

**MARKETING STRATEGY FOR SME  
COMPETITIVENESS: THE CASE OF HUSMAT UTARA  
ENTERPRISE, MALAYSIA**

*by:*

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## **Original Literary Work Declaration**

### **Disclaimer**

I hereby declare that this dissertation is my own original work and has not been submitted before to any institution for assessment purposes.

Furthermore, I have acknowledged all the sources used and have cited it in the reference section.

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## **Abstract**

This case study aims to identify symptoms of reduction in the percentage of growth sales of Husmat Utara. Sales growth is the suitable indicator in determining the competitiveness of the company. It is believed without continuous growth in sales performance, competitiveness of a company is not guaranteed. Symptoms Versus Problem Root Caused Analysis Tool (SVP) was used as an instrument to identifying the major signals of weaknesses which are identified as symptoms of the problem in SVP Framework. Identification of symptoms leads to the major problem of Husmat Utara Enterprise. SWOT Analysis identifies the strength, opportunity and threat in order to justify the core problem. The signal of weaknesses is discovered through a semi-structured interview and referencing on the unpublished data. From the analysis done, it was justified that the major symptoms were discrimination in price and product by the supplier which were the silent killer of the sales growth. Other non-significant symptoms such as lack of employee resource management, marketing knowledge, promotion and no built relationship with supplier and competitor were also discovered. Thus with these findings, for competitiveness in the industry, Husmat Utara must establish a substantial foundation that comprises of employee management, marketing, operations and financial. Improvisation of these critical areas complimented with another marketing strategies such as co-opetition and strategic alliance is reckoned to improvise and transform the company. It is hoped that this case study is feasible for other SMEs in the same industry.

## **Abstrak**

*Kajian kes ini bertujuan untuk mengenal pasti tanda-tanda pengurangan dalam peratusan jualan pertumbuhan Husmat Utara. Pertumbuhan jualan adalah petunjuk yang sesuai dalam menentukan daya saing syarikat. Adalah dipercayai tanpa pertumbuhan berterusan dalam prestasi jualan, daya saing syarikat adalah tidak dijamin. Analisa Simptom versus Masalah (SVP) telah digunakan sebagai instrumen untuk mengenal pasti isyarat utama kelemahan yang dikenal pasti sebagai gejala masalah ini dalam Rangka Kerja SVP. Pengenalpastian simptom membawa kepada masalah utama Husmat Utara Enterprise. Analisis SWOT mengenal pasti kekuatan, peluang dan ancaman untuk mewajarkan masalah ini. Isyarat kelemahan ditemui melalui temu bual separa berstruktur dan rujukan kepada data yang tidak diterbitkan. Dapatan daripada analisis adalah wajar dirumuskan bahawa gejala utama kes ini ialah diskriminasi dalam harga dan produk oleh pembekal yang merupakan pembunuh senyap pertumbuhan jualan. Lain-lain gejala tidak ketara seperti kekurangan pengurusan sumber pekerja, pengetahuan pemasaran, promosi dan hubungan dengan pembekal dan pesaing juga ditemui. Oleh itu, dengan penemuan ini, untuk lebih daya saing dalam industri ini, Husmat Utara mesti mewujudkan satu landasan kuat yang terdiri daripada pengurusan pekerja, pemasaran, operasi dan kewangan. Penambahbaikan dalam komponen kritikal ini disertai dengan strategi pemasaran yang lain seperti 'co-opetition' dan jalinan strategik adalah dijangkakan dapat menambah baik dan mentransformasi syarikat. Adalah diharapkan kajian kes ini boleh dimanfaatkan untuk PKS lain dalam industri yang sama.*

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## **List of Symbols and Abbreviations**

AFIC	ASEAN Furniture Industries Council
CRM	Customer Relationship Management
GDP	Gross Domestic Product
GNP	Gross Net Profit
HDF	High Density Fibre
KYPM	<i>Kolej Yayasan Pelajaran Mara</i>
MARA	<i>Majlis Amanah Rakyat</i>
MFPC	Malaysian Furniture Promotion Council
SMECorp	Small Manufacturing Entrepreneurs Corporation
SMEs	Small Manufacturing Entrepreneurs
SMIDEC	Small and Medium Industries Development Corporation.
SPM	<i>Sijil Pelajaran Malaysia</i>
STP	Segmentation, Targeting, Positioning
SVP	Symptoms Vs Problem Root Caused
SWOT	Strength, Weakness, Opportunity, Threat

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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter covers the background of the case, problem statement, objectives of the case, questions related to objectives, the significance of the study, scope, and limitations of the case and structure of the thesis.

