

**FIRM CHALLENGES TO MEET CUSTOMER DEMAND – CASE
STUDY OF WEEDA RICH ENTERPRISE**

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CABARAN FIRMA DALAM MEMENUHI PERMINTAAN PELANGGAN – KAJIAN KES WEEDA RICH ENTERPRISE

Abstrak

Kajian ni adalah untuk mengkaji dan menganalisis isu dan cabaran yang dihadapi oleh Weeda Rich Enterprise dalam memenuhi permintaan pelanggan. Tujuan utama kajian kes ini adalah untuk memberikan alternatif penyelesaian kepada Weeda Rich Enterprise dalam menangani isu dan cabaran tersebut. Weeda Rich Enterprise merupakan syarikat bumiputera yang menghasilkan ais krim berjenama Eyda Ice Cream. Pasaran Eyda Ice Cream meliputi negeri-negeri di sekitar kawasan utara Malaysia iaitu di negeri Pulau Pinang, Kedah dan pengguna lebuh raya Utara Selatan RNR Bukit Gantang. Weeda Rich Enterprise menawarkan produk sama ada jualan terus di premis yang terpilih dan juga pakej untuk majlis perkahwinan dan lain-lain majlis yang berkaitan. Sejak kebelakangan ini, Eyda Ice Cream telah mendapat permintaan daripada di negeri-negeri lain di Selatan, Barat dan Timur Semenanjung Malaysia bagi melanggan pakej ais krim yang ditawarkan dan juga memohon untuk menjadi pra franchise di kawasan mereka. Namun begitu, syarikat tidak mampu untuk memenuhi permintaan berkenaan disebabkan oleh masalah utama kapasiti mesin sejuk beku yang hanya mampu memenuhi pasaran sedia ada sahaja. Masalah lain yang dihadapi oleh syarikat adalah seperti ketidakcukupan tenaga kerja, ketahanan produk, masalah logistik, kawalan dan perekodan dan ketidakberkesanan strategi pemasaran semasa. Dalam menganalisis masalah yang dihadapi oleh syarikat, pengkaji telah menggunakan dua pendekatan iaitu analisis SWOT dan Model Ishikawa. Analisis SWOT digunakan dalam menentukan kekuatan, kelemahan, peluang dan ancaman manakala Model Ishikawa digunakan untuk mengenalpasti dan menganalisis kelemahan operasi perniagaan secara

dalam. Cadangan dan penyelesaian diberi pada akhir kajian kes ini berdasarkan analisis yang dibuat. Kesimpulannya, Weeda Rich Enterprise perlu menyelesaikan isu-isu dan mengatasi cabaran-cabaran yang dihadapi oleh syarikat dalam memenuhi permintaan pelanggan di masa akan datang. Di samping itu, penyelesaian ini perlu dilaksanakan dalam memastikan Weeda Rich Enterprise mampu bersaing dan mengembangkan perniagaannya. Oleh itu, implikasi kajian kes ini menyediakan strategi penyelesaian bagi membantu syarikat dalam memasarkan produk Eyda Ice Cream ke pasaran lain. Strategi penyelesaian yang dicadangkan dilihat mampu dilaksanakan oleh syarikat ini dalam masa terdekat. Namun begitu, kemampuan kewangan syarikat harus diteliti oleh pihak pengurusan Weeda Rich Enterprise sebelum strategi ini dilaksanakan.

FIRM CHALLENGES TO MEET CUSTOMER DEMAND – CASE STUDY OF WEEDA RICH ENTERPRISE

ABSTRACT

This study is to examine and analyze the issues and challenges faced by Weeda Rich Enterprise to meet customer demand. The main objective of this case study is to provide an alternative solution to the Weeda Rich Enterprise in addressing these issues. Weeda Rich Enterprise is a bumiputera company that produces ice cream which brand name as Eyda Ice Cream . Eyda Ice Cream market covering states around Northern Malaysia Region which include area in state of Pulau Pinang, Kedah and the RNR Bukit Gantang. Weeda Rich Enterprise offers products either direct sales at selected premises and packages offering for weddings and other ceremony or event. Lately, Eyda Ice Cream has received a request from the other states in the South, West and East Peninsular Malaysia for the subscription packages offered for ice cream and also application to be pre franchisee in their area. However, the firm is unable to satisfy the demand due to the major problem of frozen machine capacity that only can meet existing market. Other problem faced by the firm are as insufficient labor, product durability, logistics problem, monitoring and controlling and the ineffectiveness of the current marketing strategy. In analyzing the problems faced by the firm, researchers have been used two approaches: SWOT analysis and Ishikawa Model. SWOT analysis is used to determine the strengths, weaknesses, opportunities and threats while Ishikawa Model is used to identify and analyze weaknesses in internal business operations. Proposals and solutions are given at the end of this case study is based on the analysis made. In conclusion, Weeda Rich Enterprise should resolve issues and overcome the challenges faced by the company to meet customer demand in the future. In addition, these solutions must be

implemented to ensure Weeda Rich Enterprise to compete and develop it's their best own marketing strategies. Thus, the implications of this case study provide a strategic solution to assist firm in marketing their products Eyda Ice Cream to other markets. Strategy proposed solution can be implemented by this firm in the near future. However, the financial ability of companies to be considered by management Weeda Rich Enterprise before theses strategy is implemented.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter provides the background of the case study and problem statements. Subsequently, it also states the research objectives, research question and case issues in this study and also brief overview of the remaining chapters.

1.1 Background of the Study

In today's competitive business industry, customer demand is one of the most crucial aspects to determine the success of the firm operations. According to McKinsey Global Institute (2012), fifteen percent of Asian respondents in a recent survey agreed that demand aspect is the central and important criteria that could boost revenue or efficiency for the company more than 50 percent. There are five key emerging customer trends and increase demand in Asia which include increasing discretionary spending, increased trading up, nor diversify in consumer preference, a greater focus on personal and environmental health and stronger demand for convenience product (King S, Hine D, Brea E and Cook H 2014). When income rises, Asian consumers are shifting from essential spending on primary goods and services into luxury or high quality product or services. Shifting customer demand trend in Asia is influenced by the fluctuations in the price of essential goods such as food and energy and by the regulatory environment.

