The future prospect of digital marketing in the Malaysian context


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The Future Prospect of Digital Marketing in the Malaysian Context

Mandy Mok Kim Man¹, & Lim Rui Yang²

¹ University of Reading Malaysia, Malaysia
² Nilai University, Malaysia

Correspondence: Mandy Mok Kim Man, University of Reading Malaysia, Malaysia.

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Abstract

Under the globalization trend, digital marketing is part of the digitalization practices in the business world. Many organisations, companies and firms have practised digital marketing in their businesses, to start, explore or expand their markets. Digital marketing enables companies to achieve marketing objectives with digital technologies. In the advanced countries, such as US, UK, Japan, Australia, Singapore, etc., many organizations and industrial practitioners have implemented digital marketing practices that have changed from brick and mortar to online business channels. Like other forms of marketing channels, digital marketing has its benefits and pitfalls. This paper discusses the threats and opportunities, problems and challenges faced when promoting and expanding digital types of business and digital marketing in Malaysia, such as education, government policies, public awareness and users’ data protection. This paper shed some light on the importance and development of digital marketing in the Malaysian context and, the discussion outcomes raise further awareness and attention of companies to implement digital marketing in their business activities.

Keywords: digital marketing, digital technologies, Malaysia

1. Introduction

Digital marketing is defined as the way of doing marketing activities through digital channels and digital platforms to deliver marketing messages to users and to attract customers to purchase products or services (Mandy, 2020; Yamil, 2019). The main difference between digital marketing and online marketing is that the digital marketing is the whole set of the marketing activities and the online marketing is just a part of the digital marketing activities. For example, the application store in the smart phones which could be downloaded different types of apps for online food order, online payment or online call for taxi (cab) are considered as digital marketing.

Our former Prime Minister, Tun Dr. Mahathir bin Mohamad has foreseen the importance of digitalization since 1990s. During the late 90s, the formation of the Multimedia Super Corridor Malaysia (MSC Malaysia) was aimed to catalyse for the growth of the information and communication technology (ICT) in Malaysia in order to satisfy the country’s ambitions in achieving fully developed status by the year 2020 (Injau, 2011). Moving to the 21st century, the world is gearing towards digitization and every country and organizations wants to digitize their operations. Indeed, the MSC had significantly contributed to the country’s economy and benefited the ICT industry over the past decade. However, the Malaysian government has released a government blueprint, thus, Shared Prosperity Vision 2030 to increase the overall incomes of the Malaysian citizens and achieve developed country status. For the information technology infrastructure development in the country as well as the Malaysian citizen’s readiness to adopt information technologies, in fact, Malaysia was only rated as 24th in the World Digital Competitiveness Ranking in 2018 (Murugiah, 2018).

It is now common for businesses to utilize various digital platforms to perform their marketing activities in terms of contact directly their potential customers and get their feedback. We have known that digital marketing has lots of advantages. However there is limited research on digital marketing in Malaysia. Hence, this paper will attempt to look into the opportunities and constraints in terms of implementing digital marketing in the Malaysian context.
2. Digital Marketing Studies in Advanced Countries

The future of digital marketing has been widely discussed by academicians from developed countries, such as USA (Sutton, 2017; Clayton, 2014) and UK (Stone & Woodcock, 2014). They mentioned the drastic growth of internet users and in e-commerce activities. The authors of the articles have forecasted that digital marketing will create changes in business practices and influence selling and buying processes. The following table presents the research articles and blogs published on the future of digital marketing in the last seven years (2014-2020).

Table 1. List of Research Articles

<table>
<thead>
<tr>
<th>Topics</th>
<th>Authors, year, countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>The future of social media in marketing</td>
<td>Appel et al., 2020, UK</td>
</tr>
<tr>
<td>Digital disruption: The transdisciplinary future of marketing education</td>
<td>Victoria &amp; Peterson, 2019, US</td>
</tr>
<tr>
<td>The future of digital marketing in a data-privacy world</td>
<td>Lara, 2018, US</td>
</tr>
<tr>
<td>How to optimize digital marketing execution: Notes from the field</td>
<td>Fred et al., 2018, US</td>
</tr>
<tr>
<td>Identity is the future of digital marketing: Here’s why</td>
<td>Weekly &amp; Hills, 2018, US</td>
</tr>
<tr>
<td>The future of digital marketing</td>
<td>Sutton, 2017, USA</td>
</tr>
<tr>
<td>Trends and future directions in online marketing research</td>
<td>Roy et al., 2016, UK</td>
</tr>
<tr>
<td>Online marketing strategies: The future is here</td>
<td>Schwarzl et al., 2015, Poland</td>
</tr>
<tr>
<td>Webbiquity: The future of digital marketing according to the giants</td>
<td>Clayton, 2014, USA</td>
</tr>
<tr>
<td>Interactive, direct and digital marketing: A future that depends on</td>
<td>Stone &amp; Woodcock, 2014, UK</td>
</tr>
<tr>
<td>better use of business intelligence</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, many authors had conducted studies on how digital marketing is changing the business environment. Their opinions are stated as follow:

“The widespread of internet service had been proved to facilitate opportunities and enhance the effectiveness and efficiencies of organizations’ marketing activities. It is in terms of access to relevant information from targeted group, higher accessibility to reach their target customers and retrieve reviews and feedbacks from customers.” (Michael, 2014).

“The use of digital marketing in the digital era not only allows for brands to market their products and services, but also allows for online customer support through 24/7 services to make customers feel supported and valued.” (Kaur & Sandhu, 2017).

“The word of mouth communication and peer-to-peer dialogue have a greater effect on attracting new customers and customers are more likely to trust other customer experience which was proven by past researches. Hence, it is increasingly advantageous for companies to utilise social media platforms to connect with their customers and create these dialogues and discussions to maximize the word of mouth communication.” (Abeysekera, 2016)

Indeed, various researches had pointed out the benefits and implications of digital marketing in the private sectors. However, these are from the advanced countries perspectives. Since the Malaysia context are different from the developed countries in terms of intentions to adopt, market situations, government policies, education level and banking institutions support.

3. Digital Marketing Practices in Malaysia

3.1 Internet Penetration

In recent years, we had witnessed a very fast adoption of new digital channels that allows us to connect, share and collaborate like never before. It is due to the rapid transformation of the digital world. In the early days, digital marketing was treated as a one-way communication, where companies used websites as advertising tools that reflect what information they intended to share to the public.

However, moving into the 2000s, the digital world is transforming into a more innovative platform. In 2004, the term “Web 2.0” was first used to describe the participatory and collaborative platform where the content of the platform is modified by the platform’s owner and also the platform’s users (Kaplan & Haenlein, 2010). In other words, “Web 2.0” shapes a two way marketing communication that allows corporations and internet users to connect.

However, the question whether the developing counties, particularly Malaysia had fully adopted this transformation. Indeed, based on the document from World Bank (2018), most of the Malaysians are connected
to the internet and engage in digital world. In fact, the report addressed that, within the ASEAN region, empirical data showed that Japan, South Korea and Singapore have high internet penetration rates (The New Straits Times, 2019). Furthermore, the report also projected that Malaysia’s digital economy at the 5% growth rate of its internet penetration by 2020.

While the data is quite encouraging, we should not forget our country’s 2020’s vision, which intended to achieve a developed country status by the year 2020. Hence, it is imperative for us to compare our results with those of other developed countries. For instance, empirical data shows that both Singapore and Japan have achieved an internet penetration rate of 84% and 90% respectively (Statista, 2019; Singapore Business Review, 2019). Taking Singapore and Japan as our benchmark, one of the imperative factors in achieving the status of a developed country, is an internet penetration rate of at least 84%. In fact, our current internet penetration rate is only 76.9%, where it is only expected to reach 81.9% in 2020. Hence, it is not sufficient for us to reach the desired target (MCMC, 2018).

3.2 Market Situation

World Bank (2018) reflected that, there is still lack of Malaysian business establishments engage in digitalization business. Victoria et al. (2019)’s study indicated that only 5.2% of business in Malaysia are involved in the e-commerce sector. In contrast, compared to developed countries, 24% of businesses in EU purchased online (World Bank, 2018). Moreover, based on a World Bank (2018) report, most of the digital economy activities are focused in only five major states in Malaysia: Selangor, Kuala Lumpur, Putrajaya, Malacca, and Penang. It shows that there are inequalities in developing digital business activities among the states and there is a need to review the current policy to make it right in place.