#### **1.2 Background of Case**

Marketing is the backbone of a business in generating revenue. Marketing is considered essentially important for the sustainability of the business. It has been agreed by many marketing researchers that “marketing strategy” is a concept built on a robust platform of segmentation, targeting and positioning (STP) (Kotler & Keller, 2013). Marketing strategy requires making decisions on targeted customers and the marketing mix the company wishes to adopt by positioning the products to the relevant market segment (Kotler & Keller, 2013).

Appropriate marketing strategy is the critical element in ensuring company’s success. But choosing the effective strategy would acquire various knowledge in the different field in planning out a marketing strategy and thus are able to predict how each element react in varying environmental and organizational conditions (Shaw, 2012).

Marketing includes both the macro and micro element whereby the microelements consists of marketing management, understanding buyer behaviour and consumer physiology whereas the macro elements are industry, distribution channels and aggregate

marketing system (Brian Jones, Shaw, & Goldring, 2009). Marketing management involves careful planning of selecting the right marketing strategy as the mean to achieve the goal of the company (Shaw, 2012).

According to Karki (2000), there are five criteria that should not be taken for granted regarding consumer buying behaviour: 1) price consciousness, (2) quality consciousness, (3) original, unusual decision, (4) planned decision, and (5) non- conformist decision. It has been proven in previous research that buyers' demographic such as education level and income have an influence on furniture buying decision. Buyers with higher education and better income have more sources of information and enquire more when purchasing furniture (Karki, 2000).

Competency in planning a suitable marketing strategy would determine the success and failure of the company (Chaston, 1997). A business which is able to sustain over time usually is a company that are competent in performing marketing practises in its business activity thus is believed to have a competitive edge. Performing the beneficial marketing practises would increase business growth.

Many SMEs goes stagnant in business growth after achieving great performance for a few years. Many factors contributed to the drop in business performance and static growth of SMEs. Researchers in SMEs businesses found out that most SMEs have many weaknesses especially in marketing, operations financial (Sisaye et al., 2012; Kader Ali et al. 2015;) and human resource (Sisaye et al., 2012;Kader Ali et.al, 2014) Many studies have been done on the impediments of SMEs and it is found that among the impediments are:

- Limited skilled workers in the labour market (Kader Ali et al., 2015).
- Lack of market and product knowledge (Urbonavicius, 2005).
- Limited financial ability (Wonglimpiyarat, 2009).
- Less innovative and flexible (Vos, 2005).

- Limited ICT involvement (Xiong et.al., 2006).
- failure to fulfil customer demand (Muscatello et.al., 2003 ; Narula, 2004).
- Inadequate technology and resources (Gunasekaran et.al, 2001).
- Excessive cost of product development projects (Gunasekaran et.al, 2001).
- Lack of effective selling techniques and market research (Alam et.al., 2011).

Due to the above constraint, SMEs have many obstacles in maintaining its performance at a satisfactory level. Satisfactory performance is the determinant factor that will determine the sustainability of the business. Thus, the capacity of a firm must be maintained reliable and continuously improved in order to ensure sustainability throughout the future (Lagacé & Bourgault, 2003).

The growth of SMEs occur in a small progressing stages (Kazanjian, 1988) and it is essential for an entrepreneur to make structural and strategic changes for growth prospect (O’Gorman, 2001). But, unfortunately, neither both are not as important as compared to a superior competitive strategy which relates to where and how to compete(O’Gorman, 2001). Thus, one way of the main competing strategy is towards the development of an effective marketing strategy.

### **1.3 Problem Statement**

Husmat Utara has been showing rapid sales performance from the year 2011 till 2013. The Net Income of the company have boosted rapidly from acquiring an income of RM 157,349 (USD 49,814); forex RM3.158 Dec 2011 (X-Rates, 2014) at fiscal year ended 2011 to RM 273,836 (USD 84,174); forex RM3.253 Dec 2013 (X-Rates, 2014) at fiscal year ended 2013. However, the percentages of sales growth drop in 2013 from 156.73% in 2012 to 26.84 % and -14% in 2014. There is a huge decrease in sales volume for the year 2013 and 2014.

Table 1.1: Percent of Sales Growth (2011 – 2013)

Year	Total Sales	Percentage of sales growth (%)
2011	312,000	
2012	801,000	156.73
2013	1,016,000	26.84
2104	875,000	-14

Source: Husmat Utara (2011, 2012, 2013, and 2014) Unpublished Financial Statements of Husmat Utara Enterprise

Table 1.1 above indicates that the percentage of growth sales decreased 130% at the end of 2013 and decreased by 25% at the end of 2014. Aside from this, the profit margin is shown to have a decrease in the year 2013 compared to the year 2011.



