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RELATIONSHIP BETWEEN REASONS FOR OUTSOURCING WITH  
AWARENESS OF OUTSOURCING IN INTERNET MARKETING IN SMALL  
AND MEDIUM INDUSTRY (SMI) IN PETALING JAYA

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## ABSTRACT

Internet marketing is becoming a hot topic in every business sector and gradually it is playing a truly important role in all sectors related to marketing strategy. This research aims to measure the level of awareness of outsourcing internet marketing. On the other hand, the study intended to identify significant factors, which influence awareness of outsourcing internet among SME companies. Therefore, the researcher intends to investigate the variables, which influence the awareness of outsourcing Internet Marketing across a range of context materials. Meanwhile quantitative method used to collect all-important data supporting the research analysis. Cross sectional study has conducted by selecting sample of SME companies in Petaling Jaya area. 160 questionnaires collected and analyzed using statistical software SPSS version 22. The findings demonstrated that 56.9% of the respondents were at the high level, followed by 35% moderate and 8.1% were at the low level in term of awareness of outsourcing internet marketing. The results of the study suggested that improvement, revenue, future performance and cost turned to be significant predictors to awareness of outsourcing internet marketing. However, environment driven insignificantly influence awareness of outsourcing internet marketing.





## **HUBUNGAN ANTARA PUNCA Mencari Sumber Luar Dengan KESEDARAN Sumber Luar Di PASARAN INTERNET DALAM INDUSTRI KECIL DAN SEDERHANA DI PETALING JAYA.**

### **ABSTRAK**

Pemasaran internet menjadi topik hangat dalam setiap sektor perniagaan dan secara beransur-ansur ia memainkan peranan yang benar-benar penting dalam semua sektor yang berkaitan dengan strategi pemasaran. Kajian ini bertujuan untuk mengukur tahap kesedaran pemasaran internet dengan menggunakan sumber luar. Selain itu, kajian ini bertujuan untuk mengenal pasti faktor-faktor yang mempengaruhi kesedaran pemasaran internet dengan menggunakan sumber luar. Kajian keratan rentas telah dijalankan dengan memilih sampel syarikat PKS di Petaling Jaya area. Sebanyak 160 soal selidik telah dikumpulkan dan dianalisis menggunakan perisian statistik SPSS versi 22. Dapatan kajian menunjukkan bahawa 56.9% daripada responden berada pada tahap yang tinggi, diikuti oleh 35% sederhana dan 8.1% berada pada tahap yang rendah dari segi kesedaran pemasaran internet. Kajian ini mencadangkan bahawa penambahbaikan, hasil, prestasi dan kos menjadi faktor yang peramal signifikan kepada tahap kesedaran pemasaran internet. Walau bagaimanapun, dalam kajian ini faktor persekitaran tidak mempengaruhi tahap kesedaran pemasaran internet.



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## CHAPTER 1

### INTRODUCTION AND OVERVIEW OF THE RESEARCH

#### 1.1 Introduction



Outsourcing defined as the procurement of products or services from sources that are external to the organization. For services, this usually involves the transfer of operational control to the suppliers. In the current environment of rightsizing, with a renewed focus on core business activities, companies can no longer assume that all organizational services must provide and managed internally. Competitive advantage may gained when outside suppliers produce products or services more effectively and efficiently. The advantages in outsourcing can be operational, strategic or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities. It estimated that every Fortune 500 company will consider outsourcing during this decade and that 20 percent of them will enter into a contract any the end of the decade. A variety of firms already exhibits this trend. General Electric Corporation has entered in to a five-year, \$500 million contract with Electronic Data Systems





(EDS) to handle the corporation's desktop computer procurement, service, and maintenance activities (Behara, R.S al., 2011).

