Marketing strategies to improve the sales of bakery products of small-medium enterprise (SMEs) in Malaysia

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Abstract

Bakery products become a regular food in most part of the world and are essential commodities today. There is a high potential for business growth in selling bakery products. In the business world, Small-Medium Enterprises (SMEs) are primarily engaged in the bakery business, but cannot compete with the branded bakery Industry. The SMEs in Malaysia are striving hard to achieve growth in the business of bakery products. The present case study deals with the issues faced by SMEs and provided some valid recommendations to resolve the existing problems in the bakery business. The case analysis and its findings reveal that SMEs have unstructured marketing strategies and needs enhancements in the areas of packaging, value add to the bakery products, focus on promotion and appropriate advertising strategies. Further, the analysis reveals that more coverage of selling points for bakery products, the increased number of distribution centers and proper incentives to the agents may definitely improve the marketing of bakery products.

Introduction

Renko et al. (2011) suggested potential plans to improve sustainable competing benefits for one of the Croatian small bakery industry and the results suggested to formulate a suitable marketing strategies to achieve future plan of actions. Constantin (2009) mentioned the importance of sales promotion of bakery products and provided the marketing strategy layout. Aisha Food Industry Sdn. Bhd. (AFISB) established in 19 October 1992 and is one of SMEs in Malaysia. The Industry started as a family business and later changed from the traditional way to modern business, thus a small family business converted to medium enterprise industry. The buildup area of the plant of AFISB is about 8000 square feet and the authorized capital of the company is US$150,000 with the paid up capital is US$135,000. AFISB sells fresh daily-baked bread, cakes and cookies in Malaysia with the total sales per month is around US$60,000. The major customers of AFISB are government hospitals, government prisons and hostels in Malaysia. About 28 employees are working in AFISB to run the operations and routine activities. The main purpose of this case study is to determine how to improve the marketing strategies and sales for AFISB in particular and for those SMEs involved in this business in general. In the customers judgment, AFISB uses level-B ingredients (products with slightly low quality) since their selling price is low compared to the standard bakery industries. Further, the target group of AFISB is government hospitals; they cannot sell their products at a higher price. Based on the frequent personal field visits with the officials of AFISB, Malaysia, and the responses received from 20 experts of similar groups of industries (SMEs), the following critical issues were emerged:

Improve marketing for bakery products and services and develop new market to continue with the existing marketing partners. Identify the potential advertising sources (newspapers, billboard, bulletins, and business cards). Increase the number of agents in Malaysia and develop sales team with experienced marketing personnel. In addition, increase volume of the best selling product with reasonable profit margin. Execute promotional activities to achieve the target. Organize sales motivation programs and develop distribution centers with possible new distribution centers. Collect feedback from retailers to resolve the issues. These issues were common in most of the SMEs who are engaged in bakery products business and the present study attempts to find a solution which is feasible under the prevailing market conditions.

Materials and Methods

The major challenges experienced by the SMEs in Malaysia are the lower cash flows and the limited financing agencies to support them as stockholders when they want to invest more in business.
(2004) suggested that the SME sector has a crucial role to play in closer regional economic integration, advances in information and communications technology (ICT) and more specifically the business opportunities emerging from the Internet. For most of the Multinational companies in Malaysia, SMEs are the major suppliers. In fact, there is only a small risk for SMEs in Malaysia if the existing MNCs move out of Malaysia to lower labor cost countries like China and India. Zulkifli-Muhammad et al. (2009) have elaborated on how SMEs can compete in the global business environment in the Malaysian perspectives. It is worthwhile to mention that SMEs in Malaysia particularly in the business of dairy products production are highly capable to carry out potential business with the help of stakeholders and like-minded people to enlarge the business operations both at business-to-business (B-B) and at business-to-customers (B-C) levels.

