

Chapter 19

Adoption of Online Marketing for Service SMEs with Multi-Criteria Decision- Making Approach

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ABSTRACT

This chapter attempts to fill in the gap of evaluating the viability of adopting online marketing for small and medium enterprises (SMEs) in service industries. As SMEs are generally characterized by shortage of resources, the use of online marketing strategies is apparently difficult. However, the current landscape of competition among SMEs in a global market economy prompts the necessity of adopting online marketing. With these, the decision-making process of SMEs in this area becomes complex and the decisions must integrate complex and interrelating criteria and constructs in order to provide a more holistic solution. Thus, this work adopts a multi-criteria decision-making (MCDM) method particularly the analytic network process (ANP) in order to evaluate the practicability of using online marketing for service SMEs. It becomes highly relevant as it provides significant insights to decision-makers in SMEs regarding the use of online marketing strategy. The contribution of this chapter lies in the application of MCDM in evaluating viability of online marketing in service SMEs.

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INTRODUCTION

On a global scale, small and medium enterprises (SMEs) are growing and are expected to compete strategically. In the U.S., SMEs are categorized according to the number of employees and asset size; particularly with less than 250 employees and annual sales of not more than US\$ 50 million (Barad and Gien, 2001; Gonzalez et al., 2012). In the Philippines, SMEs are those enterprises that have 10-199 employees with Php 3 million to Php 100 million asset size (Jumamil-Mercado, 2013). SMEs have been a significant sector in economic development and are essential in generating employment (Harvie and Lee, 2005). A decade ago, Harvie and Lee (2005) estimated that 70% of new jobs creation in Southeast Asia came from SMEs. Across domain literature, SMEs are considered crucial in employment generation, output and export growth, poverty alleviation and better distribution of wealth (Asasen et al., 2003; Harvie, 2008). In the Philippines, SMEs play a vital role in “rural industrialization, development and decentralization of industries, creation of employment opportunities and more equitable income distribution, use of indigenous resources, earning of foreign exchange (forex) resources, creation of backward and forward linkages with existing industries, and entrepreneurial development” (Jumamil-Mercado, 2013). They are considered vital in dispersing new industries to the countryside and stimulating gainful employment (Jumamil-Mercado, 2013). Around 70% of non-agricultural employment was contributed by SMEs in the Philippines (Harvie and Lee, 2003). SMEs are known to be labor-intensive such that they generate jobs in the locality where they are situated (Jumamil-Mercado, 2013). This setup gains relevance in developing countries such as the Philippines. SMEs are quick in assimilating new design trends, developing contemporary products, and bringing them to the marketplace ahead of the competition (Jumamil-Mercado, 2013). This promotes SMEs as the seedbed for the development of entrepreneurial skills and innovation can make an important contribution to regional development programs (Department of Trade and Industry, 2008).

The trend of present economic progress demands businesses to compete more strategically, especially that various firms struggle to think of viable solutions in addressing customer needs. Implications of these requirements brought firms to gauge more on how to maintain and increase a good standing relationship with other businesses. This triggers fundamental questions to businesses the location, the time, and the components of the target market. The key to answer these questions relies largely by the appropriateness of the marketing tool carried out by SMEs. Coming up with a good marketing strategy attracts more customers and introduces the market with the products that firms can offer. For instance, firms seek to gauge into marketing program in order to promote their product and services through various strategic marketing implementation. This could be pursued with the use of traditional marketing and online marketing.

The widespread use of the internet across the globe highlights communication and mobility between buyers and suppliers. In this regard, online marketing has gained increasing attention over the past decade or so and has helped overcome the barriers of several business-related communications. As internet users carry out more active roles as expected, online marketing increases visibility of firm's profiles and products, and thus, it becomes an arguably good avenue for marketing and advertising. However, with the cost of pursuing online marketing which is a relevant issue in SMEs and the conditions that govern a geographical area, the decision of pursuing online marketing is certainly nontrivial that requires attention and focus. This decision of whether or not to implement online marketing strategy becomes complex due to the presence of several factors which oftentimes constitute inherent relationships. This decision domain exposes a multi-criteria decision-making (MCDM) problem.

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