Figure 1.1: Percentage of gross profit of Husmat Utara from the year 2011-2013

Thus, it is clearly shown that Husmat Utara sales performance is shrinking. Husmat Utara is having stiff competition. It is losing its customers to other furniture retailers who manage to capture a more diverse group of customers. Husmat Utara still could not capture the market of a high demanded product. For mattresses, the high demanded

includes high-quality mattresses such as Vono and King Koil. There are incidents whereby customers shy away to competitor searching for a high-end product which is not available there. This is an evidence showing Husmat Utara is losing some of its customers to a bigger player such as Koh Hong Kiang Sdn.Bhd. and Soon Seng Sdn.Bhd. (in Kangar as there are certain high demand product e.g. mentioned above is still being conquered by bigger players in the industry. Husmat Utara thus failed to compete in the larger market.

Marketing is considered among the uttermost important element for the growth of the company as marketing opens up the new opportunity and create a value creation to either serve unmet needs of current customers or new customers (Wind, 2005). Marketing practises have a high impact towards business performance and will produce a long-term market gain in developing economic nations (Ellis, 2005).

Thus, this case study is done in the effort to improve and established a strategic marketing strategy for Husmat Utara Enterprise to make it grow, expand and compete with the major big and established retailer in the industry. This case study will also provide an overall view of the development and progress of SMEs in the furniture industry.

#### **1.4 Research Objective**

- To identify the major symptoms causing the reduction in the percentage of sales growth in the year 2013 and 2014 of Husmat Utara.
- To identify the strengths and weaknesses in marketing practises of Husmat Utara.
- To identify and synthesized the core problems to the reduction in sales growth rate of Husmat Utara.

- To recommend the appropriate solutions within the constraints of Husmat Utara capabilities and resources.

### **1.5 Research Question**

- What are the major symptoms causing the reduction in the percentage of sales growth in the year 2013 and 2014 of Husmat Utara?
- What are Husmat Utara marketing strength and weaknesses?
- What are the core problem leading to reduction in the percentage of growth sales?
- How can Husmat Utara strategize its marketing in order to be competitive in furniture retailing industry?

### **1.6 Significance of Study**

This case study is hoped to assist managers of other SMEs in maintaining sales of the performance of their company as well as being alert and always monitors the sales growth of a company. Sales growth will provide evidence to the impact of marketing practices perform by the company. This case study will be able to inject some valuable suggestions to improve sales by implementing the strategic and effective marketing strategy specifically for growing enterprise in furniture retailing business. An entrepreneur is required to implement marketing strategy by complementing it to the growing business and the resources available to its business (Gilmore, 2011). It is anticipated that this case study will provide the necessary marketing tools and strategies of competitiveness for other SMEs. Thus, it is relevant that owner, managers and entrepreneur to have a good marketing sense that suits the type and business growth level.

Aside from that, academicians can have a solid knowledge on the growth patterns of SMEs and how sales growth patterns can be used to identify strategic marketing strategies for each phase of business growth. A strategy based on specific sales growth patterns can be an added value to the study of SMEs marketing strategy.

This study is also beneficial to society at large because it can be an input on the improvement of marketing strategy thus providing a broad range of choices and criteria of SME products for customers. Each customer can truly satisfy his/her needs based on specific characteristics of each customer.

### **1.7 Scope and Limitation of the Case**

Since this is an excluded case study of a small enterprise company in Kuala Perlis, the scope is restricted to weaknesses identified in narrow perspectives which might be too excluded to be adapted in another furniture retailer. In this case, study time is a major constraint. Data collection must be done in about 5 months. This time frame is too short for thorough analysis to be done. From just interviews, observations and primary and secondary data, an overall and in-depth view of the company cannot be justified. To produce a more detailed and comprehensive data, it requires an external view to this case study.

Apart from it is difficult to set up an interview session with the manager and the assistant manager as they are too busy to entertain outsiders. Feedbacks are also late and incomprehensive. There are many reminders needed to be sent in before receiving any response. Information and data gathered from the company are also insufficient. The company does not have an information filing system. Data collection from the staff and customers are also difficult to establish.

## **1.8 Structure of thesis**

This thesis is divided according to chapters to enable a clear and constant delivery of information's. Chapter 1 will provide the background of the case, problem statement, research question, research objectives, significance of the study, scope and limitation, of thesis and Data Linkages.

While Chapter 2 provides the industrial profile analysis which cover the outlook of the furniture industry in Asia, Malaysia, challenges, prospect, competitive landscape and Bumiputra SMEs in the furniture industry.

Chapter 3 provides the literature review of the case which discusses the definition, the development; the relationship of every key term touched in this case study from every aspect of marketing perspectives. Chapter 4 discusses the methodology of the case from the usage of SWOT, ISHIKAWA Diagram to SVP and Data linkages

Chapter 5 discusses on Case Write Up which lay down all the fact of the company of Husmat Utara Enterprise from a background of the company, vision, mission, location, total employees, business activity and product offered by the company.

