

Marketing Innovation and SMEs' Business Performance in Malaysia

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Abstract:

In today's global and high technological environment, innovation is a crucial factor that helps Small and Medium Enterprises (SMEs) to sustain in their business. Innovation will cause SMEs to gain creativity, success, profitability, and customer satisfaction, and all those elements will contribute to enhancing SMEs' business performance. There are a few types of innovation that SMEs can implement, one of them is marketing innovation. Marketing innovation is new or improved marketing method that can be used by the firm involving significant changes in product design or packaging, product placement, product promotion and pricing. This research aims to identify the relationship between marketing innovation and SMEs' business performance in the retail industry in Malaysia. A quantitative survey has been distributed to retail SMEs, and 217 completed responses were obtained for the analysis. The researchers conducted multiple regression analyses to test the relationship of marketing innovation towards SMEs' business performance. Based on the finding, there is a significant relationship between marketing innovation and SMEs' business performance. Marketing innovation is substantial for SMEs' business performance; therefore, SMEs need to invest in marketing innovation to ensure their business performance. The result also suggests the need for future research to investigate the relationship in different areas.

Keyword: Innovation, Marketing Innovation, Business Performance

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I. INTRODUCTION

In today's challenging business environment has caused every SME to face high competition to survive in their business [1]. Almost 50 percent of SMEs business failed to survive the first two years of establishment and the average lifespan for SMEs normally was only 5.3 years [2]. While in Malaysia, based on Company Commission Malaysia (CCM) annual report, companies wound up was increased from the past 10 years. The number of SMEs wound

up constantly increasing that also affects the Malaysian economic landscape because SMEs contribute 36.3 percent to the GDP of Malaysia and generate 65.5 percent of employment [3]. Therefore, when the number of companies wound up constantly increases, it will indirectly affect their contribution to Malaysia's economic development and will reduce the employment opportunity in Malaysia [4]. Other than that, in Malaysia SMEs are real sources of job opportunity and when the

number of SMEs wound up increase, it will also threaten job opportunity in Malaysia [4]

There are also few reasons of SMEs business fails to survive, and one of them are due to high competition intensity that cause their business goes burst, bankrupt or fails [5]. SMEs also face high competition not only among themselves but also with large and resource-rich companies, well-establish brands and international companies. Other than the competition, SMEs also failed to survive in business due to lack of expertise and poor management system that cause them not to be able to cope with intense competition in the market [5].

Therefore, to ensure SMEs able to compete with those large companies, they need to respond fast towards the market environment and one of the ways is to implement innovation. Innovation will cause SMEs to gain creativity, success, profitability and customer satisfaction and all those elements will help them to survive in the competition of the market and also enhance their business's performance [6]. By implanting innovation, it will also help SMEs to continuously keep the relevancy and maintain their business competitiveness by improving their products or services based on customers' needs and want. Furthermore, innovation also helps SMEs to gain a competitive advantage, which an important element in capturing market success and improve their business performance [7].

In fact, there are several types of innovation that can be implemented in business among SMEs [8]. However, SMEs need to choose an innovation strategy that is suitable for their nature of business. There are four types of innovation which are product innovations, process innovations, marketing innovations and organizational innovations [9]. However, in this research, the researchers will mainly focus on marketing innovation. Marketing innovation is defined as a new or an improved marketing method used by the firm involving

significant changes in product design or packaging, product placement, product promotion, and pricing [9]. This study mainly focuses on marketing innovation because marketing innovation is an important source of competitive advantages that will help SMEs to increase the firm's value and sales to ensure customer's continued loyalty and to meet customer's evolving needs through and innovative promotional and marketing activities [10]. Indeed, the Malaysian government also realized the importance of marketing innovation and had implemented several marketing programs for SMEs that aims to increase its value and sales in both local and global market [11]. Some of the innovative marketing programs that had been implemented are SME Mentoring Programme by SMEcorp Malaysia and Training for Marketers on Quality and Safety by FAMA [11]. Therefore, by understanding that, marketing innovation is important method that SMEs need to implement to improve their business performance.

Thus, the main purpose of this research is to identify the relationship between marketing innovation and SMEs' business performance. The findings of this research will help SMEs to understand the relationship of marketing innovation towards their business's performance. Furthermore, this research will also be a platform and useful information for future researchers who are interested in studying SMEs' business performance area. Other than that, this study will also help policymakers and government agencies to gain a better understanding of the challenges that SMEs face to improve their business performance. By understanding about SMEs' business performance, it will somehow bring insight into the needed support and improvement in policy that will help them in their business performance. The government may provide assistance support such as encouraging networks among SMEs and provide SMEs with practical and financial support for them to implement marketing innovation.

