Factors Influencing the Adoption of Online Marketing among Malaysian SMEs

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Abstract

In today's global economy, using online marketing and Internet has become an imperative move to improve business operations. However, due to limited technical diffusion and the fact that the majority of small- and medium-sized enterprises (SMEs) in Malaysia do not engage in research and development (R&D) activities, SMEs are still lagging behind in adopting this modern technology. Therefore, there is a need to investigate SMEs in terms of their extent of online marketing adoption and factors influencing their adoption of online marketing. A quantitative survey was conducted on 80 selected SMEs in Malaysia. The study found that the proposed framework could be used to assess the degree of online marketing adoption among

SMEs. The adoption of online marketing among SMEs was rather high. Specifically, the findings demonstrated that compatibility, complexity and trialability significantly influenced adoption of online marketing. However, the adoption of online marketing was not affected by relative advantage and observability. This study further concluded compatibility was the most important factor which influenced SMEs in adopting internet marketing.

Keywords: online marketing, relative advantage, compatibility, complexity, trialability, observability

1. Introduction

Small- and medium-sized enterprises (SMEs) in Malaysia are increasingly using online marketing. As mentioned by Poorangi et al. (2013), SMEs can utilize e-commerce to promote and introduce new items, enhance client communications and boost their competitive edge. In addition, El-Gohary (2012) discovered that market trends, state of economy and globalization are several significant external factors that influence SMEs' decisions in utilizing internet marketing.

The COVID-19 pandemic has boosted the adoption of online marketing among SMEs in Malaysia. According to a report by the Malaysia Digital Economy Corporation (2020, 2021), 54% of SMEs in Malaysia have begun selling their goods or services online, up from 39% in 2019. The study also noted that Facebook, Instagram, and Shopee are the most widely used e-commerce and social media platforms for SMEs to market and sell their goods online. As more companies recognize the value of digital marketing and the significance of having an online presence, this trend is anticipated to continue.

The lack of digital knowledge and expertise is one of the major issues preventing Malaysian SMEs from adopting online marketing (Temasek, 2020). Temasek (2020) further pointed out that 52% of Malaysian SMEs listed lack of knowledge and skills as their top obstacle in implementing digital technologies. The lack of trust and faith in online payment methods was another issue related to Internet marketing among SMEs. A survey done by MDEC in 2021 identified that SMEs favored cash payments over online payment methods because of worries about fraud, security and privacy matters. The same survey also noted that many SMEs faced difficulties since they did not fully comprehend and were not aware of online payment systems. As a result, the aims of this study were to investigate the extent to which SMEs were using online marketing and factors related to online marketing adoption in Malaysia.

2. Literature Review

2.1 Adoption of Online Marketing

Online marketing has evolved into a vital part of marketing strategies of many businesses. It happened as a result of changes in businesses functions due to development of the Internet. Websites, social media, email, search engine optimization (SEO) and digital advertising are just a few examples of the different channels that make up online marketing. Businesses that do not have a strong online presence possess the risk of losing out potential customers

because more and more people are using the Internet to research for their desired products and services. Demishkevich (2015) asserted that it was crucial to comprehend the extent of use and efficiency of digital marketing tools. Furthermore, it was also vital to know the rate of digital marketing adoption among small enterprises. According to SME Corp (2018), only 19.7% of Malaysian SMEs have adopted online marketing effectively. Less than 30% of SMEs reported using web marketing on a global scale at the beginning of this decade (Jussila et al., 2014). Likewise, research on the factors influencing adoption of social media among SMEs is still in its infancy stage (Ahmad et al., 2019; Qalati et al., 2021).

2.2 Relative Advantage

Relative advantage is the conviction that particular advantages would be attained by engaging in a specific behavior. It is also referred as the degree to which an innovation is seen as superior to the idea it replaces is known as relative advantage. To put it another way, the idea of relative benefit is similar to the idea of perceived utility (Taylor & Todd, 1995). Relative advantage has been identified as a key factor in adoption of technology in previous study (Al-Qirim, 2007). One of the traits that was most frequently employed in online marketing adoption studies was perceived relative advantage (Seyal et.al, 2004). As stated by Rogers and Williams (1983), relative advantage necessitated that the adopter evaluated advantages and disadvantages of utilizing an innovation, which could be expressed economically and socially. Furthermore, numerous studies have continued to demonstrate a favorable correlation between relative advantage and adoption of e-commerce (Lertwongsatien & Wongpinunwatana, 2003). However, Seyal and Rahman (2003) discovered that the proportional advantage of e-commerce adoption was unimportant.