Chapter 6 elaborated on the case analysis and finding done based on SWOT and SVP Analysis. Discussion on symptoms identified is explained in tiers beginning from tier 1 to the last tier that is tier 7. This chapter will identify the major symptom of the issue that is a reduction in the percentage of sales, identifying the strength and weaknesses through SWOT Analysis. Besides that, here there will be discussions on the finding of SWOT and SVP. This chapter will provide the answers to research question 2 that is asking on the major symptoms leading to the core problem. In this chapter, the core problem of the issue is identified.

Chapter 7 will provide recommendations for each identified symptoms thus addressing the main problem and suggested a solution for it. Lastly, Chapter 8 will conclude on the discussion of the symptoms and problem leading to the main issue. Thus, with all this finding a House of Pillar for Husmat Utara have been drawn out to have a comprehensive picture of the alignment and directions of Husmat Utara.

## **CHAPTER 2**

### **INDUSTRIAL PROFILE ANALYSIS**

#### **2.1 Introduction**

This chapter covers the industrial profile analysis that covers the literature finding of furniture industry from Asia to Malaysia, challenges, prospect, competitive landscape and the scenario of Bumiputra in the furniture industry.

#### **2.2 Furniture Industry in Asia**

This industry is a dynamic industry in most Asian countries as it is growing so rapidly here since the last decade. In 2007, the total volume of furniture trade amongst the seven ASEAN Furniture Industries Council (AFIC) member countries saw a 13% increase to US\$14 billion during 2008, as compared to US\$12.4 billion. In Asia, this industry is dominated by Vietnam followed by Malaysia, Indonesia, Thailand and the Philippines. These countries are among the main furniture supplier to USA and Europe and due to this fact currently production of furniture here are export driven. The production ratio of furniture in this region is about 66% which is double the world average production which is only 30% (Koelnmesse Pte. Ltd, 2012). Thus, this proves that ASEAN countries are most prominent furniture exporter of furniture especially to the US and Europe.

But currently due to economic instability in South East Asia, there is a drop in the furniture industry in Asia. This industry now is dominated by the North American countries followed by Europe and Asia-Pacific (Ruth hamey, 2015), In Asia now this furniture market is dominated by China. China furniture market has a wide potential for

expansion. For furniture replacement market as an example, around 44 million households would replace their furniture every year (based on 440 million households in all provinces of China). Apart from that the rate of urbanisation in China has reached 54.7% in 2014 (Hong Kong Trade Development Council, 2014).

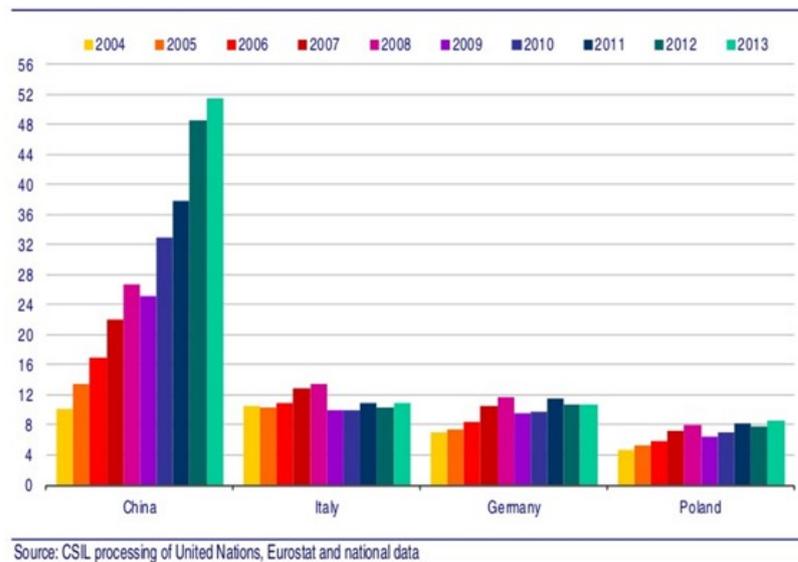


Figure 2.1: Major furniture exporting countries, Export 2004-2013 US \$billion

### 2.3 Furniture Industry in Malaysia

In Southeast Asia, Malaysian is the second largest emerging country in this industry (Tracogna et.al. 2012). Malaysia is the eighth largest furniture exporters for three consecutive years, with export valued at RM7.36 billion in 2013. However, the furniture exports dropped by 8.0 percent every year (Timber Council, 2013). From the furniture exported by Malaysia, wooden furniture was the biggest export item with a share of 78.9 percent, followed by seats and their parts (9.3 percent), metal furniture (7.5 percent), parts of furniture (3.7 percent), plastics furniture (0.3 percent) and others (0.3 percent). In 2013,

Malaysia's export of wooden furniture reached RM5.74 billion, a decrease of 12.1 per cent year-on-year.