According to the “Passport Baked Goods in Malaysia” (International Euromonitor, 2011), more Malaysian customers changed their eating routine in the direction of much healthier diet plans, which often lead to bread as a breakfast every day rather than local delicacies such as noodles and nasi lemak, literally ‘fatty rice’. Out of the baked goods, packaged/industrial bread noted the quickest growing in Malaysia in the past year 2011, showed a 4% increased value growing to US$0.6 billion when compared to 2010. Unpackaged cakes also moved up comparable to high growth in 2011, because of increasingly wide selection of unpackaged cakes that are available in Malaysia. The most preferred in-store bakery in Malaysia is located inside the outlets of Cold Storage, Carrefour, and Giant, Tesco, and Jusco outlet stores. Bakery Business in Malaysia is popular, as the three major races of Malaysia namely Malay, Chinese and Indians prefer bakery products not just for their breakfast time but also for the whole food consumption of the day. Gardenia Bakery KL Sdn. Bhd. is the top ranked branded industry within baked goods in Malaysia with 21% share value, followed by Stanson Bakeries Sdn. Bhd. with 11% share value. The leading brands in packaged/industrial bread in Malaysia during 2013 were Gardenia and High 5, both these companies produce bakery products that are widely acceptable by the consumers and regarded as an excellent source of well-balanced nutrition.

In the global scenario, Webster et al. (2010) studied the salt amount in breads that are above the reasonable benchmarks. Louie et al. (2012) have found that there was no significant difference detected in nutritional composition of breakfast cereals between 2004 and 2010. Reshma et al. (2012) investigated the fat content of selected labeled and unlabeled Indian bakery products. Campo and Gijsbrechts (2004) suggested that the supermarkets should primarily adjust the space shares of food categories whereas the hypermarkets should adapt the space shares of non-food categories based on the local market conditions. Albisu et al. (2000), suggested four competitiveness issues for the agro food industries which are applicable to Spain. Gomez et al. (2004) constructed a statistical model to address nonlinearities and asymmetries which focus on the behavioral consequences of customer satisfaction in the retail sector. Siro et al. (2008) discussed on the food market situation in USA, Japan and some European countries and pointed out the relationship between nutrition and health. The factors influencing the consumption of chicken meat and relative merits was investigated in Jayaraman et al. (2013). Eastwood et al. (2005) provided ideas to generate better store-specific strategies to meet consumer expectations. Gutiérrez et al. (2009) suggested the importance of oil-based packaging without any manipulation in the food preservatives. Marić et al. (2009) commented that manufacturing bakery products occupies a special place in the processing industry and suggested a model to improve the quality of bakery items. Abdullah et al. (2007) evaluated the muffins for color variation by visual examination and by development of a machine reading system. Cleanthous et al. (2010) have pointed out that the bakery product is fast moving consumer good (FMCG) needed to a particular consumer on a regular basis. The key nutrient contributions from bread namely sodium and fibre were investigated in this study.

There are lots of difficulties faced by SMEs in Malaysia particularly in the areas of barrier from global sourcing, low productivity, lack of managerial capabilities, lack of financing, difficulty in accessing management and technology and emerging successful SMEs during recession period, as reported by Decker et al. (2006). Choong Foo et al. (2013) studied the survival of family business on local coiffe shop in Malaysia while Gopichandran et al. (2013) and Khalique et al. (2011) have investigated the challenges and sustainability of SMEs over the long run. The intangible factors for SME success in the context of developing countries were discussed in Ng et al. (2012). Based on these research articles, SMEs involved in dairy products must take advantages from low labor cost, flexible logistics, new technology, cheaper materials and more disciplined operating environment in order to sustain in the market.

In general, SMEs have engaged in marketing medium quality bakery products to a low-end
Table 1. Production details of bakery products in AFISB (2013-2014)

<table>
<thead>
<tr>
<th>Production details</th>
<th>2013</th>
<th>2013 (estimates)</th>
<th>2014 (estimates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity flour bags</td>
<td>95</td>
<td>80</td>
<td>75</td>
</tr>
<tr>
<td>Produced product (in units)</td>
<td>20,500</td>
<td>32,800</td>
<td>49,200</td>
</tr>
<tr>
<td>Current price for agent (per unit/US$)</td>
<td>0.10</td>
<td>0.12</td>
<td>0.13</td>
</tr>
<tr>
<td>Total sales revenue per day (in US$)</td>
<td>2000</td>
<td>2500</td>
<td>4000</td>
</tr>
</tbody>
</table>