Over the last number of years, outsourcing has become an important issue for many organizations. The potential for outsourcing has moved from peripheral activities such as cleaning and catering to critical activities such as design and manufacturing (Melvor, R.T., 2011). One of the key issues to emerge for many organizations has been the growing importance of outsourcing. The potential for outsourcing has moved on from those activities that normally regarded as of peripheral concern to the organization such as cleaning, catering, and security, to include critical areas of activity such as design, manufacture, marketing, distribution and information systems with almost the entire value chain open to the use of outside supply (Jennings, 2012).



An emphasis on cutting costs became the primary focus of successful firms. Bridges, (2010), discusses the effect of technology on employment and organizational structure, outlining three major changes that affect work and society today:

1. *Information technology* – Computers and the ability to produce products have dramatically changed the structure of work.
2. *Communication* – The technology of communication has accelerated the pace of change. Events in one part of the world now have implications everywhere in the world. In addition, work can now be undertaken anywhere in the world.





3. *Organizational change* – The structure of organizations is changing. Reengineering, organizational change and just-in-time manufacturing are examples of process that are transforming the way business conducted.

The essence of these definitions is that outsourcing refers to the concept of looking for expertise to handle certain business functions outside the existing firm. The decision-making process that the management must undergo when considering outsourcing, hinges on a “make or buy” philosophy. More variables brought into play when the management considers outsourcing a product or services that currently produced internally. Many more options exist currently than there were even a decade ago. In today’s business environment, it is now possible to outsource virtually any aspect of the business (Embleton, P.R. et. Al., 2010).



## 1.2 Background of Research

The study can categorize as non-experimental quantitative study. As in common to most non-experimental studies, the present study adopts the surveys research design by selecting and studying the sample chosen from the SMI companies around Petaling Jaya region. As such, the basic unit of analysis was the managers or assistant managers of the Marketing Department and above of the SMI companies. The research steps employed in the study were in accordance with scientific research design (Sekaran, 2003). Under the design, data collected based upon predetermined instrument and hypothesis developed prior to the research conducted (Bogdan and Biklen, 2012).





### 1.3 Problem Statement

An important factor of marketing success is creating a loyal and satisfied customer base. Previous researches show that loyal customers buy more products from one company, cheaper to serve, less sensitive to price and introduce new customers by word of mouth. Developing and managing loyal marketing relationships are the main concern of those marketers studying branding, business-to-business marketing and relationship marketing. (Briones, M.G. 2011)

In the past small business faced many disadvantages in the market place when competing against large corporations. A small company with a better product would often flounder, while at the same time a large corporation with a lesser product and a multi-million-dollar marketing campaign would have greater success. Many small business use newspapers, magazines, television and radio to advertise their products and services, which are costly. (Briones, M.G. 2011)

Arrival of the Internet era has encouraged more studies on marketing which will result in a “marketing revolution”. This revolution fully depends on whether the Internet has an impact in the creation of sustainable marketing advantages. For example, the Internet might have an impact if interaction between customers and marketers replicated from “one-to-one” relationships to “business-to business” relationships. The Internet’s interactive potential has sparked interest in one-to-one interaction, which may allow marketers to build strong, sustainable relationships with their customers and enhance brand loyalty. (Coupey. E., 2011)





Placing your business on the Internet is very much like opening your business doors for the very first time. Having a website is a fantastic way to open up visibility to new prospective customers. When marketing a company on the Internet, certain factors need to take into account. It is important to have a quality website. Proper placement in search engines, proper categorizing, and attractive descriptions must all be working together. Other factors include the ability to submit multiple listings in the same search engine categories, multiple domain names that forward traffic to your main website, free classifieds listings in your targeted area, banner, advertising, targeted opt-in email campaigns, and timely email responses from sales-lead forms. (Coupey. E., 2011)

The real value lies in all these factors integrated together. To implement Internet Marketing in a company, proper planning such as defining primary market focus and targeted customers is essential. More over, making the website into an affective sales and marketing tool, building brand and market awareness, understanding the customers' needs, acquiring new customers and enhancing business with existing customers are all guidelines that need special skills and professionalism. (Czinkota, M.R, & Kotabe, M.2001)