Statistics show that about 81 million households in Asian possess high income exceeding the normal income level of household and that number can increase to 163 million household by 2030 and this influence the demand for wide ranges product and services (McKinsey Global Institute, 2012). These consumers will drive demand for both new and existing products and services, presenting a huge opportunity for businesses (McKinsey Global Institute, 2012). Asian growth of demand factor is increasing the trading up means the customer will purchase more expensive products and services with improved features as sign of greater personal aspiration and affluence which consumer desires to improve themselves and their condition. The diversify of trend of Asian customer demand means the firm on producing products need to customize the product which suit to local need and culture. This is due to the concerning of Asia people on the personal and environmental issues leads to the change of the Asian customer demand on preferring the of buying good health product due the health and the implementation of health welfare system in India, China and South East Asia in term of 'organic' and 'green' labels (King S, Hine D, Brea E and Cook H, 2014). Strong demand for convenience purpose also leads to the increasing the demand of product especially customer of South East Asia which currently focus on the convenience as they preferred to buy a product that can be shop anywhere. The increasing on online sales is considered as the trend in the convenience aspect focused by customers.

On creating new demand, the integration will accelerate flow of trade and encourage companies to enter new market and making a more diverse range of product and services available (McKinsey Global Institute, 2012). With this integration also will enable retailer to stock much broader range of product and increase the customer

demand through introduction of new product .McKinsey Global Institute (2012) also stated that company attempt to shift the curve by creating early demand through marketing and price promotion. But the changing customer expectation and demand are larger concern for firm which influx of developed market companies in pursuit of low cost labor and also ability to compete with other companies (Oxford Economies, 2014). Moreover, customers' demands can cause the manufacturing companies to downstream their activities in term of tighten their inventory and maximize production capacity (Oxford Economies, 2014). Demand volatility has been a critical issue for manufacturers and customers have often pushed hard for increased flexibility and responsiveness from suppliers in response to rapidly changing consumer preferences (McKinsey Global Institute , 2014). Pierre Hadaya and Luc Cassivi (2007) state that volatile demand lead the environmental uncertainty facing by the manufacturer in term of determine the production capacity and integration of supply chain. Besides that, the inability to meet with the customer demand because the firm did not have enough infrastructures to produce the optimum capacity of the product to meet customer demand. Furthermore, effective at handling and managing the asset using strategic asset, the firm will gain competitive and superior performance. Potential strategic assets will be perceived by the firm using both tangible and intangible assets (Ahmed Riahi-Belkaoui, 2003). The main strategic focus of a firm should not focusing on products standardization or product differentiation but on how the company can create maximum value for its customers based on its resources. Controlling the production and inventories based on the uncertainty estimation demand information can lead to inefficient capacity, utilization, poor product availability in the market and increase the stock of level (Juha,

Johanna and Jan, 2005). Sakun and Chee (2011) stated that technological and demand uncertainties as exogenous factor moderated the relationship between supply chain integration and customer delivery performance. The inventory system also can be crucial aspect to the firm on facing the demand uncertainties.

Manufacturing firm needs to address individual demand and reduce time pressured to manager in developing strategies for modularization that help build capabilities in meeting customer requirement by producing customized products and mass production costs. According to Governor Bank Negara Malaysia, Dr. Zeti Akhtar Aziz (2015), in order to meet the demand from foreign and local demand, Malaysia has implemented the V-shaped recoveries. This can reflect the flexibility of the company to adjust and comprehensive policy response (Dr Zeti Akhtar Aziz, 2015). V-shaped recoveries were designed to rebuild fundamental of the economy, address the weaknesses and vulnerabilities, and to forge new areas of growth on ensuring periods were often marked by structural reforms and institutional development that. This method also gives a significance changes in Malaysia economic structure from being focus on export to predominantly domestic demand driven and for over-dependent on specific sector to having more diversified economic sector with the manufacturing and services sector contribute to higher value added activities. In terms of small firms in Malaysia in managing demand uncertainty, the small firm required higher assistant form local professional and regulatory bodies in term of provision of information regarding local market, conducting market research and compilation of a database of potential customer.

1.2 Problem Statement

Weeda Rich Enterprise is one of the bumiputera firms producing ice cream. Moreover, Weeda Rich Enterprise can be considered as active in selling ice cream in the night market, morning market, near selected school area, wedding ceremony and several event in North Malaysia Region. The nature of the product of Weeda Rich Enterprise produced and sold is an ice cream for the customers.

According to Mr. Borhan Din, Marketing and Operation Manager of Weeda Rich Enterprise in *Harian Metro* (2015), the firm has been targeting to produce 20 entrepreneurs under their franchise scheme by the end of this year. Demand of the product not only receives from customer but people who are interested to be part of pre franchise system.

Lately, during the school holiday season, Weeda Rich Enterprise has to reject customer's enquiry for event or wedding ceremony because incapable of meeting their demand. The firm is unable to satisfy the demand was due to the major problem of frozen machine capacity that only can meet existing market. Other problem faced by the firm are insufficient labor, product durability, logistics problem, monitoring and controlling and the ineffectiveness of the current marketing strategy. Elco, Ksenia, Lien Beck & Tinne (2015) stated that a lack of resources may limit the innovation activity. Furthermore, the resource constraints also have direct the attention of entrepreneurs towards opportunities related to the constraints they are experiencing (Elco, Ksenia, Lien Beck & Tinne, 2015). It is important for small firm to use all resources efficiently and properly and also critical to ensure that the potential value of the output is maximized by ensuring they fully meet the needs of the customer whom they are intended. According

to Emillia and Zuzana (2008), on achieving the customer objectives, the firm needs to put customer objectives as its own objectives and enables customers to easily add more value in the case of final consumers and customer gaining true value for money.

Therefore, this study aims to analyze Weeda Rich Enterprise business challenges in meeting customer demand and what is the action taken by Weeda Rich Enterprise in addressing this issue.