2.3 Compatibility

According to Rogers et al. (2014), compatibility was the extent to which an innovation was viewed as being compatible with the values, experiences, and requirements of potential adopters. For example, a person's use of information technology (IT) may be negatively impacted by lack of compatibility. According to Hoerup (2001), innovation affected people's views, values and ideas. Innovations were more readily embraced when they were congruent with intended users' values, norms and perceived requirements (Greenhalgh et al., 2004). An invention would not be embraced as quickly as the one which was congruent with the prevailing values and conventions of social order. Thus, compatibility was a crucial consideration in deciding whether to adopt an innovation (Grandon & Pearson, 2004). In short, compatibility was a crucial consideration in innovation adoption; it should be obvious and significant to potential adopters.

2.4 Complexity

The level of complexity indicates how challenging it is to comprehend and use a given innovation. Any new concept can be categorized as simple or complex. Members of the social system can quickly understand some innovations, but others find them to be complex and sluggish to catch on. Some new concepts are easier to be understood and quicker to be

embraced than other new knowledge and abilities. Several studies have discovered a strong correlation between complexity and the use of online marketing (Huy & Filiatrault, 2006). Online marketing may seem complicated to SMEs and irrelevant to their present scale of operations. SMEs are also notorious for having poor technical and managerial skills. Thus, they claimed that implementing internet marketing was difficult (Cragg et al, 2002). The degree of physical or mental work required to employ an innovation was measured by complexity of innovation. Hence, relative advantage was the reverse of complexity (Taylor & Todd, 1995).

2.5 Trialability

Trialability is the extent to which an innovation can be utilized on a limited basis. According to Rogers et al. (2014), trialability refers to how much an innovation may be used and evaluated before being adopted. Innovations that can be tested on an installment plan are typically accepted more quickly than non-divisible ones. An innovation's adoption rate increases as more people try it. The vicarious trial, which is especially useful for later adopters, is the other crucial element. Rogers et al. (2014) noted that earlier adopters valued an innovation's trialability attribute more than later adopters did. Before a new idea is embraced, people can test it out through trialability.

2.6 Observability

The capacity to observe positive effects of adopting online marketing can be used to explain observability. This indicates that SMEs may only use online marketing when they observe other businesses benefiting from its use. This happens when business owners are unwilling to take a chance on something that can have unpredictable results. The environment's pressure can also be related to observability. Environmental pressure is the term used to describe environmental influence. According to Erind (2015), a corporation may adopt technology as a result of pressure from its partners in business and rivals. A company may experience pressure to adopt the technology that its business partners want or suggest.

Figure 1 encompasses a research model that was developed in accordance with the literature review, which was presented above.
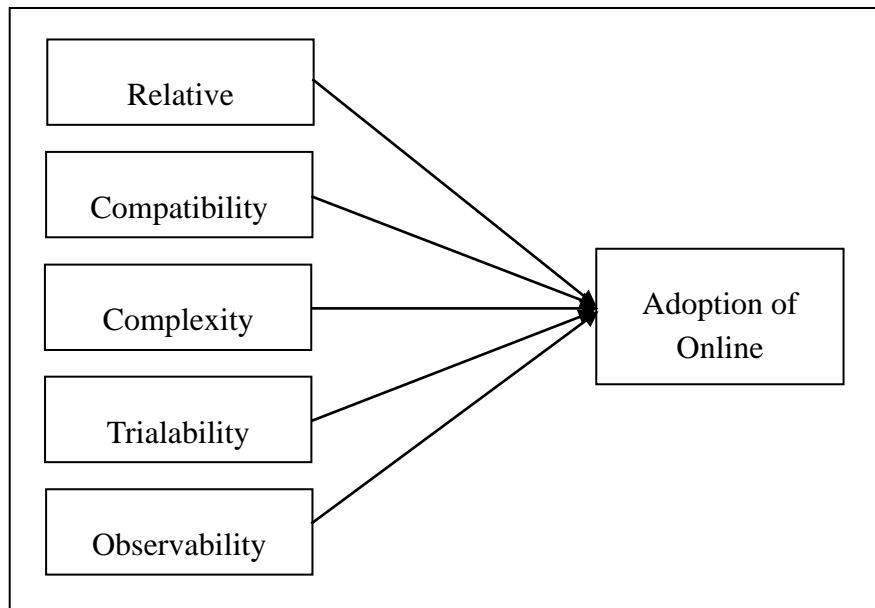
Figure 1. Research Model

Source: developed by authors

Based on the research model, this study developed the following research hypotheses:

H1: There is a significant relationship between relative advantage and adoption of online marketing.

H2: There is a significant relationship between compatibility and adoption of online marketing.

H3: There is a significant relationship between complexity and adoption of online marketing.

H4: There is a significant relationship between trialability and adoption of online marketing.

H5: There is a significant relationship between observability and adoption of online marketing.

The above-mentioned hypotheses emphasize on the essence and significance of implementation and adoption of online marketing in contemporary Malaysian SMEs.