For a small business to recruit, train and assign employees for the above professionalism and skills will be costly. Therefore, it will be more wisely to look for a specialized provider or outsource these marketing activities for the biggest benefits called economy of scale, which is more efficient in terms of both productivity and operating cost. They are set up to do things faster, cheaper and better because they are highly specialized organizations. Outsourcing is an important staple in the digital





economy and companies engaged in it provide a very valuable service to the marketplace. A global business phenomenon spans thousands of industries both online and off. Therefore, this paper studies whether the SMI companies are using outsourcing them to the marketing specialist and whether the SMI companies are ready to use Internet Marketing as part as their daily operation.

#### 1.4 Research Objective

Internet Marketing has become a new channel for promoting goods and services and researches and studies have demonstrated that most companies were lacking sufficient Internet Marketing and e- business knowledge. This was because marketing online is, in fact, different from marketing through traditional channels and business will continue to fail in their efforts until they recognize this difference. From a marketing prospective, the online retail sector has continued to thrive as one of the more successful and popular areas of electronic commerce. Therefore, the overall purpose of this study was to shed light on outsourcing the marketing department in Internet Marketing because the need for marketing knowledge has grown increasingly higher. This study will further help companies, who want to establish an online presence, become aware of important aspects of Internet Marketing and evaluate whether they need to modify their business approach once they go online.

Objective of this study is to:

1. To measure level of awareness of outsourcing Internet Marketing among SMI companies around Petaling Jaya region.







2. To investigate the relationships between reasons for outsourcing and awareness of outsourcing Internet Marketing.
3. To investigate the relationship between demographic variables (Types of Industry, Position Held and Education) and awareness of using internet marketing
4. To predict the level of awareness of outsourcing Internet marketing from reasons for outsourcing.
5. To determine the proportion of the variance in the awareness of outsourcing Internet Marketing that is predictable from the reasons for outsourcing.

### 1.5 Research Questions



The following research questions have selected for this study:

1. What is the level of awareness of outsourcing Internet Marketing among SMI companies?
2. Is there any relationship exist between reasons for outsourcing and awareness of outsourcing Internet Marketing?
3. Is there any relationship between demographic variables (Types of Industry, Position Held and Education) and awareness of using internet?
4. Is the level of awareness of outsourcing Internet Marketing can predict from reasons for outsourcing?





Regression Equation:

$$Y\text{-hat} = b_0 + b_1(\text{Organizational}) + b_2(\text{Improvement}) + b_3(\text{Financial}) + b_4(\text{Revenue}) + b_5(\text{Environment}) + b_6(\text{Future Performance}) + b_7(\text{Cost})$$

Y-hat: Predicted level of awareness of outsourcing Internet Marketing

$b_0$ : Constant,  $b_n$ : Regression Coefficient

Standardized Regression Equation:

$$Z_{Y\text{-hat}} = \beta_1 Z_{\text{Organization}} + \beta_2 Z_{\text{Improvement}} + \beta_3 Z_{\text{Financial}} + \beta_4 Z_{\text{Revenue}} + \beta_5 Z_{\text{Environment}} + \beta_6 Z_{\text{Future Performance}} + \beta_7 Z_{\text{Cost}}$$

$Z_{Y\text{-hat}}$ : Predicted Standardized level of awareness of outsourcing Internet Marketing

$\beta_n$ : Standardized Regression Coefficient

5. What is the proportion of the variance in the awareness of outsourcing Internet

Marketing that is predictable from the reasons for outsourcing?



## 1.6 Hypothesis of the Study

For the study, a few research and null hypothesis has developed based on the research questions and the conceptual framework as per below:

For the study, a few research and null hypothesis has developed based on the research questions and the conceptual framework as per below:

$H_1$ : There is a significant relationship between reasons for outsourcing and awareness of outsourcing Internet Marketing.