1.3 Research Objectives

1. To identify the current issues faced Weeda Rich Enterprise in meeting customer demand.
2. To analyze the measures taken by Weeda Rich Enterprise to address those issues in meeting customer demand.
3. To provide the recommendation for Weeda Rich Enterprise to further improve her ability to meet customer demand.

1.4 Research Question

1. What is the current issue faced by Weeda Rich Enterprise in meeting customer demand?
2. How Weeda Rich Enterprise address all those issues and challenges in meeting customer demand?
3. What is the recommendation for Weeda Rich Enterprise to further improve her ability to meet customer demand?

1.5 Case Issues

Weeda Rich Enterprise is a firm selling and producing ice cream for Northern Malaysia Region market. Weeda Rich Enterprise creates its own brand as Eyda Ice Cream. The current market of Weeda Rich Enterprise is more focus in the state of Pulau Pinang and some area in Sungai Petani, Kulim, Padang Serai, Pendang and Bukit Gantang which contribute high demand request of these products. To generate more sales and expand the market area, Weeda Rich Enterprise develops their own franchise system. Sometimes, Weeda Rich Enterprise was unable to meet the existing current demand especially for wedding ceremony and several events. Besides that, the growing demand of this product also came from other states such as Negeri Sembilan, Terengganu, Pahang and Kelantan which interested to be part of Weeda Rich Enterprise pre franchisee. Other than that, Weeda Rich Enterprise received customer enquiry from Kuala Lumpur and Selangor requesting for wedding ceremony or event.

Technical constraints especially on machine capacity are the main issues currently faced by Weeda Rich Enterprise where they are unable to meet current and future demand especially on the machine capacity. The main aim of this study is to understand the main issues faced by Weeda Rich Enterprise to meet current demand for existing and new customer, how they address this issue and also action to be taken by Weeda Rich Enterprise in addressing those issues.

1.6 Organization of the Remaining Chapter

Chapter 1 provides the introduction of the background for this case study and followed by the problem statement, research objectives, question and also case issues.

Chapter 2 describes the overall background industry.

Chapter 3 provides a literature review customer demand (reflect to business performance), firm resources, business market, business performance and comparative advantage barriers of firm performance to meet customer demand, the profit-maximizing theory, the resource-based theory, the survival-based theory and entrepreneurship theory.

Chapter 4 provides a data collection methodology and the analysing tools that applying in this case study.

Chapter 5 provide the case write up of Weeda Rich Enterprise which include issues or challenges in meet customer demand.

Chapter 6 provide the case analysis to Weeda Rich Enterprise using SWOT and Ishikawa Model.

Chapter 7 concludes with the recommendation of this case study.

CHAPTER 2:

INDUSTRY PROFILE

2.0 Introduction

This chapter will discuss on history of global ice cream and the overall scenario of the ice cream industry in Malaysia. Subsequently, the comparative advantage over other countries and issues challenges in meet customer demand are also been covered.

2.1 History of Global Ice Cream

Ice cream was introduced in the second century B.C although there was no specific date of ice cream origin or person which creating the ice cream has been indisputably credited with its breakthrough. During the Roman Empire (A.D 54-86), the Roman Emperor, Nero Claudius Caesar sent their soldiers into the masses to take a snow which flavoured with fruits and juices. One thousand years later, sherbet was found by Macro Polo at Far East. Ice cream evolving from the original recipe in the 16th century with England gave away ice cream. “Cream Ice” was named in the 17th Century which serves to that England, Emperor during that time Charles 1. Similar to frozen dessert also introduce by Italian Catherine de Medici in France country on year of 1553. In 1660 that ice cream is sold to the public in France under the epithet of Sicilian Procopio which the ice cream ingredient contains of blend milk, cream, butter and eggs. In 1846, the ice cream introduces in United States and the first largest ice cream manufacturer opened in

Baltimore, Maryland in 1851. Ice cream texture evolved from chilled wines and other beverages into the cone or cup or stick ice cream. Nowadays, ice cream can be found and sell in almost every year restaurant and corners store, corner shop and supermarket which many brands sell to the client.

2.2 Overview of Ice Cream Industry in Malaysia

2.2.1 Malaysia Country Context

The retail and food service market in Malaysia includes industry players in the Ice cream market operate, contribute the total value of food market 2014 about RM 14,954.1 million and total volume of food market in 2014 is about 3,103.1 kg (million). In terms of the total food volume growth 3.5% in CAGR and proportion of ice cream as part of the overall volume in 2014 is about 1.3% and the biggest category within the ice cream market as part of overall volume of 2014 is about 50.7% which consist of the take home and bulk ice cream. In conditions of the food service, total number of transactions in the profit sector in 2014 for ice cream industry are around RM 3,181.7 million and the largest channel who contributes the sales of ice cream industry 2014 are restaurants which contributed RM 2,429.4. In terms of the monetary value, the total number of transactions in the cost sector in 2014 is roughly RM 406.60 million and largest channel in the cost sector is education consist of the RM 186.2 one thousand.

The factors are accelerating the demand of ice cream in Malaysia which includes rising population of young people and the growth of Customer Price Index (CPI) for food & non-alcoholic beverages.

a. Rising Population of Young People

Malaysia has a large young population with high rising level of disposable and income. According to the Steven Sim (2014), 82.5% young Malaysia under the age 30 earned below than RM 3,000 per month and these constitute more than one third worker in Malaysia. These young customers with their increasingly face-paced lifestyles will lead the growth of the ice cream market.

In conditions of the population Malaysian witnessed the constant in the population growth during the quarters 2014-2015. The current of Malaysia population is currently around 30,995,700. The constant show that the Malaysian government is desires to achieve 70 million Malaysia populations in the year 2100.