II. METHODS

In this research, the population of this study is all SMEs in Malaysia that are characterized in the retail industry. Therefore, the population of this study is identified from PUNB Malaysia, which is a government authority in Malaysia that mainly focuses on offering an integrated entrepreneurial package to establish SMEs in the retail industry. There are total of 2159 numbers of SMEs in the retail industry. However, in this study was mainly focus SMEs in retails sector that come from: SME-Services (11 SMEs), Printing and Advertising (47 SMEs), Optical (15 SMEs), Books and Stationery (22 SMEs), Clothing, Textiles and Accessories (197 SMEs), Cosmetic and Beauty Treatment (52 SMEs), Gift Souvenir and Floral (12 SMEs), Jewellery and Watches (104 SMEs), which make the total number of population is 460 of SMEs. The sample size was identified based on the total of population. The sample size was used to represent the whole population of the research. The researchers used the method of Krejcie and Morgon (1970) theory to identify the number of sample size. As mention earlier, the total population of this research is 460. By referring to the Krejcie and Morgan (1970) the sample size for this study is 210.

The researchers used simple random sampling in this research. It is because simple random sampling is suitable when the population is already known and when the researchers have an accurate list of the entire population. Based on CCM Annual Report (2016), this research already identified the number of sample size which are 210 SMEs from PUNB Malaysia that involve in SME-Services, Printing and Advertising, Optical, Books and Stationery, Clothing, Textiles and Accessories, Cosmetic and Beauty Treatment, Gift Souvenir and Floral, Jewelry and Watches industry. The researchers obtained an accurate list of the entire population from PUNB Malaysia. Therefore, simple random sampling is suitable to be used and

everyone in the target population has an equal chance of being selected for the sample size.

This research utilized a quantitative research methodology. The instrument used to collect the data was a questionnaire. The questionnaire was constructed according to the objective of the research, which is to identify the relationship of marketing innovation towards SME's business performance.

III. RESULTS

Linear regression analysis was conducted to identify the relationship of marketing innovation towards SMEs' business performance. Linear regression was calculated to predict SMEs' business performance based on their implementation of marketing innovation. A significant regression equation was found ($F(1, 215) = 129.457, p < 0.000$), with an R Square of 0.613. R Square of 0.613 explained the strength of the relationship between marketing innovation and business performance are 61.3%. The value of R square which is 61.3%, which is considered as high R-squared because it is greater than 50%. Other than that, based on the table below, it revealed that marketing innovation significant to business performance with significant value 0.000. Therefore, the hypothesis is accepted.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613 ^a	.376	.373	1.16681

a. Predictors: (Constant), Marketing

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.

1	Regression	176.248	1	176.248	129.457	.000 ^a
	Residual	292.710	215	1.361		
	Total	468.959	216			

a. Predictors: (Constant), Marketing

b. Dependent Variable: performance

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.989	.750		15.980	.000
	Marketing	.282	.025	.613	11.378	.000

a. Dependent Variable: performance

IV. DISCUSSION

The research question deals with the relationship between marketing innovation and SMEs' business performance. Accordingly, there is a positive relationship between marketing innovation and business performance. The finding of this dimension had a positive and significant relationship with business performance ($F(1, 215) = 129.457, p < 0.000$).

The finding is in line with the previous research by which examined the relationship between marketing innovation and business performance directly and show a strong positive relationship [12]. In previous research, it stated that when a company implements marketing innovation,

it will help them to gain competitive advantage and indirectly will improve its business performance [12]. On the other hand, previous research also showed that marketing innovation has a direct impact on business performance [6]. They stated that implementing marketing innovation will give a positive relationship towards business performance because marketing innovation will help them to understand the importance of customer service, promotion and networking that will lead to an improvement in their business performance [6]. Furthermore, successful marketing innovation will increasingly see as a major factor that contributes to higher business performance [13]. Thus, this clearly shows that SMEs need to implement marketing innovation in their business to improve their business performance.

V. CONCLUSION

This study investigated the variables that could improve business performance among SMEs in the retail industry, namely marketing innovation. The findings revealed that there is a positive relationship between marketing innovation and business performance. Marketing innovation is an importance element to help SMEs survive in the business and also will improve their business performance. It is hoped that this study will give benefits to SMEs in order to improve their business performance.

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