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# Social Media Marketing and Online Small and Medium Enterprises Performance: Perspective of Malaysian Small and Medium Enterprises

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## ABSTRACT

This paper aims to investigate the effectiveness of social media marketing (SMM) practices to organizational performance, which focuses on Malaysian small and medium enterprises (SMEs). Quantitative research method approach is applied to study three types of correlations: (1) Brand reputation and image and online SMEs performances, (2) customer engagement and online SMEs performances, and (3) customer brand attitudes and online SMEs performances. Findings revealed that all of the independent variables were significant and have moderate relationship to the online SMEs performances. This study provided a transparent idea, which more clears on true important factors of SMM and online SMEs performances. The results of this study are believed would facilitate and motivate the SMEs in social media practice for marketing activities. Besides contribution to practice, the paper also contributed to the knowledge in internet technology.

**Keywords:** Social Media Marketing, Brand, Small and Medium Enterprise Performances

**JEL Classifications:** M310, L10, M310

## 1. INTRODUCTION

In the contemporary marketing environment, the attention in social media marketing (SMM) topics has been increased among researchers in the internet technology (IT) field. This is in response due to the positive social media adoption that always keeps on developing as a necessary medium between firms (Parveen et al., 2015). Additionally, Get Malaysian Business Online (2015) recorded that internet has contributed 41.7% to national economy per year and it will rise for the next 3 years. Thus, by implementing the SMM by firms, it would create advantages in connecting B2C directly with a low price (Kaplan and Haenlein, 2010), upgrading brand reputation, enhancing brand awareness, and raising outcome (Öztamur and Karakadilar, 2014).

In Malaysia, the government and small and medium enterprises (SMEs) have started realizing the functions of SMM (Parveen et al., 2015). According to Burson-Marsteller (2011), social media are the common platform adopted by Malaysian organization in marketing and communication activities. The study revealed that Malaysian firms were among the Southern Asian country that hardly invested in social media.

Leveraging SMM practices in boosting product commercialization and increase company sales profit are the challenges that SMM vendors should handle with other competitors. Realizing the importance of SMM practices, not few organizations are now moving to SMM, which found more effective than the brick and mortar marketing.

To shed light on the topic, this study developed a model that presents brand reputation and image (BRI), customer engagement (CE) and customer brand attitudes (CBAs) theories to analyse its effective SMM adoption.

## 2. OBJECTIVE OF STUDY

This study aims to determine the correlation of SSM practices elements and SMEs performances. Additionally, this paper also aims to identify the most significant elements that affect the organizational performances of SMEs in Malaysia. In addition, they concluded that the analysis of the efficiency and effectiveness is the relationship between inputs, outputs and achievements. Output means organization products, whether in the form of goods or services. Input refers to raw materials or materials needed to produce the output. Inputs include human resources, financial resources, resource materials or other incurred cost.

## 3. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 3.1. General Overview of Social Media

Information and communication technologies is seen as the internet media that allows availability of electronic payment (e-payment) systems (Musa, 2014), while Kim and Ko (2012) view that social media as an online platform in intent to simplify the communications, party collaborations and the information distribution about a product or service.

Additionally, study by Musa et al. (2015) indicated that complexity was the most significant predictors of the adoption of website in organization in Klang Valley, Malaysia. By transmitting content freely in videos, words, pictures, and also audios, SMM assists a lot to organizational community (Neiger et al., 2012).

### 3.2. Social Media Role to Firms

SMM has become an influential channel for marketing, but there are still organizations that perceived it as a new adoption (Weinberg, 2009), especially SMEs. Hence, smaller firms not only need to deliver the messages to target customer, but also need to cultivate a meaningful relationship, due to developed social media consistent with company's overall strategic objectives. Besides, Castronovo and Huang (2012) reported that a long-term coordination of marketing communications is crucial in order to ensure that the message is keep on communicated among the marketers and the consumer. Social media also gives important role for travelling firms. A study by Xiang and Gretzel (2010) claimed that the number of people seeking information on the internet has increased. Moreover, the role of blogs, social networks, social taggings, and media files shared such are crucial in marketing any kind of products or services, which has become popular among the internet users (Gretzel et al., 2006).

### 3.3. Antecedents of Online SMEs Performance

According to SMEs, marketing refers to an approach by marketers to inform the customer about the firm, details of

products or services supplied; and also a way to manage customer relationship (Gretzel et al., 2006). Hence, SMM play a crucial role in implementing online marketing in SMEs besides to engage with customers. The development of SMEs can be seen from its performances, which can be measured through its employment level, size of organization, and its profitability (Malik et al., 2014). As for this research, online SMEs performance is measured through sale growth or profitability, in which influences by buying power (Musa and Chinniah, 2015). According to Aliyu and Mahmood (2014), the organizational performance of an organization can be measured through the financial assessment, which including the growth of sales, return on equity, and return on asset.