Table 2.1 : Malaysian Population Quarterly from 2014 to 2015
Source : Malaysia Statistical Report(2015)

	2014 (000)				2015 (000)	
	1 st Quarters	2 nd Quarters	3 rd Quarters	4 th Quarters	1 st Quarters	2 nd Quarters
Total	30,502.0	30,598.0	30,697.5	30,796.9	30,896.3	30995.7
Growth		0.3%	0.3%	0.3%	0.3%	0.3%

In conditions of age profile, Malaysia has a large group of young consumer with the 54.41 % of the population under 30 years old.

Table 2.2 : Malaysia Age Profile, 2015
Source : Malaysia Statistical Report (2015)

Age Group	2 nd Quarters 2015 ('000)	Percentage
0 – 9	5102.90	16.46%
10 – 19	5494.00	17.73%
20-29	6269.10	20.23%
30-39	4833.20	15.59%
40-49	3609.80	11.65%
50-59	2861.10	9.23%
60-69	1749.30	5.64%
70-79	782.20	2.52%
80 ++	294.00	0.95%
Total	30995.6	

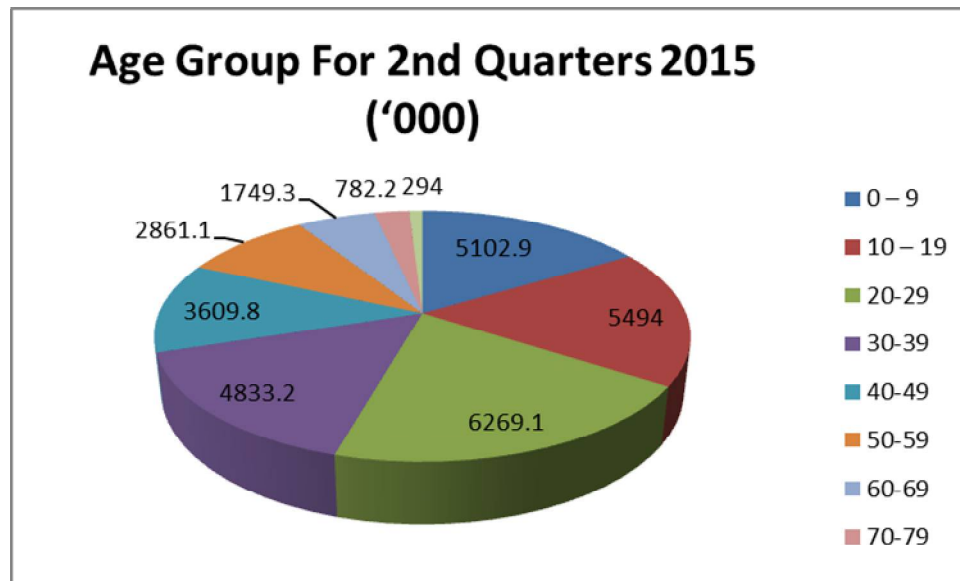


Figure 2.1 : Malaysia Age Profile, 2015
Source : Malaysia Statistical Report (2015)

b. Increasing Consumer Price Index for Food & Non-Alcoholic Beverages

In terms of the Malaysia Consumer Price Index (CPI), food & non-alcoholic beverages with weighted of 30.3 is approximately 3.8 per cent a year-on year basis until July 2015 while the index for non-food (weight: 69.7) recorded by 3.0 per cent (Statistical Department, 2015). The 0.8 per cent, rising compared with the previous

month is due to result of increases in the index for Food At Home by 1.0 percent ; fruit (+1.8), fish and seafood (+2.8) ,vegetables (+2.1) and ice cream (+1.0) (Statistical Department, 2015). The increasing of these food categories due to the product is daily use by customer and some of the products are tax exemptions under the Good & Services Taxes (GST).

Some of the categories has decrease their CPI which sugar, honey, chocolate & confectionery including meat (-0.3) and oil and fat (-0.2). The factor that lead the decreasing of this item is due to the increase high prices of some product especially for scratch, increase price of oil gas, decreasing price of global oil pam and implementation of good & services taxes (GST).

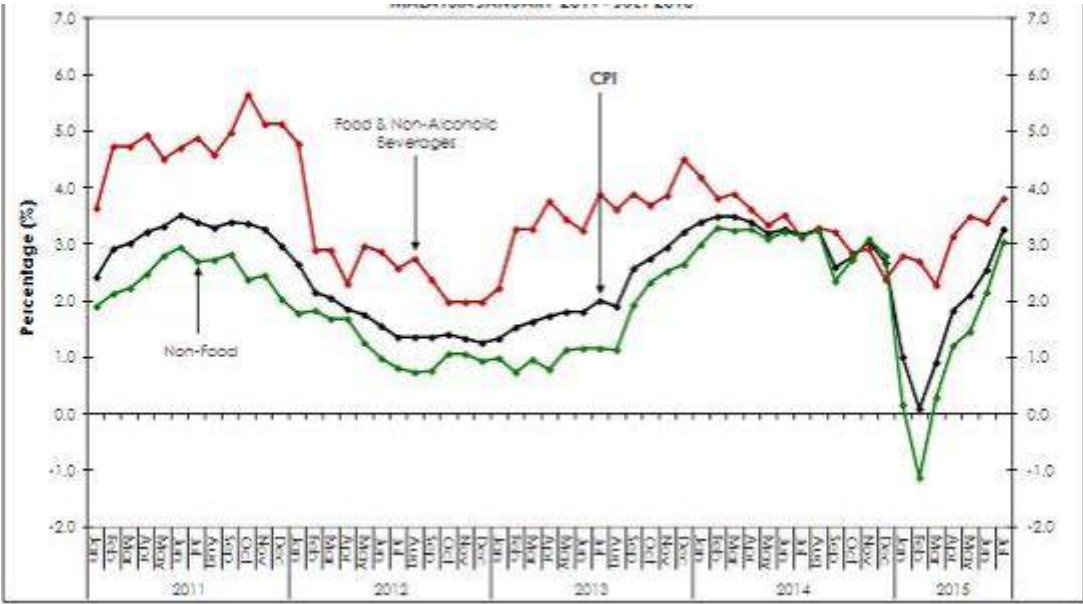


Figure 2.2 : Percentage Change (Year on Year) For total CPI, Main Group Food & Non-Alcoholic Beverages and Non Food, Malaysia from January to July 2015