Malaysia is currently the tenth largest exporter of wooden furniture in the world, with export value expecting to reach RM10 billion in 2010. Most of the furniture manufacturing activities are concentrated in the West Malaysian states of Johor, Selangor and Perak. In comparison, the East state of Sarawak has a relatively insignificant export-oriented furniture manufacturing industry. Sarawak's earnings from wooden furniture export in 2008 amounted to RM27.82 million, which constituted a mere 0.42 percent of Malaysia's total earnings of RM6.7 billion in the year (UBM Media, 2015).

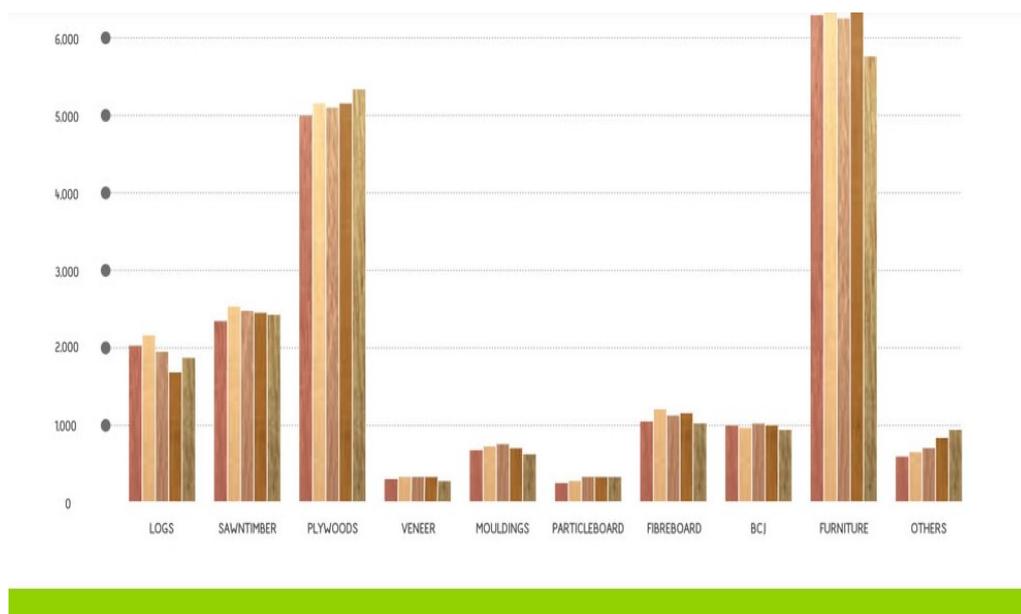


Figure 2.2: Performance Malaysia Timber Trade 2009-2013.

The Malaysian market has a vast room for expansion in our domestic market as the consumer spending on furniture is only \$0.70 per US100.00. This is based upon the furniture market size of US \$2 billion on the back of US\$280 billion GNP. It is estimated that there is a 60% potential growth reflecting on the GNP and population growth. In Malaysia in the year 2011, the total market share is about RM33 billion with the total

export is RM20 billion while RM13 billion for domestic usage. While the total investment approved for furniture and fixture is about RM306.1 billion in 2011 (Robiyah, 2012). While in 2014, a large portion of wood and wood based product goes to furniture industry which amounted to RM228.9 million which covers 14 new projects and 4 expansion/diversification project. Domestic investments accounted for RM216.5 million of total investments while foreign investments account for of RM12.4 million (Malaysian Investment Development, 2014)

#### **2.4 Challenges in furniture industry**

According to Russell (2012), Malaysian furniture manufacturers looking to tap into U.S. are facing poor performance that could impede their competitive edge. This is due to several factors among other are:

- Shortages and increased costs for raw materials such as rubberwood,
- Continuous labour shortages due to reliance on foreign workers, who are allowed in the country only on temporary visas.
- Factories running short of their full capacity thus lengthens lead times on shipments to the U.S. and other markets (Russell, 2012)

Aside from that furniture industry might be affected by factors such slow economic growth in Asian market due to the economic slowdown in China. Such incident has disrupted economic networks and strategies in the region, affecting Southeast Asia and South Korea. Other challenges includes:

- Shift in furniture preferences among younger buyers
- Pressures to incorporate technology into traditional manufacturing practices
- Transportation cost that could increase the overall overhead cost.

Based on information provided by IbisWorld report in Jan 2015, report, furniture accounted for 60% of those retail dollars in 2014, i.e., \$58 billion. The following trends are having major impact on the home furniture worldwide:

Economic recovery in the US and in Europe: In 2015 rising consumer sentiment and per capita spending are encouraging individuals to resume purchases of big-ticket home goods, including furniture.

Emerging economies are generating new wealth: Currently North America has the largest market share for furniture products, followed by Europe and Asia-Pacific. However, the Asian furniture market – driven by the growth of India and China as economic powers — is expected to experience double-digit growth in the coming years and surpass North America by 2020.