The low participation rate does not indicate that digital businesses are not important to Malaysia or does not contribute much to the economy. The World Bank (2018) report also reflected that, despite the low participation, the e-commerce accounted for a significant business growth and contributed to the nation’s economy. During the year 2018, 24% of Malaysia’s total business incomes were contributed by e-commerce (World Bank, 2018). Hence, it is reflected that the digital world plays a significant role in the country’s economy despite a relatively low attention.

Hence, in Kaur and Sandhu (2017) studies, they suggested that the right policies need to be put at the right place and right time which able to cope with the digital transformation. Malaysia is an upper-middle-income country. The Malaysia government is suggested to develop the 5G broadband infrastructure in the whole country which includes urban and rural areas and also to promote digital literacy. This is speaking in terms of formulating effective competition regulation, enforcement and augmenting worker’s skills (Kaur & Sandhu, 2017).

3.3 Government Policies, Infrastructure and Integration

The third assumption of Malaysia’s digital market prospects is the lack of government intervention (lack of effective competition in the telecommunication sector); lack of a system integration (none of it serves as an integrated system that serves an all-purpose system such as e-wallet, we have TnG, WeChat, AliPay, Boost and so on) and finally the lack of attractive policies to hold great opportunities for innovators investors and marketers.

First of all, World Bank (2018) suggested that internet connections is the critical foundation of the digital economy and the government intervention into the private sectors plays an imperative role in promoting the growth of the sector. As suggested by various marketing and management theories, competition among businesses fosters growth of the industry. However, in Malaysia’s case, Telekom Malaysia Berhad has a dominance role in the telecommunication sector. With Telekom’s dominance involvement in the development of telecommunication sector in Malaysia, it gives some advantages such as able to control upstream market and its vertical integration, at the same time it also gives some limitations to the other new competitors to enter the telecommunication market (World Bank, 2018).

In order to increase internet penetration rate and foster digital market growth in developing countries, the founder of Alibaba, Jack Ma (2018) stated that, the government needs to overcome the problems that prevent businessman to enter the digitalization market, such as constraints to digital adoption, in terms of reducing cost of adoption, promote reliable and stable internet as well as encourage E-entrepreneurship, especially among SMEs. Furthermore, when formulating policies to foster growth in digital industries, the government needs to ensure they will collect sufficient revenue, at the same time ensure that the revenue collected will be used for continuously development of digital-related infrastructure for the nation and educational programmes that train up the skilled workers in the digital-related career.
3.4 Users’ Data Protection

As mentioned in the earlier section, the growth of the digital economy in Malaysia is facing several obstacles, which include the development of digital infrastructure. Hence, this section will focus on digital transaction technologies and the protection of personal data.

To accommodate many e-commerce sites, digital payments is imperative in making transactions. According to World Bank (2018), nearly 85% of adults in Malaysia have an E-account in financial institution. Although there are many Malaysian with an E-account in financial institution, there are also many Malaysians who do not own an E-account. It is due to lack of skills and knowledge related with operating the E-account and also the fundamental issue of data privacy which has yet to be solved.

It was mentioned by World Bank (2018), although Malaysian’s online users are protected by the Personal Data Protection Act (2010) (PDPA), there is still a need for continuous improvements to meet the challenges. Indeed, the PDPA continuously monitor compliance with the users personal data policies and procedures However, it is still not as advanced as those of the developed countries. For example, China’s digital payment system requires users to pass through facial or fingerprint recognition in order to make certain transaction. Hence, through these processes, it enhances the strength of personal data protection.

Furthermore, it was pointed out by Ghani (2016) that privacy data protection should be monitored by external credit reporting agencies. For example, the European Union model requires that personal data is monitored by approved agencies to enhance transparency and credibility. If the policy makers get public’s feedback and listen to their problems and needs before outline the policy related with privacy data protection may help to improve the implemention of the PDPA policy made for the benefits of the public.

3.5 Educational Supports

The world is going to globalization and digitalization trend. More and more manufacturers and marketers involve in digital business and many consumers engage in purchasing through online or digital platforms. The number of consumers registered in digital platforms have increased drastically. Therefore, it is important that the education system can prepare the public to embrace the new world of digitalization. Indeed, the Malaysian government supports and encouraging knowledge economy. Currently Alibaba Group has set up an office in KL to provide a hub for training young digital entrepreneurs. This is because they have foreseen the potential of digital marketing and this will imbibe the culture and tenets of marketing. However, education in digital marketing, particularly digital entrepreneurship is still generally insufficient in Malaysia.