Source : Malaysia Statistical Report (2015)

Table 2.3 : Consumer Price Index For Subgroups Of Food and Non-Alcoholic Beverages, Malaysia (2010=100)

Source : Malaysia Statistical Report (2015)

Subgroups	Wt.	Indicator	Year-on-Year Percentage Change			Month-on-Month Percentage Change	
			July 2015	June 2015/ June 2014	July 2015/ July 2014	Jan - July 2015/2014	June 2015/ May 2015
Food & Non-Alcoholic Beverages	30.3	119.9	3.4	3.8	3.1	0.4	0.8
Food	28.9	120.3	3.5	3.8	3.1	0.4	0.8
Food At Home	18.9	119.7	3.2	3.6	2.9	0.5	1.0
Rice, Bread & Other Cereals	4.4	107.5	1.8	1.9	1.5	0.0	0.1
Meat	2.9	119.6	3.0	2.2	1.5	0.7	-0.3
Fish & Seafood	4.5	130.9	3.2	4.1	3.1	1.1	2.3
Milk & Eggs	1.8	122.4	4.6	4.3	5.8	-0.6	0.2
Oils & Fats	0.6	101.5	0.7	0.7	0.4	-0.1	-0.2
Fruits	1.2	121.2	3.0	4.8	2.8	0.3	1.8
Vegetables	2.1	119.2	5.4	7.5	4.7	1.5	2.1
Sugar, Jam, Honey, Chocolate & Confectionary	0.6	131.8	2.1	2.0	1.5	0.1	1.0
Food Products n.e.c	0.8	119.8	4.8	5.1	3.9	0.3	0.3
Food Away From Home	10.0	121.6	3.8	4.2	3.6	0.2	0.6
Coffee, Tea, Cocoa & Non-Alcoholic Beverages	1.4	111.1	3.2	3.2	2.0	-0.2	0.0

2.2.2 Ice Cream Market Overview

Malaysia ice cream in Malaysia has recorded a growth of amount of CAGR of 6.9% in US\$ term during 2009-2014 and the expected growth during 2014-2019 of 5.1% growth at a CAGR (Canadian, 2015).

	Total(US\$ million)	Off-trade (US\$ million)	On-trade (US\$ million)
2009	217.6	140.4	77.2
2014	303.7	195.7	108.0
2019	388.6	249.9	138.7
CAGR 2009–2014	6.9%	6.9%	7.0%
CAGR 2014–2019	5.1%	5.0%	5.1%

Figure 2.3 : Malaysia Value of Malaysia's Ice Cream Market from 2009 to 2019
Source : Canadean Report (2015)

The mass consumption of ice cream products is anticipated to rise from 56.4 kg million in 2014 and expected to grow at 70.1 kg million in 2019 and register growth at a CAGR of 4.4% during 2014-2019.

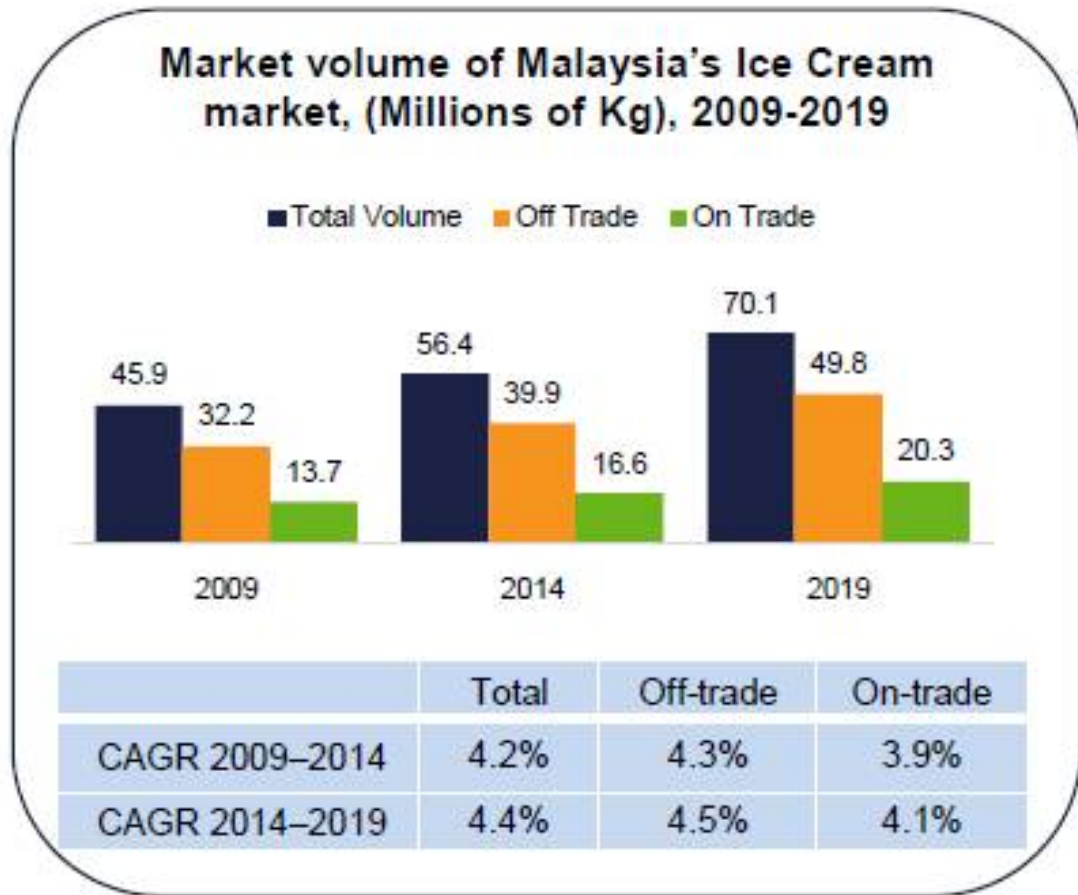


Figure 2.4 : Market Volume of Malaysia's Ice Cream Market (Millions of Kg) from 2009 to 2019

Source : Malaysia Statistical Report (2015)

In terms of Manufacturing Indices at Industry Level (2010=100), for Ice Cream Industry in Malaysia has recorded at significant growth during 2010-2014 (Statistical Department, 2015). The positive development is accelerated by the masses like to eat ice cream and new faces, firm to involve in this manufacture.