Demographic shifts: Baby Boomers are downsizing to smaller spaces and Millennials, the largest generation in history after the Baby Boomers, are less likely to purchase homes. According to ABTV's report "The American Furniture Industry: 2014 Industry Watch Update" over the past decade homeownership in the US among those 35 years and younger has fallen from 43.6% to 35.9%.

This demographic shift is placing pressure on the industry to transition to comfortable, stylish furniture suitable for smaller living spaces, multifunctional, and eco-friendly.

Globalization of the value chain is a challenging factor to the furniture industry: The growth of furniture manufacturing in places with relatively low labour costs such as Eastern Europe, Vietnam and China, along with the growth of online furniture retailing, has put tremendous competitive pressure on furniture prices. The furniture value chain must optimize if it is to maintain viable profit margins for the furniture industry as a whole.

## **2.5 Prospect of furniture industry in Malaysia**

There are many factors that influence the growth of furniture industry. The furniture industry is a holistic industry as it cater and support the growth of other industry, for example, wood, wood base panel, leather, glass, plastic, metals and textiles.

Ratnasingam & Thomas (2008) claims that the level of technology employed within the Malaysia furniture industry is standardized with other furniture manufacturing countries. Initiatives are undertaken by Malaysian furniture industry to increase productivity and stressing on the needs to create a 'green' manufacturing process. This is essentially important as the need to promote sustainability is at large currently. Many countries are a concern and very particular on global sustainability. Thus, it is beneficial for Malaysian to develop a positive image globally on to this matter since environmental friendly furniture manufacturing is now the global trend in industrial practices. Malaysian Furniture Promotion Council (MFPC) has identified three main criteria in determining and setting the standard of Malaysian furniture towards an environmentally friendly industrial practise. This would include ensuring materials are from sustainable sources, reduces waste production and conforming to health and safety standards. The efforts made by Malaysian government are believed to drive economic growth as green technology is currently a global concern. By transforming furniture manufacturing into global green products, it is presumed that Malaysian furniture industry will a competitive in the region of South East Asia and globally (Singh et.al., 2015).

## **2.6 Competitive Landscape.**

The furniture industry is very dependent on the development of the town and housing areas. Home furniture is closely linked to housing sales while office furniture has a significant relationship with the development of the town and business growth (Wood, 2012). The profitability of furniture stores depends on the volume of sales generated from its marketing strategy. The furniture store is highly fragmented. There big players in the market like Ikea but there are small retailers with their own loyal customers. Sometimes, the small store can coexist with the bigger retailer in order to share market and generate constant income. The furniture industry is highly competitive as it is very dependent on economic development inflation rates and home furnishing trends which changing at a very he competitive landscape of the market has become more intense over the years. Furniture manufacturer and retailers realize that they have to increase their focus on customer retention and satisfaction, and product quality. Furniture can be grouped based on consumer buying power or standard of living. Multifunctional furniture is more standardized, as it is manufactured and sold online and in brick and mortar stores. The demand for this type of furniture is expected to increase significantly because of a rising inflation rate in Malaysia. Furniture manufacturers are required to enhance the functionality and design of their products to meet the customization needs of customers. Despite that, there is an increase realization of society towards global and environmental sustainability. Due to this matter, there is an increasing concern over rapid deforestation and environmental degradation. The government has, therefore, tightened environmental policies to address issues pertaining to climate change and deforestation. All these factors contribute to the competitiveness of furniture industry in Malaysia.

## **2.7 Bumiputra SMEs in furniture industry**

SMEs is the term used to define the size and level of performance of a business which is in the range of small to medium. Globally, there is no standard definition of SMEs. In Malaysian context based on the development in economic since 2005, according to SME Corp. Malaysia (2013), SMEs are defined according to sales turnover and number of employees as below:

- Manufacturing: Sales turnover is not exceeding RM50 million  
OR full-time employees are not exceeding 200 workers.
- Services and other sectors: Sales turnover is not exceeding RM20 million  
OR full-time employees are not exceeding 75 workers.

For a developing country such as Malaysia SMEs play a significant role in its economic growth because it is demonstrated that SMEs contribute 32% of Gross Domestic Product (GDP), 59% of employment and 19% of exports and based on latest statistics by Census of Establishments and Enterprises 2005, SMEs constitute 99.2% of total business establishments in Malaysia or totalling 548,267 enterprises (SME Corp. Malaysia, 2013). A large portion of these SMEs (87%) are engaged in the services sector while another 7% and 6% respectively are in the manufacturing and agriculture sectors. (SME Corp. Malaysia, 2013) also stated that almost 60% of total SMEs are trade services distributor and the majority of them that is about 79% are micro enterprises with less than 5 workers. Large enterprises are more commonly identified in the manufacturing sector (SME Corp. Malaysia, 2013). The majority of the SMEs are concentrated Klang Valley (Selangor and Federal Territory: 35.7% share of all SMEs) and followed by Johor (10.3%), Perak (8%) and Kedah (6.8%). While micro enterprises are predominant in all states, their share to total SMEs is especially high in the eastern and northern states, namely Kelantan, Perlis,

Terengganu, Kedah and Pahang where they make up 88 - 95% of all enterprises (SME Corp. Malaysia, 2013).