Hence, it is necessary to note that the implementation of SMM in organizations would contribute much to the organizational profit, especially in financial performances.

#### 3.3.1. BRI

Based on famous definition reviewed by scholars, branding reputation has been considered as an essential factor in order to build a strong firm (Abimbola and Vallaster, 2007). Next to brand reputation, brand image refers to the users' psychological image in offering (Dobni and Zinkhan, 1990). Empirical findings suggest that branding as one of the potential key element towards the performance of SMEs (Abimbola and Vallaster, 2007; Merrilees et al., 2011). In order to build a strong brand influence, previous research highlighted that an efficient firm must persist information on brand image (Harris and de Chernatony, 2001).

In SME context, branding positively influences the customer interest of organizational performance (Dobni and Zinkhan, 1990). Differ from large companies that often spend a lot of money for research on brand reputation, SMEs' entrepreneurs dealing with significant limit of budget (Abimbola and Vallaster, 2007). Hence, the literature studies dedicated that brands is no doubt in influencing the organizational performance. Therefore, it is argued that BRI are becoming a comprehensive marketing strategy to satisfy the customers based on their needs and thus provide higher experience in organizational performance.

Accordingly, the following hypothesis is predicted:

H1: The BRI practices are significantly related to the organizational performance.

#### 3.3.2. CE

Previous research highlighted the importance of CE in social media adoption (Sashi, 2012) and found four important pillars of social media strategy in engaging customers, which includes communication, collaboration, education, and entertainment (Cabiddu et al., 2014). Additionally, engaging people is always the main purpose in business context (Cabiddu et al., 2014).

CE refers to "a psychological state, which occurs by virtue of interactive customer experiences with a focal agent or object within specific service relationships" (Neiger et al., 2012). CE also has been considered as an essential behaviour in a firm (Gummerus

et al., 2012), as the active liker and commenter in the social media highly influence the number of readers of post made by firm which then affect the purchasing number. Hence, previous researchers suggest firm to track and study the CE behaviours so that the liker and commenter also do the purchasing activity (Gummerus et al., 2012). In relation to this, findings by Gummerus et al. (2012) depicted that customer engagement have partially impact to customer satisfaction, which also considered as organizational performances.

The authors found that there was few limited study on CE. However, based on positive literature of previous findings on CE, the authors decided to propose this hypothesis:

H2: The CE is significantly related to the organizational performance.

### 3.3.3. CBAs

CBA is a relatively thinking on brand once the customer imagines or thinking about certain products, the name of the brand will appear first in their brain memory. Once companies decide to adopt social media as their marketing strategies, the attitude need to change (Safko, 2010). Marketers have agreed that the brand attitudes is an essential concept of consumer behaviour since the final step in managing brand equity is the correlation between consumer and brand (Fournier, 1998). Besides that, Aaker (2012) said that customer pick a brand hardly, which it is seems to be harder than to keep the brand. Empirical findings have shown that customer attitudes are significantly related on this decision (Cronin et al., 2000). Consequently, it is posited that:

H3: The CBA is significantly related to the organizational performance.

## 4. RESEARCH APPROACH

This research utilizes a quantitative approach in examining the effect of SMM practices towards the SMEs performance in Malaysia. Empirical findings suggest that social media adoption is needed for SMEs due to low cost, few participation barriers and also low IT skills level (Derham et al., 2011). The researchers succeed achieve the research purpose in identifying the characteristics of Malaysian SMEs proposed by the SME Corporation. The sales turnover criteria of a manufacturing sector firm must be not more than RM50 million, and should be only 200 maximum workers, where as a services company should not surpassing RM20 million sales turnover with the maximum of 75 employees. Following that, the online vendors with those mentioned attributes was determined.

This study has identified online vendors that have all the characteristics of SMEs as given before. Observation method was used for the present study. A sample survey was carries out among the owner of online vendor boutique with online SMEs in Malaysia been taken into consideration. 100 samples have been collected and analysed accordingly.

## 5. RESEARCH MODEL

SMM is one of the best marketing strategies, which not only gives advantage to the organization, but also to the customers. As mentioned earlier, this study investigates three independent variables of social media effectiveness, which are BRI, CE, and also CBAs. Thus, the dependent variable of this study is the performance of SMEs. Hence, this study has developed a research model and was presented in Figure 1.