Table 2.4 : Manufacturing Indices at Industry Level (2010=100) for Manufacture of Ice Cream and Other Edible Ice such as Sorbet
Sources : Malaysia Statistical Report (2015)

Weighted	2010	2011	2012	2013	2014
0.03	100.0	75.5	122.5	136.3	141.6
Change		-24.5	62.2	11.2	3.9

Ice cream market industry in Malaysia also grew at a moderate rate during 2009-2014 in the US and Malaysia currency terms and volume term with the worth of RM 993.20 million (US\$ 303.7 million) in 2014 and it's forecast to register a CAGR of 5.4% in local currency term during 2014-2019 to reach RM 1,294.1 million (US\$ 388.6 million in 2019 (Canadean, 2015). In US\$ terms the ice cream market in Malaysia was impacted due to the fluctuating rates as a result, in variable growth rate during 2009-2017 and on-trade transactions accounted for 35.6% of the market share of Ice Cream product value sales and 29.4% of volume sales in 2014.

Market value (MYR m and US\$ m) and volume growth of Malaysia's Ice Cream market, 2009–2019

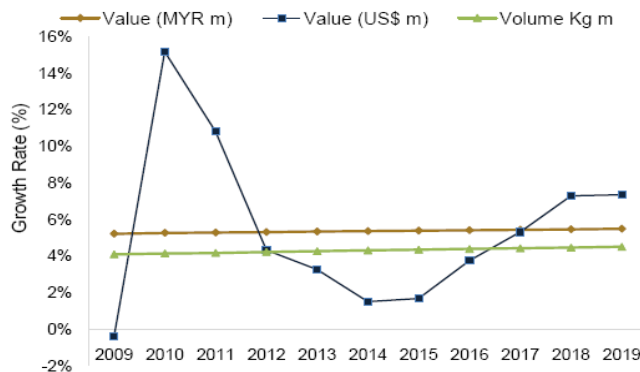


Figure 2.5 : Malaysia Ice Cream Market Value and Volume Growth from 2009 to 2019

Source : Canadean Report (2015)

Get home and bulk ice cream, impulse ice cream-single serve and artisanal ice cream are three (3) main of categories of ice cream, which prefer to buy by Malaysian people. The mass consumption of ice cream was 56.5 kg million in 2014 of which take-home and bulk ice cream accounted 28.6 million kg of volume sales followed by Impulse Ice Cream-Single Serve which accounted amount 19.0 million kg (Canadean, 2015). The faster growth category which comes from take home and bulk ice cream at CAGR of 5.0% in volume during 2014-2019.

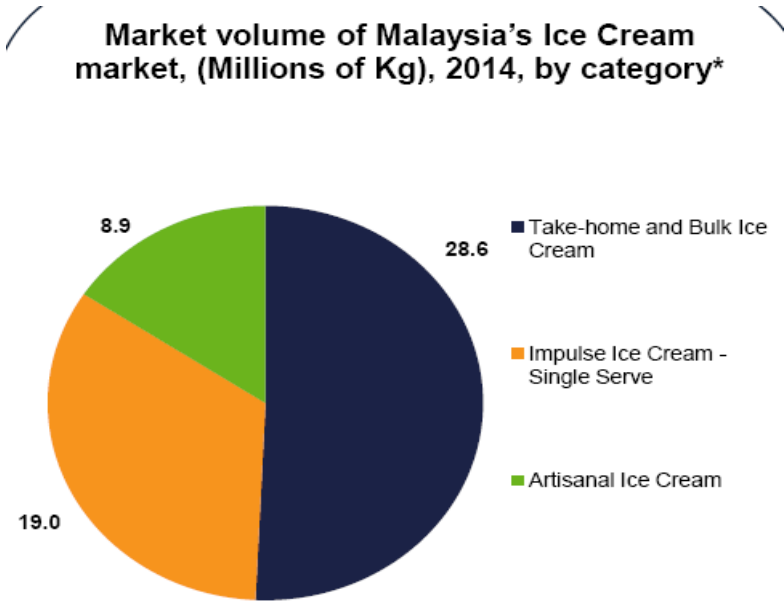


Figure 2.6 : Market Volume of Malaysia's Ice Cream market, (Millions of Kg), 2014, by Category

Source : Canadean Report (2015)

Table 2.5 : Market Volume, Forecast Compound Annual Growth Rate from 2014 to 2019

Source : Canadean Report (2015)

	Market Volume 2014 (Kg Million)	CAGR 2014-2019
Take-home and Bulk Ice Cream	28.6	5.0%
Impulse Ice Cream - Single Serve	19.0	4.1%
Artisanal Ice Cream	8.9	3.5%

2.2.3 Retail Landscape and Key Distribution Channel

According to Canadean Report (2015), Cold Storage, Aeon Big, Tesco and 7 Eleven are the leading food retailer in the Malaysia Food Market 2014 including ice cream product. Cold Storage is the subsidiaries of Dairy Farm International of Hong Kong as it operates in 17 Cold Storage Supermarket and 131 Giant Hypermarket across the Malaysia country. Aeon Big is formally known Carrefour and Aeon Big was acquired by the company Japanese Aeon and consist of 27 hypermarkets across major cities in Malaysia. While Tesco operates in 46 outlets in Malaysia which include Tesco Hypermarket and Tesco Extra Store which has a similar affair with other convenience store in Malaysia country. Lastly, the 7 Eleven is the largest convenience store in Malaysia over 1497 outlets and unique franchising system that offer business opportunities for local entrepreneurs.