Furniture industry contributes 27.7% of exports. From the big portion of exported furniture, only 0.3 % of the total exports were contributed by Bumiputra 0.3%. The amount of Bumiputra furniture exports is still minimal and far behind even at the small and medium industry level (Fadzline, Razali, & Norzanah, 2008). This is very unfortunate as most Bumiputra entrepreneurs in furniture industry have long years of experience, some may have experiences reaching up to 20 years (Fadzline et al., 2008). With such an experience, many would expect that this Bumiputra would excel and perform in the industry. Unfortunately, not many Bumiputra were committed in the furniture industry, And if they do, most of them fail to perform locally and externally. A number of Bumiputra furniture manufacturer were identified as having management inefficiency particularly finance and production which is a common problem in Bumiputra entrepreneurs (Ratnasingam, 2011). Weaknesses identified are lacking in manufacturing practices and non-risk takers. Marketing ineffectiveness is a major contributor to the decline of Bumiputra furniture export. Obtaining raw material is partly the main issue in furniture industry but it is secondary after having the capital and the right margin. According to the Ministry of International Trade and Industry to penetrate the export market, venturing the open market is a must. Many Bumiputra only strives on capturing the government contract (Zainol & Daud, 2011). Bumiputra manufacturer in the furniture industry is justified as weak and very dependent on government sectors. Just like Bumiputra furniture manufacturer, Bumiputra in furniture retailing were much lower in number and are suppressed. Bumiputra retailers are very much under-represented in the retail trade sector (Ahmad et al., 2008). Since their number is small, the impact of proposed departmental store on Bumiputra retailers would be minimal. Despite that, most furniture retailers were weak, not market oriented and not venturesome. Bumiputra micro

enterprises were very much dependent on the government, GLCs and GLICs, apart from having a rent-seeking and deceptive attitude which jeopardized competitiveness of Bumiputra entrepreneurs in the open market (Economic Planning Unit, 2010).

Most Bumiputra retailers in furniture industry were observed selling teak furniture imported furniture from Indonesia or used furniture and are normally localized in rural based area and when the populations become more diversified, the marketing activities adjusted correspondingly by producing a variety of product suitable to cater different customers' needs. However, many of this retailers are shallow minded and are satisfied in conducting trading in the traditional form of community-based retailing (Maruyama & Trung, 2007). Bumiputra participation rate in the Malaysian in the retail trade is very low that is 28% if compared to non-Bumiputra involvement similar sector. In the retail sector, SME Corp has issued about 152,000 licences that were issued by the major local authorities in Peninsular Malaysia as at the end of 1990, about 28 % were held by Bumiputra and from that total about 54% of were involved in retailing activities.

Most Bumiputra retail businesses are mainly found in the form of hawker business, F&B outlet services and sundry shops in the Malay-dominated residential areas and rural areas. If identified in the urban areas, most Bumiputra retailers can be seen selling batik and handicraft items. Not many Bumiputra retailers are observed in the urban area selling other consumer product. This is because they normally face huge pressure from bigger and established non-Bumiputra retailers who usually dominates the retailing businesses in other sectors and eventually squeezing or pushing out the small retailers out of business (Crewe and Forster, 1993). From retailing activities which comprise of the wholesaling, retailing, super and hypermarket and other business stores, a total of RM 206 billion sales were collected and from that amount, only RM40 billion or 19.4% of total sales were from Bumiputra retailers (MeCD, 2007).

However, the existence of halal product provides some opportunity to Bumiputra to penetrate consumer market, particularly in the halal retail industry as the halal product is widely accepted and recognized in Malaysia. But in furniture retailing it is observed that not many Bumiputra are involved in this industry. If they do, they consist of a very small percentage of the total furniture retailer. Lacking of dependable Bumiputra furniture manufacturer is observed to have contributed to low very low numbers of Bumiputra furniture retailer. This is due to the low levels of technology, management expertise, education, experience and exposure to business competition as it was mentioned above. But, recently there were many efforts done in improving the weaknesses of Bumiputra SMEs. Some of the efforts were financial assistant, technical and operational assistance. Among it are the RM700mil SME Assistance Facility and the RM500mil SME Modernisation Facility provided by Bank Negara through SME Assistance Facility Programme which was launch on August 9, 2008, by Prime Minister.

## **CHAPTER 3**

### **LITERATURE REVIEW**

#### **3.1 Introduction**

The purpose of this chapter is to highlight at the work that other scholars and researchers have done concerning marketing strategy, marketing mix, the relationship of performance and growth, the relationship of marketing and performance and marketing towards growth of a company, SME competitiveness, segmentation, and positioning and consumer behaviour, innovativeness of SME and Customer Relationship Management.