3. Methodology

This study encompassed a quantitative research due to the fact that all variables were quantifiable. Specifically, survey method was utilized to collect the desired data. A self-administered questionnaire was developed for data collection purposes. A total of 201 questionnaires were distributed to SMEs in the initial wave. After two weeks, second wave of data collection was performed through personal telephone calls to gather the data from SMEs that did not respond in the first wave. This study successfully gathered 80 valid responses at

the end of data collection process. Subsequently, the responses were coded into computer for statistical analyses. In particular, correlation and multiple regression analysis were utilised to analyse the data. Pearson product-moment correlation was used to determine the associations between independent and dependent variables; whereas multiple linear regression was used to determine the contribution of each predictor or independent variable to the variance of the criterion or dependent variable.

4. Results and Discussion

4.1 The Respondents

A total of 80 respondents have participated in this study. Majority of them were male entrepreneur (n=41; 51.3%), followed by female (n=39; 48.8%). Most of them are from food and beverages industry (n=39; 48.3%), followed by textile and apparel (n=29;36.2%) and services (n=12; 15.5%).

4.2 Means and Pearson Correlation

Table 1. Mean values and Pearson Correlation Coefficient values

	Mean	DV	IV1	IV2	IV3	IV4	IV5
Adoption of online marketing (DV)	4.480	1					
Relative advantage (IV1)	4.332	0.572**	1				
Compatibility (IV2)	4.323	0.592**	0.884**	1			
Complexity (IV3)	4.150	0.581**	0.378**	0.369**	1		
Trialability (IV4)	4.201	0.584**	0.420**	0.371**	0.685**	1	
Observability (IV5)	4.278	0.329**	0.259**	0.304**	0.566**	0.407**	1

**. Correlation is significant at the 0.05 level (2-tailed)

Source: developed by authors

Since all variables in this study were measured through continuous data; mean values were determined and Pearson product-moment correlation was conducted. Specifically, the strength of correlation between pairs of variables was determined through correlation coefficient (r). The mean values of each variable and r values were summarized in Table 1. Adoption of online marketing recorded the highest mean value (4.480). In the correlation analysis, all variables were significantly correlated to each other. Precisely, compatibility has recorded the highest r value 0.592 with adoption of online marketing.

4.3 Multiple Regression Analysis

Multiple regressions analysis was conducted to examine the hypotheses. As depicted in Table 2, the result showed that F-statistic value obtained was 17.434 (p-value$\leq$0.05). Therefore, it proved that the model was statistically fit. Moreover, the R^2=0.541 implied that the variations in adoption of online marketing (dependent variable) was explained by the relative advantage, compatibility, complexity, trialability and observability (independent variables) as much as 54.1%, while other factors explained the variation as much as 45.9%.

From the standardized Beta Coefficient (β) values, the results showed that compatibility (β=0.370; p-value$\leq$0.05), complexity (β=0.287; p-value$\leq$0.05) and trialability (β=0.256; p-value$\leq$0.05) significantly influenced adoption of online marketing. Compatibility was found to be more important than others in adoption of online marketing. However, relative advantage (β=0.450; p-value$\leq$0.01) and observability (β=0.062; p-value$\leq$0.01) did not show any significant influence on adoption of online marketing.

Table 2. Multiple Regression Analysis

	Standardized β	p-value
Relative Advantage (IV1)	0.45	0.795
Compatibility (IV2)	0.370	0.034
Complexity (IV3)	0.287	0.020
Trialability (IV4)	0.256	0.025
Observability (IV5)	0.062	0.525

F Statistic = 17.434, p-value $\leq$0.05

R-square = 0.541

Dependent variable: Adoption of Online Marketing

Source: developed by authors

Based on the results in Table 2, the significance p-values of compatibility, complexity and trialability justified that hypotheses H2, H3 and H4 were supported. However, the insignificance p-values of relative advantage and observability implied that hypotheses H1 and H5 were not supported.

5. Conclusion

Based on the results obtained in the previous section, three hypotheses that hypothesized the relationship between compatibility, complexity, trialability and adoption of online marketing were supported. Furthermore, this study concluded the adoption of online marketing among SMEs was rather high. In addition, the most important factor which influenced SMEs in adopting online marketing was compatibility. Several studies have demonstrated how an organization's knowledge of internet marketing could influence its adoption. Previous research has also mentioned that non-IT individuals' knowledge was a crucial component of internet adoption. It is believed that when Internet marketing progresses towards the high-end adoption leader, knowledge loses some of its importance because it is only influential at the early stage of adoption. Hence, the government or non-governmental organizations (NGOs) should set up suitable programs to support online or digital business growth in SMEs. The programs could be further utilized to sell products or services online. Majority of SMEs use social media as a conduit for marketing their goods and services. Nonetheless, a company needs to have a strong marketing plan in order to compete in the market. Using a variety of online marketing tools is one of them. Hence, using a variety of Internet marketing methods can draw customers and raise their desire to purchase the goods or services. By web marketing, the brand image can also be improved. Before implementing online marketing, top managers must assess the company's Internet strengths and shortcomings in order to be successful.

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