

**THE MEDIATING EFFECT OF TRADITIONAL
AND DIGITAL ADVERTISING ON BUSINESS
GROWTH IN THE FOOD AND BEVERAGE
INDUSTRY**

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THE MEDIATING EFFECT OF TRADITIONAL AND DIGITAL
ADVERTISING ON BUSINESS GROWTH IN THE FOOD AND
BEVERAGE INDUSTRY

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ABSTRACT

The food and beverage (F&B) sector, particularly among small and medium-sized enterprises (SMEs) in Malaysia, is a key contributor to national economic development. However, many SMEs in Kuala Lumpur face performance challenges arising from ineffective advertising strategies. This study examines the influence of traditional advertising effectiveness, digital advertising adoption, advertising budget allocation, and integrated marketing communication on SME business performance, with advertising expenses tested as a mediating factor. A quantitative survey of 250 SME owners and managers was conducted, and data were analysed using structural equation modelling (SEM). The results show that digital advertising adoption, advertising budget allocation, and integrated marketing communication significantly and positively influence SME performance, while traditional advertising effectiveness demonstrates a weaker effect. Advertising expenses are found to partially mediate the relationships between digital adoption, budget allocation, and integrated marketing communication with business performance, but not with traditional advertising. These findings highlight limited digital literacy and resource constraints as persistent barriers, yet confirm that SMEs leveraging balanced advertising strategies achieve stronger customer engagement and business outcomes. The study provides both theoretical contributions to SME marketing research and practical insights for policymakers and entrepreneurs seeking to enhance performance through effective advertising investments.

Keywords: SME performance, digital advertising, advertising expenses, integrated marketing communication, Kuala Lumpur F&B sector

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor of Philosophy.

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DECLARATION

I hereby declare that the thesis submitted in fulfilment of the PhD degree is my own work and that all contributions from any other person or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the program and/or exclusion from the award of the degree.

Name: Mazri Bin Mohamad

A handwritten signature in black ink, appearing to be 'Mazri Bin Mohamad', written in a cursive style.

Signature of Student:

Date: 20 August 2025

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LIST OF ABBREVIATION

AI	Artificial Intelligence
AIDA	Attention, Interest, Desire, Action
CRM	Customer Relationship Management
EPU	Economic Policy Uncertainty
F&B	Food and Beverage
FB	Facebook
GDP	Gross Domestic Product
H	Hypothesis
ICT	Information and Communication Technology
IG	Instagram
IMC	Integrated Marketing Communication
KPI	Key Performance Indicator
MO	Market Orientation
OECD	Organisation for Economic Co-operation and Development
PR	Public Relations
RBV	Resource-Based View
RM	Ringgit Malaysia
ROI	Return on Investment
RQ	Research Question
SEM	Structural Equation Modeling / Search Engine Marketing (use only one depending on your thesis usage)
SEO	Search Engine Optimization
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences

TV Television
USD United States Dollar

CHAPTER 1

INTRODUCTION

The modern business landscape has experienced a significant transformation, particularly in how small and medium-sized enterprises (SMEs) approach advertising strategies. Advertising is no longer merely a promotional tool but a strategic driver of business success, especially for SMEs in the food and beverage (F&B) industry, where consumer preferences, market trends, and competitive pressures evolve rapidly. However, SMEs in this sector face unique challenges and opportunities, including budget constraints, brand differentiation, and consumer engagement in an increasingly digitized marketplace.

This study critically examines the comparative impact of traditional and digital advertising on business success within the F&B industry in Kuala Lumpur. Traditional advertising through television, radio, and print media has long been valued for its mass-market reach and role in building brand credibility. However, the rise of digital advertising, particularly through social media platforms, has revolutionized consumer interactions, enabling real-time engagement, targeted marketing, and cost-effective strategies. While traditional advertising excels in broad audience exposure, digital advertising leverages personalization, interactivity, and data-driven insights to enhance consumer engagement and conversion rates.

Despite the growing shift toward digital marketing, the degree to which traditional and digital advertising influence key business outcomes such as brand awareness, customer engagement, and financial performance remains an area that requires deeper investigation. Therefore, by analysing these advertising dynamics, this study aims to provide SMEs with practical, data-driven insights to optimize their marketing investments. The findings will equip SMEs with strategic guidance to

enhance their competitiveness, maximize advertising ROI, and achieve sustainable growth in a rapidly evolving market.