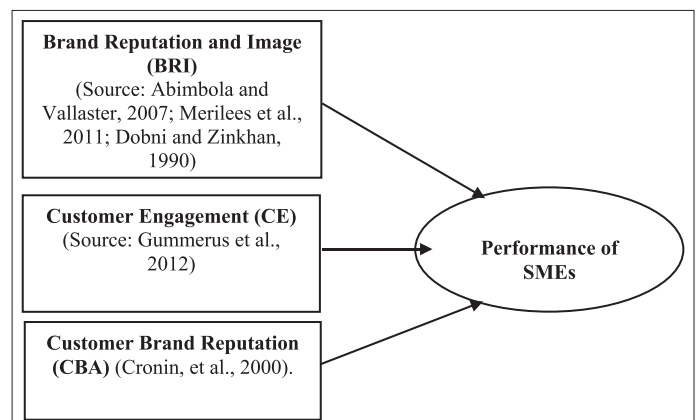
## 6. DISCUSSION AND FINDINGS

This paper demonstrated that SMM practices elements could influence the online organizational performances. In order to effectively improve organizational performance, SMEs should develop their SMM strategies to support the implementation of SMM practices. This research depicts a significant relationship between BRI with the organizational performance was supported by previous study (Dobni and Zinkhan, 1990).

Hence, this contributes to the literature that stated that successful application of SMM will enhance firms' success in managing organizational marketing and commercialization strategies. A firm must reinforce its marketing strategies to support the organizational performances. This smart and simple strategy will positively affect the number of customers, thus increase the number of purchases. Additionally, an efficient implementation of SMM practice will assist organization to increase the product sale, and then the objective of the organization can be achieved.

Due to the increasing number of efforts to well-perform company reputation, it is belief that the correlation between SMM practice elements is vital in order to increase the company profits and customer satisfaction. Directly, this research can assist the organizational managers or marketing managers in their decision to practice and develop their SMM strategies to rise the organizational' profit margin respectively. This fact was supported by Musa et al. (2015), which the decisions made by managers to adopt technology innovation.

**Figure 1:** Research model of social media marketing study on organizational performance





**Table 1: Reliability analysis of variables**

Variables	Cronbach's alpha	Result
Online SMEs performance	Excellent	0.944
CE	Excellent	0.944
BRI	Excellent	0.944
CBAs	Excellent	0.944

SME: Small and medium enterprise, CE: Customer engagement, CBA: Customer brand attitudes, BRA: Brand reputation and image

**Table 2: MRA of SMM antecedents**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Standard error of estimate
1	0.692	0.479	0.462	0.40517

MRA: Multiple regression analysis, SMM: Social media marketing

Based on the indicator, this results shows excellent variable due the reading value of 0.944, as shown in Table 1. The results show that all variables are significant. All alpha values are equal to  $0.0000 < 0.05$ , so this research accepted all hypotheses (H1, H2, and H3). Based on rule of thumbs, the value of the relation coefficient among the variables shows moderate relationship. Moreover, the coefficient value recorded is ranged between 0.4 and 0.7.

Table 2 shows the multiple regression analysis of SMM antecedents. R value for this model summary is 0.692 which is good relationship. This means that the respondents are concern on the factors that affected on the SMM effectiveness towards online SME performance. R<sup>2</sup> is the proportion of variance in one variable associated with the variability in a second variable that shows of 0.479 from the result. It means 47.9% of independent variables studied in this contributed to the online SME performance and the other 52.1% are caused by indirect factors that are not study in the research.

## 7. CONCLUSION

This paper illustrates the development of brand normal model in measuring the organizational performance. There were various approaches been used in finding answers to the objectives stated in this research, starting from designing and distributed questionnaires to respective respondents; and data analysis from validity and reliability, correlation and multiple regression. This research has analyzed factors influences the effectiveness of SMM between online SME in Malaysia towards their performance. It can be concluded that all independent variables indicated moderate relationship. However, CBAs show the highest value of correlation, which is 0.640, better than other factors. So this variable are the most significant contributed to the online SME performance. This study suggested that respondents have more experience about their customer attitudes, which is confirmed by MacDonald and Sharp (2003); if management increased brand awareness, the brand attitudes will also be increased. These results also lead to the understanding that respondents have concerned about brand awareness. Study by Suh and Youjae, (2006) depicted that, brand attitudes are influenced by customer satisfaction and loyalty. It shows, respondents are fulfilled and devotion toward online offers of products supplied by the vendor.

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