Source: Interview

customers and catering the needs to the low-income group people. In Malaysia, SMEs favor for improving marketing services through more investment and add value to the products. For instance, to produce better bakery products, one needs to look into improving quality and add value like texture, softness, better ingredients, taste and attractive packaging. To achieve this, SMEs were opted to increase the selling price of bakery products and attract new agents to boost the sales. The primary objective of this case study is to identify the current marketing strategies of SMEs and suggests improvements for marketing which enhances the sales and services of bakery products produced by them. The major issue in the bakery business is that the managers of SMEs engage in multitask activities like looking after operational, financial and non-financial matters and focus less time to do the fieldwork. The other issue is pertaining to agents, as there are only few agents to look after the marketing of bakery products. The SMEs spends fewer amounts for advertisements and there is no proper web page to most of the companies. Although, SMEs have high potential and openings in the future since the demand for bakery products increase day by day in Malaysia. Meanwhile, Aisha Food Industry Sdn. Bhd. (AFISB) is one of the SME Company producing bread related products such as cream roll, burger, hot dog bun, yam slice cake, chocolate muffin, and assorted muffin. AFISB has many difficulties in marketing these products. A questionnaire survey was conducted through personal interview method with the top management people of Aisha Food Industry Sdn. Bhd (AFISB).

The production and marketing strategies of AFISB have obtained to predict inferences on the cost cutting mechanism. The production details of AFISB are as follows:

- With the existing machinery and capacity, AFISB can produce 820 buns (includes bun / bread / cookies / cakes) per one bag (50 kg) of wheat flour. The current production of AFISB Bakery is 20,500 units of buns per day, which requires 25 bags of wheat flour. The estimated target for the year 2013 is 32,800 units of buns per day, which requires 40 bags of wheat flour. During the year 2014, AFISB wishes to achieve the full capacity of 49,200 buns per day, which requires 60 bags of wheat flour. The loss during the year 2010 to the tune of US$ 20,000 and is due to initial set-up of the company in the form of new place, new customers, machinery and agents (Table 1).

AFISB has better future if they have the following 2-year (2013-2014) strategic plans to further growth.

**Two-year plan (2013-2014)**

AFISB has to achieve sales of bakery products from US$ 2,000 to US$2,500 per day during 2013 and enhance to US$4,000 per day during 2014. AFISB has to focus more on the sales of bakery products, expand the business and identify new agents. Further, the wider coverage of sales has to be achieved particularly in the rural areas of Malaysia. The loss to the extent of US$20,000 during the year 2010 is due to the purchase of equipments and export bakery products to the neighboring countries of Malaysia (Table 2).

**Results and Discussion**

The managers of AFISB wish to improve sales and marketing of bakery products. The company has enough capacity in terms of machinery and labor force but they are not able to achieve the business target due to lack of marketing strategies. The usage of machinery is not 100% as the demand is not proportionate compared to the available machinery. The company can produce 2000 breads per day with the available machines whereas they make only 1500 breads due to less demand. In order to improve sales AFISB wants to know on how to value add on bakery products, its quality, and what type of product is moving fast in the market, and which bakery product has a higher profit margin. They could do business only in public hospitals, government hostels and prisons of Malaysia and the company is interested in extending the bakery business in the private market. Since, government hospitals, government hostels and prisons demand less quality products, the bakery products sold at low price, while private markets expect good quality bakery products at competitive price.

**Operational functions of AFISB**

AFISB starts its production of bakery products early in the morning at 5:00 am. The employees of AFISB check the record sheet to confirm the quantity of the business volume per day. They deliver the bakery items on a daily basis. The strengths of AFISB Bakery include a wide variety of colorful bakery

Table 2. Sales and Profit details of AFISB

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales (in US$)</td>
<td>500,000</td>
<td>400,000</td>
<td>550,000</td>
</tr>
<tr>
<td>Net Profit / Loss (in US$)</td>
<td>-20,000</td>
<td>30,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Number of employees</td>
<td>20</td>
<td>24</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Interview, available documents, and balance sheet.
products. Some weaknesses of the company include the lack of a customer base and marketing aspects. The company is new and the brand name is known only to a certain section of customers. The company must find ways to establish a larger customer base. If some of the orders from government hospitals, hostels and prisons were cancelled then the company will be in trouble in the end. It is imperative now, to find a suitable marketing strategy to improve the volume of business to AFISB.

