

# Internet Use as a Marketing Tool by Retailers: An Exploratory Study in Labuan, Malaysia

Ainnecia Yoag<sup>1,\*</sup>, Ruth S. Siganol<sup>2</sup>

<sup>1</sup>Faculty of Computing and Informatics, Universiti Malaysia Sabah

<sup>2</sup>Labuan Faculty of International Finance, Universiti Malaysia Sabah

**Abstract** The internet has emerged as an important marketing tool in the retailing industry. However, there are retailers whom have not fully utilized or have not fully understood the importance of the Internet as a marketing tool. The objective of this study was to examine the utilization of the Internet as a marketing tool among retailers in Labuan, Malaysia. This study was based on qualitative interviews among retailers and content analysis of retailers' websites in the business hub in Labuan. 18 retailers participated in this study. The findings showed, only 56% of respondents have their company's website, 83% respondents do have company social networking account and 78% respondents register their company details to a local online directory site. Company profile was identified as the most common attribute which was found in all company's website, beside products and services information. The major lacking attributes in most website were found in transactional means element which is relating to online purchasing service. However, only one respondent provide online shopping service. Several factors were identified as the limitations to internet marketing utilization. Lack of ICT knowledge and skills among employees was the most reported limitation to fully optimize the use of internet marketing. This study offers an opportunity to relevant shareholders of the retail business, government agencies and business consultants to view or plan future diverse training programmes in nurturing internet marketing awareness, and to help retailers in increasing the use of Internet as their business platform to drive businesses by marketing their products to the global market while increasing their productivity. Findings also provide an important insight for retailers on website content design practices considerations for new or existing company website.

**Keywords** Internet, Marketing tool, Retailer, Labuan

## 1. Introduction

In recent years, the Internet has become increasingly important as a marketing tool. The internet brings opportunities for retailers to sell to and communicate with their customers through an interactive and flexible medium. Through an online platform, businesses will be able to promote their products and services and ensure good customer service by enabling businesses to deal directly and reach out to a wider market.

In Malaysia, there are more than 645,000 Small Medium Enterprises (SMEs) but only 100,000 of them run their businesses online [1]. The analysis of findings from World Bank Productivity and Investment Climate Surveys has revealed that one of the important Malaysian SMEs performance lever was market access. Limited focus and lack of awareness on the importance of marketing as a competitive tool makes products and services difficult to

successfully reach consumers at large [2].

In 2012, Malaysian Communications and Multimedia Commission (MCMC) in partnership with Google introduced a programme called Get Malaysian Business Online (GMBO). Through this programme, SMEs are assisted in increasing the Internet usage as their business platform to drive businesses by marketing their products to the global market [1].

There have been many studies of Internet and ICT among the SMEs in Malaysia [3-5]. These studies mostly focused on the ICT and technology adoption as well as implementing Information Technology (IT) in business operation. However, there are still very little is known on how Malaysian retailers are using the internet to market their product and services globally.

The use of the Internet as a marketing tool in business industry offers great benefits. Those benefits include communication, transaction and distribution channel functions [6]. A website plays a vital role in business marketing strategy as a channel for providing information about products and services. The quality of presentation and usefulness of the business content was the major website

\* Corresponding author:

ainnecia@ums.edu.my (Ainnecia Yoag)

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issue in determining whether a potential customer will be attracted to or the page will be closed right away [7]. The content refers to the information, the characteristics or the services offered on a website [8].

Getting information about goods or services and sending or receiving e-mail were reported as the most activities done by Malaysian through the Internet [9]. In line with the statistical report on household use of the internet by MCMC, Labuan was the second highest frequent internet user with access at least once a day as well as the second most enthusiastic Internet shoppers in Malaysia after Putrajaya [10].

Labuan Island was declared as an International Offshore Financial Centre (IOFC) since 1990 [11] and also known as a tourist destination as a hub for duty-free which has attracted a total of 1,012,491 visitors or tourists from domestic and international in 2013 [12]. Currently there are 5386 active registered businesses in Labuan [13] with only 104 companies run their business online [14]. These companies are serving a population of 92, 900 in Labuan [15].