#### **3.2 Marketing Strategy**

Marketing Strategy was a marketing concept studied from the early 19<sup>th</sup>. a century and it emerged after marketing management was popularized (Shaw, 2012). Marketing Strategy is an essentially important for any business because, through this comprehensive approach, a business can attract customers, develop a product, manage a service and, in the end, create a substantial amount of profit for the company (Queensland, 2015). All company must frame out a specific marketing strategy first before writing up a marketing planning. A marketing strategy is the through planning of achieving company vision or goals while marketing planning is a written document or written procedures needed to achieve marketing strategy. A marketing strategy is usually supported by many marketing plans in order to execute a marketing strategy for a company.

A marketing plan is a written document that consist of necessary actions to achieve to marketing objectives which can be formulated for any type of product or service or even

for a specific product brand or product line (Wikipedia, 2015). Marketing plans are usually planned out by an organization to cover the marketing planning for the company between one and five years in the range. A marketing plan is the important output of the marketing process because it will be able to provide direction for a brand, product and the company. Currently, marketing planning is becoming more customers oriented and competitor-oriented (Kotler & Armstrong, 2013).

Segmentation is an important element of marketing strategy. It is essential that a target market identified in order to effectively formulate a marketing strategy (Ferrell & Michael, 2012). According to Ferrell (2012), the firm segmentation strategy will depend on its ability to identify the buyer characteristics within the market. According to the WebFinanceInc (2015), Buyer characteristics or buying behaviour is defined as “a purchase decision-making pattern that is a complex amalgam of needs and desires, and is influenced by factors such as the consumer's (1) societal role (parent, spouse, worker, etc.), (2) social and cultural environment and norms, and (3) aspirations and inhibitions”. Lifestyle is part of the pattern of needs and desire. Lifestyles are considered an important concept in doing market segmentation and targeting customers. Many marketing researchers have focused on identifying lifestyles of consumer as it provides a better information about them (Krishnan, 2011)

In formulating a marketing strategy, it is essential that businesses set their mission, vision and goals for its company. Without these, it is difficult to frame out a solid marketing strategy of the company. According to Solly (2013) marketing strategy affects the way you run your entire business, so it should be planned and developed in consultation with your team. It is a wide-reaching and comprehensive strategic planning tool that:

- describes your business and its products and services
- explains the position and role of your products and services in the market
- profiles your customers and your competition

- identifies the marketing tactics you will use
- allows you to build a marketing plan and measure its effectiveness (“Marketing strategy,” 1998)

Marketing Strategy is set in accordance to the vision, mission and goals of the company. The first step in determining your marketing strategy is setting your marketing goals. Marketing goals must be clear, measurable and have a time frame bound to it. After the marketing goals are set, the company should carry out a market research. A market research is an organized effort to gather information about the target market and customers and it is a very crucial component in a business strategy (Feldman, 1996).

### **3.3 Marketing mix**

A good and successful marketing will deal with a few key elements require in managing a business such as:

- what is the company going to produced/offer
- where is the place to deliver the product/service to the customer
- what are the price for each product/service
- how to tell/inform the customer about the product/service (Hub, 2005)

The concept of marketing mix started in the 1940s from the idea of James Culliton. The concept arises from observations of work done by the marketing manager who generally mix the essential element of a business. This idea was further elaborated by Neil. H. Borden in his article entitle ‘The Concept of Marketing Mix’ a decade later (BiskEducation, 2015). Traditionally there are only 4 Ps that is the item mentioned above that is product, price, place and promotion. But recently more new Ps have been added making it a 7 Ps concept. The new P’s are People, Process and Physical Factors.

In practising marketing, all these Ps should be justified before a company proceed with its business. The Marketing Mix 7 P's are:

Product - The Product should satisfy the customers need or wants and should be what the consumers are expecting to get.

Place – The product should be strategized at a specifically chosen location that is available from where your target customers are.

Price – The Product should always be set at a price suitable with the value the product. If the value is considered higher than it can be charged at a higher price.

Promotion – Advertising, PR, Sales Promotion, Personal Selling and, currently now available are Social Media which are among the communication tools for a business organizations. These tools aid in conveying the best message of the offering of product/service.

People- All the individuals involved in the product/service offering of the company. Those people include staff at the front desk to the general manager of the company

Process – The procedures and mechanism in the delivery of the product/service.

Physical Evidence – All the element of physical matter around or directly in contact in the business entity.

All the P's discussed above should be considered equally. Each element ideally supports one another in the sense that there is no element of the marketing mix which is more important than another. Business form usually modifies each element in the marketing mix to establish a brand image that is unique thus able to set out a selling point that produce a product with a competitive edge (BBC, 2014)