As reflected by Yong (2019), today’s marketing tactics and strategy is about how to use big data to analyze market, predict consumers’ purchase patterns and attract consumers to purchase products or services. Furthermore, as mentioned by recruiting experts, Hays Malaysia (2018), they commented that there is a need for organizations to cope with digital technology as the marketing has transformed into content marketing and applied big data analysis to achieve competitive advantage. Hence, manufacturers and marketers need to change to cope with the globalization and digitalization trend to ensure that they are not left out under the Industrial Revolution 4.0, for business transformational to digital platforms and online business model. Both authors concluded that, Malaysia still lack of digital marketing expertise, in terms of the ability to integrate offline and online channel experience to form a cross-functional organization.

4. The Future of Digital Marketing in Malaysia

Despite the numerous challenges confronting digital marketing in Malaysia, great challenges come with great opportunities for future growth and development of marketing as the pivot of developing economies. These future opportunities are explained as follows:

4.1 Digital Connectivity

There is a drastic increase in Malaysian business activities using digital technologies and consumers purchase products and/or services with digital tools. Averagely, the Malaysian digital consumers spend about 14 hours a day on digital devices for browsing information and purchasing (The Sun Daily, 2018). Hence, it presents great opportunities for companies in Malaysia.

For instance, there are several factors that make Malaysia as a desirable place to expand digital businesses. As most people speak English as well as are fairly affluent, this eliminates a huge barrier to communicate with buyers and sellers throughout the globe. Besides, as one of the most developed country in Southeast Asia, there already exists a large middle class with a relatively high purchasing power. These pre-existing conditions are most conducive for companies to create a “wow effect” in the Malaysian digital market.
Viewed from a broader perspective, Malaysia developed from the electrical and electronic industries and achieved an average 6.3% growth per year in gross domestic product during 1960–2018 (Statistia, 2019). During this period, the Malaysia government had carried out some development policies (such as digital entrepreneurship programmes, Industrial 4.0), paving the way for the rise of digital industries within the country.

4.2 Digital Platforms

The Malaysia’s Digital Free Trade Zone (DFTZ) was a government initiative to promote the growth of digital industry in Malaysia. The DFTZ was launched in 2017, financed by the Malaysian government in collaboration with Maybank, Alibaba and various financing institutions and technology firms. The DFTZ aims to provide a platform that features integrated e-service to facilitate government and business services.

As mentioned in the earlier sections, the growth of the digital industry is highly dependent upon SMEs. Hence, the DFTZ provides a huge opportunity for SMEs as the primary goal of this initiative is aimed at eliminating barriers for SMEs to enter the market through simplifying the regulations.

Specifically, through DFTZ, the government intends to eliminate entry barriers and support the industry through three effective ways:

1. As policymakers: to outline and implement policies which beneficial to manufacturers, marketers, financial institutions, business-related agencies and consumers.
2. As service providers: to provide services such as logistics, transportation, construction, business registration and financial services.
3. As conveners: to connect the expertise for online shops’ training. (The Straits Times, 2017)

Hence, through taking advantage of this government initiative, local SMEs could sustain and grow in the digital industry. Ultimately, the country could progressively enhance internet penetration and improve market situation.

4.3 Digital Entrepreneurs

As mentioned in an earlier section, the Malaysian business digital presence is mainly dominated by the manufacturing sector. However, the minimum wage of Malaysia’s labour has increased from RM 1100 (2019) to RM1200 (2020). Malaysia manufacturing industries have shifted from labour-intensive to capital-intensive to focus on technological, automation, research and development (R&D). Therefore, Malaysia does not have the competitive advantage to manufacturing the low-cost manufacturing goods anymore. To obtain competitive advantage in the Industrial Revolution 4.0, Malaysia entrepreneurs need to transform their business into digital-related marketing. Hence, there is a need for Malaysia manufacturers and marketers to transform their business model into digitalization and set up or engage in digital platforms to sell their products or services.

In fact, the Malaysia’s National Industry 4.0 Policy forms a basis for the growth of the digital sector. For instance, under the National Industry 4.0 Policy, the Malaysia government provides financial supports to the small and medium-sized enterprises to set up their websites or digital platforms to sell and buy products through online. The Malaysia government also helps the organizations, companies and firms by providing expertise services to train up workers for digital and computer skills in production, operation and marketing. This directly enhances the productivity and overall performance of the employees and organizations.