This paper presents a study of internet usage among retailers in Labuan Island. The aim of this paper is twofold, to examine the use of internet as a marketing tool and to identify the limitation faced by retailers in fully utilize the Internet in business marketing strategy. The results of this study offer insight guidance to relevant shareholders, government agencies and business consultants to view or plan future programs in assisting retailers to utilize the Internet as their marketing tool in enhancing its prospects and increasing profitability besides an important insight for retailers on website content features that should be taken into consideration when redesigning or designing a new website.

## 2. Method

### 2.1. Data Collections

Data collection for this study was conducted in two ways, namely: in-depth interviews and website features analysis. Interviews were conducted with a set of in-depth questions. The set of questions were broken down into a series of questions covering three major sections: background of the company, internet usage in business marketing and limitation issues on internet usage. Interviews were conducted during the period between January till March 2014.

To understand the company website features practiced by the respondents, a website content analysis was conducted to examine the website features. A website content analysis was adapted from [16] in evaluating and analyzing websites functionality and its attributes. Information about the website features were collected during the period between April and May 2014. Interviews data were then interpreted and used together with the information obtained from content analysis of respondent's website to have in-depth understanding on how Labuan retailers use Internet as a marketing tool.

### 2.2. Data Sampling

Convenient sampling was used to select the sample data for this study. The samples were from Labuan retailers which have physical stores as their distribution channel of any types of products and services. A total of eighteen retailers were interviewed during the course of this study. All interviewee were either the retail owners or retail sales managers. The interviewees were in various business categories: Selling computer peripherals equipment and accessories, supermarket, beauty services and products, electronic appliances, printing services, souvenirs apparel and watch stores.

## 3. Result and Analysis

### 3.1. Interview Data Analysis

The interview data analysis showed that all respondent have internet access, with communication and accessing information as their major online activities. 85% respondents used email as their primary online communication channel. The reasons for email preference were the convenience of exchanging information with their employees, customers, suppliers and partners, negotiating business transaction and payment process, product ordering, price quotation or acquirement between retailers and suppliers and as well as customers. It was noted that 70% of respondents used mobile messaging app such as WhatsApp, LINE and WeChat as a communication and promotion tool for their registered and potential customers.

Another important utilization of the internet was for accessing information on new products. 65% of the respondents searched online for new products as well as gathering information about potential suppliers.

Social media marketing was reported as the most popular marketing tool among respondents. 83% of respondents said that they do have social networking account either Facebook page or Twitter account. The reasons given were because it is widely used, free and easily maintained. The analysis of the social media contents showed all respondents focused on promotion of new products and services, sales and discounts, and contact information. The social media was also used a way of communication between respondents and customers.

Among total respondents, 78% of the respondents said that they registered and submitted their company details to the online directory listing site which is based in Labuan. Online directory listing sites become a favorite place in introducing and promoting new company, especially for those businesses that do not have an extended budget. The registration is free and through the site it is easier for local people and outside travelers to obtain information related to their company. On this site, potential customers can find information about company's name, type of business, company store's address, company's contact number, email and company website's URL address.

### 3.2. Website Content Analysis

56% of the respondents have their own company's website. However only 10% these groups of respondents provides online shopping services.

The website content analysis was conducted using six functionality elements (property's identity, sales marketing, customer relationship, communication means, informational means and transactional means) with each element further divided into associated attributes (Table 1).

**Table 1.** Analysis of Website Functionality Elements

Functionality elements	Attributes	Percentage
<b>Property Identity</b>	Company profile	100
	Corporate identity	100
	Store location maps	70
	Awards or achievement	30
	Employment opportunities	70
<b>Sales Marketing</b>	Product or services (description and photos)	100
	Product or services promotions	80
	Up-to-date information	30
<b>Customer Relationships</b>	Frequent guest programs	40
	Free sign-up for newsletter	40
	Customer service	40
	Feedback/ survey form	30
	Frequently Asked Questions (FAQ)	40
<b>Communications means</b>	Mail address	100
	Telephone number	100
	Facsimile number	100
	Email address	100
	Contact address	100
	Online information request form	30
<b>Transactional means</b>	Product price	10
	Check price and availability	10
	Online purchasing	10
	View/cancel purchasing	10
	Payment options	10
	Secure payment system	10
	Special request form	10
<b>Informational means</b>	Site map	50
	Search function	40
	Date last updated	30
	Privacy and terms of use	50

The attributes of company profile and description of product or services were found in every respondent's website.