Fishbone analysis

The Fishbone analysis has been applied to deepen team’s understanding of a problem. AFISB has produced bakery products with inferior raw materials as they sell products at low prices compared to other company products. However, the poor marketing strategy of the company give room to identify the causes for Fishbone-analysis. The market research generally has 6 M’s to determine the needs of the consumers and to develop the right products, with the right characteristics. AFISB has the “HALAL” logo symbol so that the Muslim friends can eat the bakery products manufactured by the company. With regard to packaging, AFISB products do not have all nutritional ingredients, message framing, contact information and certificate (Figure 1).

SWOT Analysis

SWOT analysis may be useful to determine the overall functional and operational assessment of the industry and check the micro and macro environment. In the present study, the real business issue of AFISB has investigated through SWOT analysis.

Strengths

AFISB has been in the bakery business for the last 20 years and have loyal customers who have an interest in the company’s bakery products. The company established some good relationship with government agencies and institutions related banks to secure the government orders. The approach to get orders adopted by the company is still at its early stage, and the packaging design of the bakery products needs to be improved. The packaging materials in the form of plastics have to be changed, as the quality is not up to the standards. The new machine that can withstand a high-level heat resistance is the need of the hour.

Weaknesses

The diversification of bakery products is necessary, as the Malaysian market requires a high volume of bakery products at low prices. AFISB is still in an effort to produce a variety of new bakery products and product packaging. Although the machine does packaging, the quality of the pocket is not up to satisfactory level. The packaging design with no attractive color does not attract the new customers. Overall, the quality of the products has to be enhanced to ensure sales. Apart from the raw materials, the other factors such as place of preparation of products, steam room, oven play are also important in determining the quality of the product.

Opportunities

AFISB may go to the open market to increase the volume of sales. The company is currently targeting on the low - income group and they have to think in terms of covering middle-income group by producing high quality bakery products with competitive prices. The company has good opportunities to connect their marketing to the government schools by introducing free products as promotional opportunities to start up. The new business offering, keeping shops at strategic locations and direct selling points may improve AFISB’s volume of business.
Threats

The marketing strategies adopted by the AFISB may invite threats as agents are not motivated in the form of rewards, recognitions and incentives. Some competitors have the upper edge over this company as they sell green bakery products. Some orders got by AFISB under the Ministry of Defense and Ministry of Home may go to other companies as the competition in the market is high. The increase in raw material price and the fuel price may create problems to AFISB. The detailed descriptions in the form of SWOT analysis is provided in Figure 2.

From the case study, it is clear that those SMEs who are in bakery business needs to strategize costing, profit margin, analysis of products and they should focus on some value-added food for taste and increase quality. The proper packaging, good advertisement, web attractions and healthier food with high fiber-less, sugar-low, low cholesterol, good looking may increase the volume of business. To promote the marketing of bakery products offered by SMEs, the following salient features may be adopted:

Identify advertising sources (for true promotion) through multimedia presentation to promote marketing with attractive website of the products on pipeline. The proper advertising in the form of signboards, posters, leaflets, cards billboards, printed advertisements, mails, newspaper, TV, FM may significantly influence the promotion. AFISB has to increase cash investment and Market capacity for future growth. The periodical comparison with top companies and market players to bakery products like gardenia, High 5 will definitely yield good results.

SMEs engaged in doing bakery business might think about preparing the list of agents or distributors for cakes, bread, biscuits, cookies, and conduct a market survey to identify the best suitable agent for their requirements. The creative promotional activities may be introduced like founder’s day 20% discount, buy one get one free and so on to attract agents and consumers. Business fliers and business cards of the outlets portrayed so that the public may keep informed about the business. The other way of promoting is by giving coupons and membership cards with exclusive promotions. Nowadays, a customer love freebies and discounts and is an effective way in pulling business volume. In addition, identifying the strength and weakness of the agents and provide them with enough marketing training may improve the sales growth.