$H_{01.1}$ : There is no significant relationship between organizationally driven and awareness of outsourcing Internet Marketing.





H<sub>O1.2</sub>: There is no significant relationship between improvement driven and awareness of outsourcing Internet Marketing.

H<sub>O1.3</sub>: There is no significant relationship between financially driven and awareness of outsourcing Internet Marketing.

H<sub>O1.4</sub>: There is no significant relationship between revenue driven and awareness of outsourcing Internet Marketing.

H<sub>O1.5</sub>: There is no significant relationship between environment driven and awareness of outsourcing Internet Marketing.

H<sub>O1.6</sub>: There is no significant relationship between future performance and awareness of outsourcing Internet Marketing.

H<sub>O1.7</sub>: There is no significant relationship between cost driven and awareness of outsourcing Internet Marketing.



H<sub>O1.8</sub>: There is no significant relationship between types of industry and awareness of outsourcing Internet Marketing.

H<sub>O1.9</sub>: There is no significant relationship between position held and awareness of outsourcing Internet Marketing.

H<sub>O1.10</sub>: There is no significant relationship between education and awareness of outsourcing Internet Marketing.

H<sub>2</sub>: Reasons for outsourcing is a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>O2.1</sub>: Organizationally driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>O2.2</sub>: Improvement driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>O2.3</sub>: Financially driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.





H<sub>02.4</sub>: Revenue driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>02.5</sub>: Environment driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>02.6</sub>: Future performance is not a significant predictor to the level of awareness of outsourcing Internet Marketing.

H<sub>02.7</sub>: Cost driven is not a significant predictor to the level of awareness of outsourcing Internet Marketing.







## 1.8 Limitation of the Study

This study will begin by briefly tracing the history of Internet Marketing and expands into the emergence of outsourcing. The study will profile the SMI companies, which are involved in the manufacturing sector. SMI companies have scoped, as they need to cope-up with the technological changes of international marketing strategies in order to compete with other industries. This study focused in the Petaling Jaya region as it has many SMI companies and it is one of the biggest developed industrial regions in Malaysia.

## 1.9 Significance of the Study



The Internet is continuously changing the way of business conducted. Inherent features, such as its intrinsic speed and low accessing and usage cost, have made it into one of the most attractive means of doing business. With the ability to reach more than 190 countries around the world, businesses can reach global markets with the click of a button. Today, the Internet is the largest Network buyer and seller of products and services in the world (Minoli & Minoli, 2006).

Despite the exponential growth in Internet Marketing, little-in-depth research has done in the area of outsourcing the marketing department of a company. This was of no surprises since the popularity and success of online buying and selling has been a recent phenomenon. Most investigations have focused on the general success of Internet Marketing adoption and growth. Recently, a few studies have projected the





future of outsourcing, information system / information technology, designing, logistic and analysed and learned in the area of outsourcing the Internet Marketing itself. Furthermore, as recent surveys indicated, most companies were missing the mark when it comes to implementing the business and marketing plan.

This study is beneficial for those companies who want to become part of the electronic market space and have threatened by continuous success and popularity of other industries. This study also shed some light on the increasing efforts in outsourcing the Internet Marketing to the professionals in order to be more successful by showing the benefit the company will gain when they use Internet Marketing as a tool.



## **1.10 Operational Definitions**

### **1.10.1 Marketing**

The process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.





### 1.10.2 Internet

An international information network linking computers, accessible to the public via modem links.

### 1.10.3 Internet Marketing

Internet Marketing is the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both parties.



### 1.10.4 Outsourcing

A method of turning to outside sources or hiring contract workers to perform specific tasks instead of performing the tasks themselves.

### 1.10.5 Small & Medium Industry (SMI)

According to SMI Association of Malaysia, small and medium Industry is an industry of organizations with not more than 150 employees and involved in manufacturing sector.

