business enterprises owners or managers to set up their own business website. A few small business enterprises decided to set up their business website due to the influence by customers and competitors: MR-Tour (01), MU-Photo (02), MR-Photo (05), and MU-Wedding boutique (03). Other participants: MR-Resort (02), MU-Bakery (01), MR-Snack retailer (03), MR-Food caterer (04) and MU-Apparel (05) were influenced by customers who pursued them to have a website.

Customers insisted that these small business enterprises have a business website in order for them to view the latest products or services and to easily interact with them (emails). MU-Baby apparel (04) was influenced by her brother to set up the business website. Otherwise, for MR-Food caterer (04), she stated that she decided to develop her own business website through her own initiative and those customers had also influenced this decision.

“This is my own initiative to develop my business website after I noticed that many businesses already have their own website. The customers also influenced me”.

- MR-Food caterer (04)

(This relates to Customers and Communication in the 4C’s)

Most participants agreed that Internet marketing helped them to cater for new geographic markets and new market segments. Some of the feedback received from participants in the interviews includes:

“I gain more bookings and reservations from the international and also the domestic market”.

- MR- Tour (01)

(Communication and Convenience)

“Since I have my own business website, I receive many emails either from local or international customers inquiring for further information on my resort”.

- MR-Resort (02)

(Communication and Convenience)

“I received bookings from all around Malaysia and also from Malaysians who stay overseas that want to give cupcakes for special occasions to their relatives or friends in Malaysia”

- MU-Bakery (01)

(Customer, Communication, Cost, and Convenience)

“There were orders from out of Peninsular Malaysia like Sabah, Sarawak and also Singapore and Brunei”.

- MU-Wedding boutique (03)

(Customer and Convenience)

“My customers are from all over Malaysia. I also received orders from Australia, New Zealand, Japan, Singapore and Brunei”.

- MU-Baby apparel (04)

(Customer, Communication and Convenience)

“I received orders from all over Malaysia, Singapore and Brunei”.

- MU-Apparel (05)

(Customer, Communication and Convenience)

As marketing involves communication and delivering information to customers, all participants updated the information on their products or services through their business website and/or online newsletter. Most participants updated their business website based on their new business items or any promotion involved. Basically, they updated the website once a week, fortnightly or depending on their needs. Overall, they communicated with customers via email or SMS. In terms of responding to customer feedback, they often gain a quick response in terms of replying to emails within a day.

All participants agreed that they were able to minimize their costs by using an Internet marketing approach. Several participants – (MR-Tour (01), MR-Resort (02), MU-Bakery (01), MU-Photo (02), MR-Food caterer (04), MR-Photo (05) and MU-Wedding boutique (03)) – did not provide special offers to the customers who purchased online. MU-Baby apparel (04) gave special discounts for her regular customers and gifts for those who make a purchase online. Half of the participants –MR-Tour (01), MR-Resort (02), MU-Photo (02), MR-Food caterer (04), and MU-Wedding boutique (03) – did not offer a product or service value added. The other half of the participants did offer a product or service value added to their customers.

5. Discussion and Conclusion

Most participants agreed that the Internet helped them to market and promote their products and services. They claimed that Internet marketing assisted them to have wider market coverage, create customer awareness, identify new market segments and provide more customer access to the latest information via the Internet.

Customers and competitors were the factors that influenced SBEs to shift from a traditional marketing approach to Internet marketing. Most of participants updated their business website based on their needs (new promotion or new items only). Basically the participants communicated with customers through email or SMS and usually responded to emails within 1-2 days.

They also agreed that Internet marketing helped to reduce their marketing costs. In terms of special offers provided to online customers, not all participants offered special discounts to those who purchased online.

Overall, Internet marketing is a new marketing approach to promote products or services to customers. It is one way to reduce marketing costs, improve customer loyalty and manage orders systematically. A study by Selitto (2004) on Internet adoption of marketing practices by Australian winery found that wineries experienced the benefits of the Internet in both business processes and marketing activities. The use of the Internet had allowed wineries to increase their sales to new customers even though wineries located in remote areas. Canavan, Henchion & O'Reilly (2007) supported that the Internet also can be a significant marketing channel for managing information and customer relationships.

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