Observations and recommendations from the case study

Figure 3 depicts the overall issues and problems faced by AFISB and the recommendations to resolve the issues are provide below:

The machine capacity of AFISB is not fully utilize, the machine idle time is 40%, and therefore the working hours rescheduled from 7 am-11 pm instead of the existing 24 hours with two shifts. The current brand ZARINA changed to some other brand with attractive packaging to unify the standardization for better production process of bakery items. Currently, there are no proper scientific processing units and R&D and thus creating more time for management to focus on analyses and strategic activities may fetch good results. The distribution centers from the current level of two increased to at least three centers. The productivity of bakery products engaged by SMEs (AFISB) can be improved through efficiency (low operating costs, savings over idle machine time and reducing wastages), better procedures for buying bakery product materials, improved decision making and better staff morale and cooperation.

In view of the findings from AFISB, the principal investment is to be increase for business growth and AFISB must equip all employees and agents with appropriate training. They should also realize the corporate social responsibility (CSR) to impart business ethics. AFISB may distribute free cakes to educational institutions on special occasions to boost their sales and marketing tactics. AFISB should provide substantial rewards and gifts to agents in order to promote marketing. The lack of marketing communications and product offerings upgraded with the improved use of technology for sales promotions. In addition to the government sector, AFISB should concentrate on private sector particularly the small and medium enterprise (SME) sector for better business development. Periodical sales promotion may be done using advertising and creating a new website.
Conclusions

In the present case study, the AFISB bakery business is taken as a representative of SMEs for consideration. AFISB caters to the needs of low and medium ranged income group residing in Malaysia. The company manufactures a variety of bakery products including bread, bun, cake and rolls. AFISB has 28 employees with the turnover of around US$60,000 per month and the company has some permanent orders from government hospitals, government hostel and prisons. However, the company is not focusing good business in the private sectors and it does not have sales unit. The company has nine active agents who do the business for the company. AFISB has faced with some challenges to resolve the current marketing strategies. The company demands advance cash payment from the agents and this causes the major issues of poor marketing strategies. Further, the agents also serve other companies in addition to AFISB, which is an additional constraint to the company. It is recommended that either the company may collect half of the purchase amount from the agents in advance or the agents may be asked to return the products that are unsold on the same day with full payment of the sold products. The company is currently achieving 3% of marketing on bakery items and trying to increase sales from 3% to 5% during the next 2 years. The case analysis and its results suggest that AFISB has real problems in marketing strategies and so it needs to improve its packaging, some value add to the bakery products, more focus on promotion through proper media and advertising strategies. The number of selling points for bakery items, the increased number of distribution centers and proper incentives to the existing agents will definitely improve the sales of AFISB. This case analysis forms as a guide to SMEs who are engaged in bakery products business.

Personal Interview Questionnaire administered to the top management of Aisha Food Industry Sdn. Bhd. (AFISB):
1. Can we have a brief background of your company (AFISB)?
2. What is role of SMEs in Malaysia as per your opinion?
3. Who are you potential customers and do your sales sustainable in the market?
4. Can you provide us the available skills, technology and tools in your company?
5. What is the yield on product production in your company?
6. What are the company policies on the current quality of dairy product or inspection criteria?
7. Can you elaborate on the process mapping of the products?
8. What is the yearly target to improve the production of dairy products?
9. Can you tell us on the main issues of your company that is an obstacle currently?
10. What are the priorities of the issues to be resolved for remedial actions?
11. What are the current weaknesses in your company that are contributing towards low quality?
12. Do you carry out any incoming quality checks on materials purchased?
13. How many internal and external suppliers do you have?
14. Have you received any awards or quality certification?
15. Can we have the company’s document on Blue Print, Organization chart, process mapping, business flow and Balance sheet for the last two years?
16. Do you have plans to enlarge your company size and sales?
17. Can you provide the list of major distributors and their daily operating functions?
18. What are your future marketing strategies to expand the larger segment of the market?

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References


