SMEs Performance: Leveraging Marketing Process Through E-Business

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ABSTRACT

The importance of the Internet in supporting business applications and attaining competitive advantage through the electronic business (e-business) process is widely acknowledged. However, many SMEs have been slow in adopting the Internet and even those SMEs that have adopted the technology have not fully utilized it to support their business applications. The reason behind this scenario could be the lack of awareness concerning the necessity and possibility of adopting e-business for specific functions along the value chain. Thus, the aims of this study are to investigate the extent of Internet marketing practices to support business applications among SMEs in Malaysia as well as the outcome of Internet marketing implementations on the business performance of SMEs. The results indicate that the usage of Internet varies across the marketing practices and is likely to influence business performance.

Keywords: Adoption, Business Management, Business Performance, Electronic Business, Electronic Commerce, Information Management, Interactive, Internet Marketing, Small Medium Enterprises

INTRODUCTION

The Internet is considered worldwide as a vital technology to support the development of various business sectors including small to medium-sized enterprises (SMEs). Globally, it is recognized that approximately 80% of economic growth comes from the SME sector. Over the years, many studies have shown that the use of electronic business (e-business) has increased among SMEs (Bharati, Lee, & Chaudhury, 2010). Over 60% of small and medium businesses or enterprises (SMEs) in Canada, 55% in the USA and 48% in the European Union have adopted some form of electronic business (e-business) through a computer mediated network such as the Internet (Johnston & Wright, 2004). While, in the context of other countries, especially developing countries, even though they are believed to have significantly lower adoption rates, the percentage using e-business is gradually increasing. Over the years, more
developing countries have initiated strategies to achieve an appropriate level of e-business development (Chong, Ooi, Lin, & Tang, 2009; Uzoka, Shemi, & Seleka, 2007).

Given the rate of the significant increase in e-business adoption among SMEs, the rapid growth of user-friendly features, possible comprehensive applicability of e-business over the last decade and a more cautious attitude toward technology investment currently prevailing in SMEs, a much wider application of e-business than currently occurring would be expected within SMEs. However, studies have found that e-business use in SMEs is mostly at the lower level of the adoption ladder – predominately using the Internet, e-mail and information based web pages (Chong et al., 2009; Maguire, Koh, & Magrys, 2007; Xu, Rohatgi, & Duan, 2007). There has been a lack of research undertaken around the world, in general, and Malaysia, in particular, to determine the utilization of e-business for specific value chain activities by SMEs.

In reviewing the existing studies in this area, the authors found that, in general, most of the existing studies reveal the benefits and challenges involved in adopting e-business in SMEs (Henkel, 2006; Johnston & Wright, 2004; Levenburg & Magal, 2005), while a group of other studies have examined the factors influencing adoption and implementation of e-business in SMEs (Huang, Zhao, & Chen, 2007; Ifinedo, 2009; Xu et al., 2007). Most of these studies examined e-business in a broader context with no specific investigation into the types and extent of e-business adoption in the value chain. Additionally, for those studies that aimed to understand the phenomena of e-business adoption, it appears that the primary focus was on the antecedents that drive e-business adoption, with only limited emphasis on e-business implementation and utilization. Several researchers have highlighted the importance of e-business adoption studies that aggregate technology across the stages of implementation and firm level strategic impact, which provides vital insights for SMEs that wish to enhance their competitiveness (Bharati & Chaudhury, 2009; Raymond & Bergeron, 2008).

With reference to the present gaps in the existing research, this paper presents a more focused study to investigate the wider investment of e-business usage to support marketing activities at the firm level through Internet marketing in SMEs and its consequences for SMEs performance. This paper assesses the combination of the Internet usage in the value chain for marketing purposes and makes an effort to ascertain whether the usage of Internet marketing can contribute to the performance of the SMEs. The information sought is beneficial to e-business, Internet marketing as well as Internet technology providers and IT consultants because it can provide insights for the purpose of understanding the nature and direction of the application and utilization of Internet technology for marketing applications among SMEs. The paper concludes with a discussion of the implications of the findings and identifies limitations and areas for future research.

**BENEFITS AND IMPLEMENTATION OF E-BUSINESS IN THE VALUE CHAIN**

Authors have argued that the relative advantage of e-business lies in its ability to facilitate business decision making. E-business is well established to advance the overall effectiveness through a wide array of business process functions in the value chain (Huang et al., 2007). The advancement of Internet technology and Internet based applications are creating a cost-effective platform for businesses to communicate and conduct commerce (Ho, 2009; Rao, Metts, & Mong, 2003). According to Levenburg and Magal (2005) and Ho (2009), e-business enables small firms to cost effectively extend their market scope, build name recognition, transform the supply chain, provide better service to the customers, reduce operating cost expenditure, improve the trading relationship as well as track the tastes and preferences of customers. Daniel
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