Preamble

Small and medium-sized enterprises (SMEs) are a cornerstone of the global economy, driving innovation, generating employment, and contributing to economic growth (Ayyagari et al., 2011). In fact, within the food and beverage (F&B) industry, SMEs play a pivotal role in catering to diverse consumer preferences, fostering market dynamism, and enhancing industry competitiveness. Nevertheless, in a highly competitive and rapidly evolving marketplace, SMEs must adopt effective advertising strategies to attract customers, enhance brand visibility, and stimulate sales growth (Kotler & Keller, 2016).

That said, the advent of digital platforms has transformed the advertising landscape, prompting a critical examination of the effectiveness of social media advertising versus traditional advertising methods. Although traditional advertising such as television, radio, and print media has been instrumental in brand positioning and broad consumer outreach, social media advertising offers real-time engagement, precise audience targeting, and cost-efficient marketing (Schivinski & Dabrowski, 2016; Tafesse & Wien, 2018). Even so, the question remains: to what extent do these advertising approaches influence business success, particularly within SMEs in the F&B sector?

Despite the growing emphasis on digital transformation, many small and medium-sized enterprises (SMEs) in Kuala Lumpur's food and beverage (F&B) sector continue to struggle with advertising-related challenges. These include limited digital literacy, ineffective budget allocation, overdependence on traditional marketing channels, and a lack of integrated marketing communication strategies. While past

research has extensively discussed the general role of SMEs in economic development, there remains insufficient focus on how advertising expenses specifically shape business outcomes in the Malaysian F&B context. Limited empirical evidence exists on how advertising expenses mediate the relationship between advertising strategies and SME business performance in Kuala Lumpur's F&B sector.

To address this gap, the present thesis investigates the impact of different advertising strategies—traditional advertising, digital advertising adoption, advertising budget allocation, and integrated marketing communication—on SME performance, with advertising expenses serving as a mediating variable.

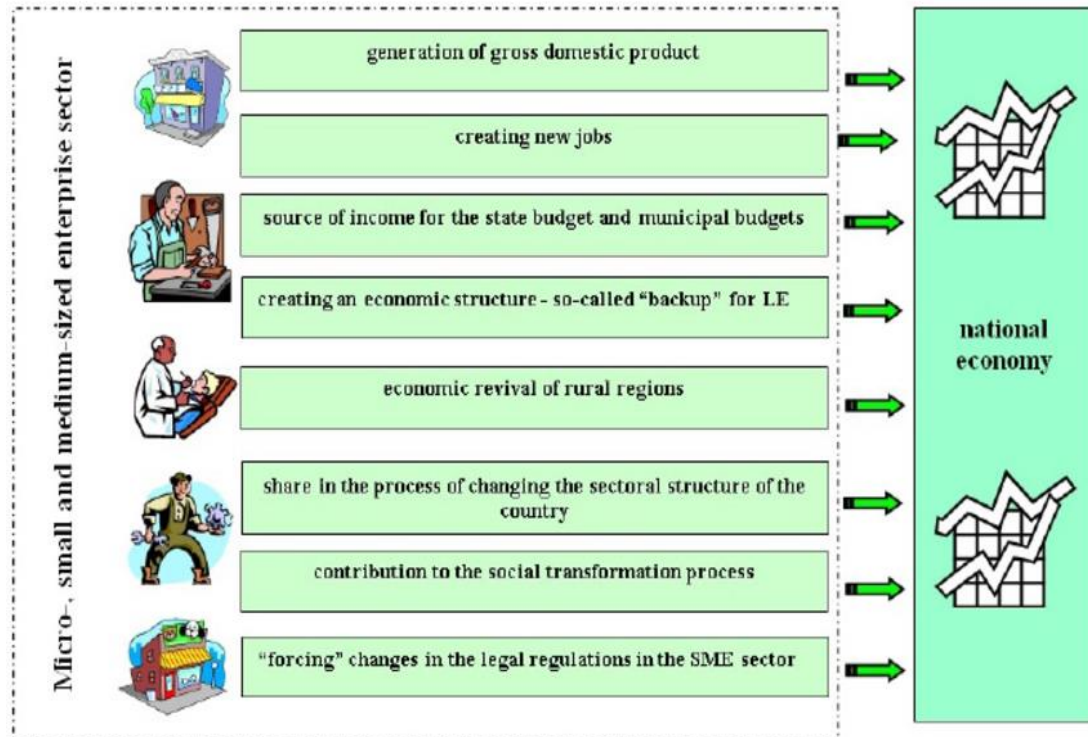
1.0 Background of Study

Business performance is a multifaceted concept that encompasses both internal and external factors influencing a firm's ability to sustain growth, manage operational efficiency, and maintain a competitive edge. Business success is often linked to an organization's strategic agility, its capacity to adapt to changing market conditions, optimize resources, and effectively respond to industry challenges (Barney, 1991). Consequently, performance in the business context is frequently measured by a company's ability to deliver quality products or services that fulfil consumer demands while ensuring long-term financial sustainability.