As for communications functionality element, all websites have the attributes of store location address, telephone number, facsimile number, e-mail address and contact person.

The major lacking attributes in most website were found on Transactional means functionality element. Transactional means element has all the attributes available on the website relating to online purchasing. As stated earlier, only 10% of respondent's websites had this element because the rest do not provide online shopping service. Some of the retail websites do not provide online information request / feedback for their customers. Besides, most of the information on the page of retails' website especially on information of employment or career opportunities was not regularly updated.

### 3.3. Limitations on Internet Marketing Adoption

Our analysis showed 67% of the respondents were not fully optimizing the benefits of the Internet as their business marketing tool. With further clarification, all of the respondents stated that they were aware about the benefits of using the Internet in their business model. However the lack of ICT knowledge and skills among their staff was the main reason for not fully utilizing the Internet.

83.3% of these respondents stated that they prefer to focus on business equipment or investing in hardware technology investment rather than on ICT knowledge and skill for their employees. The preference to invest in hardware was for the smooth transaction and management of their daily business. They still prefer and depend on traditional marketing method strategy – the distribution of printed brochure, banner or word-of-mouth by testimonial or recommendation from customer to friends, family or acquaintances. 50% of these respondents target Labuan as their main market and have no future plans to expand outside of Labuan.

## 4. Discussion

This study explores how Labuan retailers use Internet as a marketing tool as well as the limitation faced by them in fully utilizing the Internet in their business marketing strategy.

As with another study done in Botswana, our study also showed that most of the SMEs were using e-mail as the main communication tool. E-mail is still a vital tool for retailers to communicate with customers or suppliers in their daily business transactions, from making contractual agreements, to sourcing and requesting for orders [17].

Lack of appropriate ICT knowledge and skills among employee was the major hindrance faced by retailers in increasing the Internet usage in their business marketing strategy. ICT knowledge and skills of the employees are showed to be an important influence for organization in ICT adoption decision [4]. This finding was also consistent with study of [18] who state that lack of knowledge, skills and training on electronic marketing tools has led in its non-adoption.

The lack of awareness of the importance of Internet marketing among Labuan retailers as seen in this study should be addressed by all shareholders of the retail business. Most retailers were concerned in investing large sums of money and manpower to use ICT in their daily business. Thus, the role of government in promoting ICT in the country is of great importance. Various plans, infrastructures, and financial assistance must be laid down as part of the initiative to promote and encourage ICT utilization [4].

Analysis findings also showed majority of retailers were not fully utilizing their company websites to its maximum potential. They were lacking of certain important element features attributes. The major lacking attributes in most cases were found on online transaction features and online feedback/ request form. Besides, most of the information on the page of retailers' website especially on information of employment or career opportunities was not regularly updated. It is important for business website in providing and presenting an updated, accurate, relevant and useful information for their potential customers [8]. Website content has naturally become one of the most important issues for modern retailers to promote their products and services in order to maximize profits in the global competitive market [19].

It is suggested that retail businesses in Labuan should take into account on some major website contents issues in their process of designing a new website or to improve their existing website performance. A sticky website creates a long-lasting relationship with customers, therefore there a need an investments on multimedia competencies as well as it requires a dedicated personnel to regularly update their content of website.

## 5. Conclusions

This study showed that Labuan retailers are underutilizing the benefits and importance of Internet as their marketing tool and also majority of retail business were not fully utilizing their company websites to its maximum potential. The main obstacle to fully optimize the usage was the lack of ICT knowledge and skills among their employees. The findings of this study highlights the importance of imparting knowledge and the shared responsibility of all stakeholders especially government agencies to make all SMEs ICT savvy in this global competitive market.

In addition, this study also provides an insight for retailers in designing and developing a new company website or to improve the existing company website as an important tool to increase their business's competitiveness in the global marketplace.

There are several limitations in this study. The sample size may have been too small. Also, the data for the study was collected from various types of businesses. For this reason, these findings cannot be generalized to the broader Labuan retailers. This study's findings should be further extended using large sample in future research.

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