On the other hand, the lack of skilled personnel in the digital marketing sector also creates some constraints for companies to transform their brick and mortar business model to digital business model. Therefore, the digital marketing industry should take advantage of the eUsahawan programme. The eUsahawan programme encourages entrepreneurs to involve in starting and establishing their online business or set up their digital platforms for selling and buying products or services. Under the eUsahawan programme, the Malaysian government supports the entrepreneurs through financial assistance schemes, digital skills training programme, marketing promotion activities, oversea buyers’ penetration programme, etc. (World Bank, 2018). This programme covers the current key technological trends across the globe. Hence, through these eUsahawan programme and educational programmes, it is expected to nurture more digital entrepreneurs to involve in digital related business.

Thus, together with the new Industry 4.0 policy framework and the eUsahawan programme, it creates a favourable environment for organizations and young entrepreneurs to engage themselves in the digital industry. Hence, through these initiatives, it is expected to foster the growth of the digital industry.
5. Recommendations and Conclusion

The purpose of this paper is to highlight digital marketing and its relative challenges faced by Malaysia. The paper seeks to provide viable recommendations that allow the sector to grow within the country. As various literature has suggested that, in the digital marketplace, the key indicator of effective digital marketing requires active government intervention, and as such, it is most imperative to ensure the necessary structural changes in order for this sector to take off. Insufficient human capital and digital infrastructure are the major constraints faced by the digital marketplace, which thus, limits the users’ accessibility.

In conclusion, in order to make these recommendations viable, a centralized government policy should be developed. Specifically, this policy should cover every aspect of the industry, in terms of infrastructure, rules and regulations, human capital and education. Therefore, in order to address these issues, some possible recommendations are listed as follows:

Table 2. List of Recommendations

<table>
<thead>
<tr>
<th>Issues</th>
<th>Recommendation</th>
</tr>
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<tbody>
<tr>
<td>Internet penetration</td>
<td>• The Malaysian government need to outline a strategic planning to encourage digital and innovation related business among the entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>• Reduce cost of adoption: lower internet charges, enhance data privacy, increase awareness.</td>
</tr>
<tr>
<td>Market Situation</td>
<td>• Malaysia government provides marketing and promotion activities through products’ exhibitions in local and oversea markets.</td>
</tr>
<tr>
<td></td>
<td>• Financial institutions provide financial support schemes to young entrepreneurs who start up their digital related business related with low interest rate.</td>
</tr>
<tr>
<td></td>
<td>• The government agencies and chamber of commerce associations provide information about the market and friendlier investment opportunities.</td>
</tr>
<tr>
<td>Government Policy, Infrastructure and System Integration</td>
<td>• Enhance quality, affordability and improve access of digital marketing.</td>
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<tr>
<td></td>
<td>• Enhance competition within telecommunication industry through regulatory actions in order to drive down cost of digital adoption.</td>
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<tr>
<td></td>
<td>• Close the coverage gap by enabling the environment to attract more private capital to fund or invest in digital marketplace.</td>
</tr>
<tr>
<td>Data Privacy Issue</td>
<td>• To implement straight law, regulation and practices for data protection.</td>
</tr>
<tr>
<td></td>
<td>• To establish secured e-transaction through banking system.</td>
</tr>
<tr>
<td></td>
<td>• To ensure the Data Protection Act (2010) is up-to-date to protect users’ data privacy. The government is suggested to look into the act if there is any need to revise the act to cope with the global trends.</td>
</tr>
<tr>
<td>Education Supports</td>
<td>• Proper structural reforms to promote education in terms of skills building, work spaces, mentorship, and networking.</td>
</tr>
<tr>
<td></td>
<td>• Promote a culture of entrepreneurship.</td>
</tr>
<tr>
<td></td>
<td>• Provide workforce training programmes that continues to evolve with global trends.</td>
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</table>

Despite its popularity, digital marketing faced numerous problems in Malaysia. Nonetheless, there appears to be good prospects for the future. Consequently, the Malaysian government has taken initial steps to address the issues as it is committed that digital marketing help to develop appropriate technologies in developing countries to cater for the needs of the people and enhance their standards of living, through job creation for the unemployed and profits for entrepreneurs. It is hoped also that this paper will be useful to other literature for purposes of benchmarking and streamlining goals on digital marketing.

References


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