Small and medium-sized enterprises (SMEs) play an integral role in fostering economic development, contributing significantly to job creation, innovation, and regional economic stability (Ayyagari et al., 2011). As such, SMEs are not only vital in driving national economies but also in ensuring industry diversity, particularly in sectors such as food and beverage (F&B). However, SMEs face unique challenges in maintaining performance, as they often operate with limited financial resources,

constrained access to advanced technology, and evolving consumer expectations (Wach, 2015).

Figure 1.1: The Role of Small and Medium-Sized Enterprises in the National Economy



Source: Wach, 2015

Although business performance is widely studied across disciplines including economics, management, sociology, and psychology, this research focuses specifically on the economic and business performance of SMEs in the F&B industry. The success of SMEs in this sector is largely dependent on their ability to sustain operations, adapt to market fluctuations, and efficiently manage production costs (Danes, 2009; Fiksel, 2015). Moreover, business survival hinges on how effectively an enterprise can anticipate risks, respond to unexpected challenges, and implement strategic planning to sustain competitiveness (Whitman et al., 2014).

Performance in an operational business context refers to an organization's ability to maximize efficiency, ensure profitability, and meet consumer expectations. Nonetheless, several factors can impede SME performance, including unclear business objectives, ineffective strategies, poor financial management, and inadequate marketing efforts (Caralli & Wilson, 2004; Fiksel, 2015). In contrast, well-performing businesses often demonstrate effective leadership, strong market positioning, and adaptability to industry trends, enabling them to thrive in competitive environments.

In the F&B sector, business performance is increasingly influenced by advancements in digital marketing, customer relationship management, and technological adaptation. As such, SMEs must continuously evolve to integrate modern business tools and operational strategies to remain sustainable and profitable (Majid et al., 2016). For instance, the ability to adopt cost-effective advertising, efficient supply chain management, and consumer analytics directly impacts business performance and market competitiveness (Othman et al., 2013).

SMEs significantly contribute to national economies through multiple dimensions, as illustrated in Figure 1.1 (Wach, 2015). Their impact extends beyond direct financial contributions, affecting employment rates, fiscal policies, rural economic development, and sectoral transformations. In fact, SMEs account for a substantial share of job creation, providing nearly two-thirds of all employment opportunities in many economies (Ayyagari et al., 2011). Moreover, SMEs act as a critical support system for large enterprises, supplying essential services, subcontracting labour, and fostering industry-wide collaboration.

Furthermore, SMEs play a pivotal role in shaping legal and regulatory frameworks, as their presence necessitates continuous policy reforms to accommodate

business registration, taxation, and labour laws (Wach, 2015). In addition, SMEs drive rural economic revival, particularly in areas where large corporations are less likely to invest. By stimulating entrepreneurship and expanding economic activities, SMEs contribute to regional economic stability and market diversification.

A key aspect influencing SME performance is marketing and advertising effectiveness. With the rapid evolution of digital platforms, businesses must carefully assess the impact of traditional versus social media advertising on their overall growth (Schivinski & Dabrowski, 2016). While traditional advertising methods such as television, radio, and print media remain relevant for establishing brand credibility and mass outreach, social media platforms offer cost-effective, targeted marketing solutions with measurable engagement metrics (Ashley & Tuten, 2015).

Given this shift, SMEs in the food industry must strategically leverage both traditional and digital advertising approaches to maximize consumer reach, improve brand positioning, and enhance revenue generation (Tafesse & Wien, 2018). Therefore, this study seeks to evaluate the effectiveness of social media advertising compared to traditional marketing strategies in driving SME performance in the F&B industry.

In summary, SMEs are essential to economic growth, contributing significantly to employment, market innovation, and regional development. Despite facing operational and financial constraints, their success depends on strategic adaptability, technology adoption, and effective marketing execution. By examining the relationship between advertising strategies and business performance, this study aims to provide valuable insights into how SMEs in the food industry can optimize their marketing approaches for sustainable growth and competitiveness.

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