Ice Cream market percentage accounted 1.4% of the food retail food sales in Malaysia in 2013. Hypermarkets & Supermarkets are the leading retailers of food in Malaysia and contribute for 68.6% of Food retail sales in the state, followed by Food &

Drinks Specialists with a 12.9% share and Hypermarkets & Supermarkets and Food & Drinks Specialists registered the highest growth at a CAGR of 5.0% in local currency terms during 2010-2013 (Canadean Report, 2015).

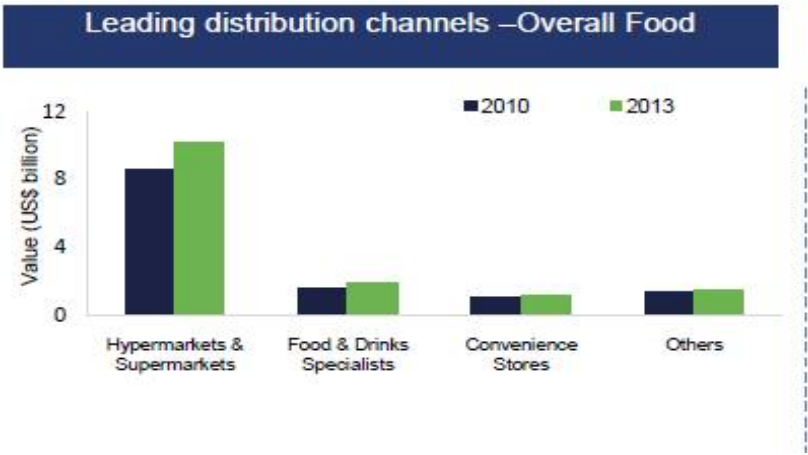


Figure 2.7 : Malaysia Leading Distribution Channel – Overall Food
Source : Canadean Report (2015)

Malaysia ice cream market is falling out the vogue in the market share of food market with hypermarket & supermarket the leading distribution channel and consist of 41.6% of market share in 2014 (Canadean Report, 2015). The second leading transaction is the on- trade transaction consists of 35.6% of the other market share (Canadean Report, 2015). While the convenience store is the fastest growing distribution channel and counted off 5.8% of the total ice cream market.

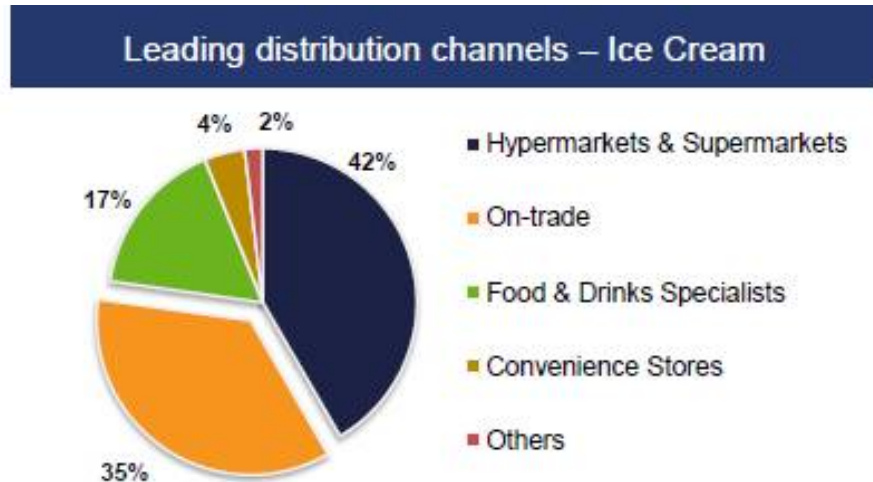


Figure 2.8 : Leading Distribution Channels Ice Cream in Malaysia
Sources : Canadean Report (2015)

In terms of the leading distribution channel in term of the ice cream category, 54% of the central distribution channel for take-home and bulk ice cream is come from hypermarket (Canadean Report, 2015). The second largest key distribution channel is the on-trade channel represents of the total 30 % of total market while the fast growth on the food & drink specialists and consist of 11% of total market (Canadean Report, 2015).

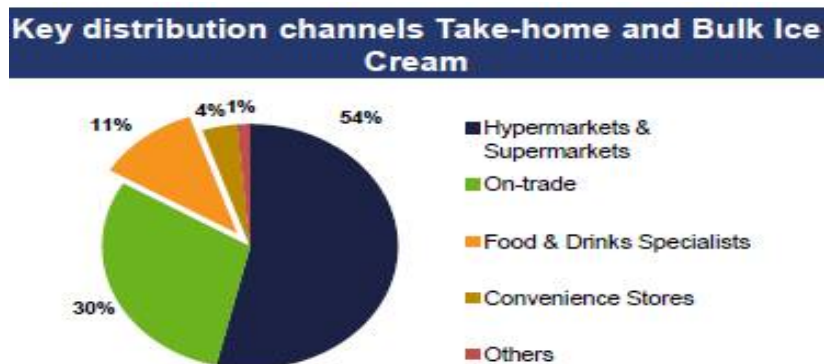


Figure 2.9 : Key Distribution Channel for Take Home and Bulk Ice Cream
Source : Canadean Report (2015)

For the impulse ice cream single serves, the hypermarket & supermarkets represent the highest market share consist of 48%, food & drink specialists remain second consist of 29% of market share while on trade distribution remain third and fast growing with a total of 11% in total market share in this category of distribution channel.

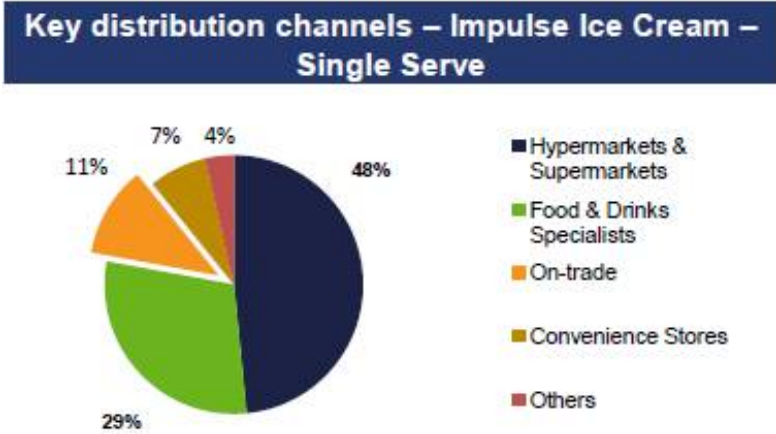


Figure 2.10 : Key Distribution Channel for Impulse Ice Cream – Single Serve
Source : Canadean Report (2015)

In conditions of artisanal ice cream category consist of two key distribution with the largest contributor consists of trade of 93% of the entire market for this ice cream category.

Key distribution channels – Artisanal Ice Cream

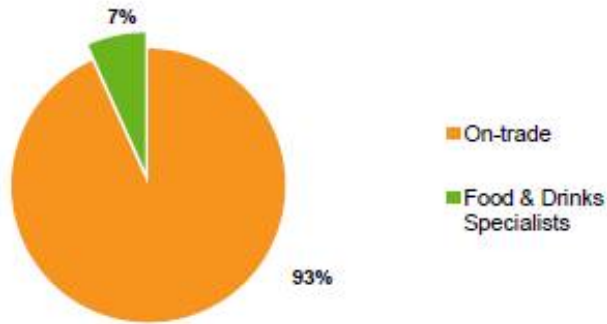


Figure 2.11 : Key Distribution Channel for Artisanal Ice Cream
Source : Canadean Report (2015)

2.2.4 Packaging

In terms of packaging, flexible packaging has used for packaging material while bag / sachet is used by container type. Flexible Packaging was the most used packaging material consist of 61.5% market share in the Ice Cream market in Malaysia followed by Rigid Plastics with a 20.0% share in 2014 (Canadean Report, 2015).

Key Packaging Materials

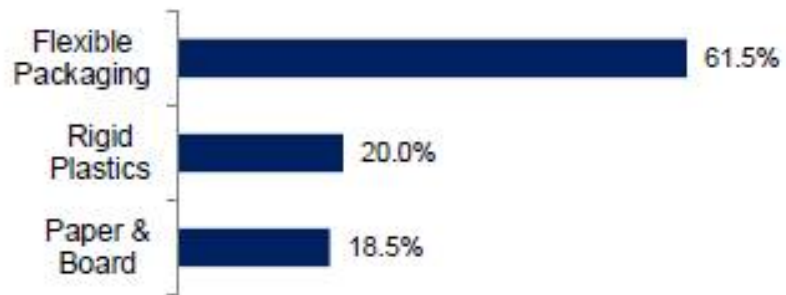


Figure 2.12 : Key Packaging Material
Source : Canadean Report (2015)

Flexible Packaging majority be use for Impulse Ice Cream – Single Serve category, while Rigid Plastics were mostly used for Take-home Ice Cream and Artisanal Ice Cream in 2014.

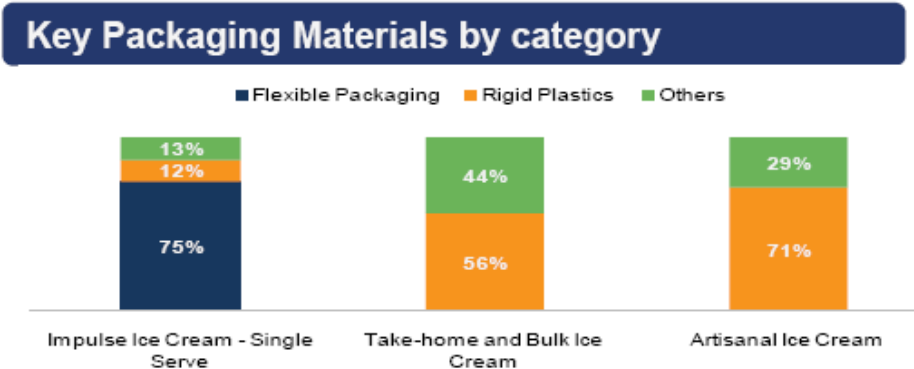


Figure 2.13 : Key Packaging Material By Category
Source : Canadean Report (2015)

In terms of the container type, bag / sachet is the most commonly used in the Malaysia ice cream market and consist of 61.5% of the market share in 2014 and followed by Tub with 28.7% of market share (Canadean Report, 2015).

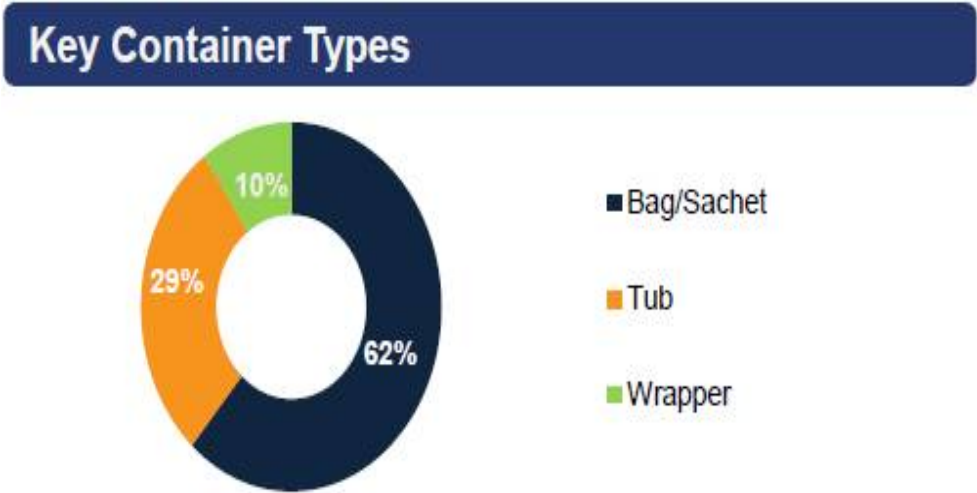


Figure 2.14 : Key Container Types
Source : Canadean Report (2015)