

MUDIM ENTERPRISE : FINDING THE RIGHT STRATEGY

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INTRODUCTION

Despite Shaarani's efforts in positioning MUDIM as one of the successful Small and Medium Enterprises (SMEs) in Malaysia, his mind was not at peace. He visualized many business opportunities and risks involved in managing MUDIM, such as sluggish economic environment in Malaysia, turbulent market demand and technological changes and various competitive forces in the industry. For instant, competition from other firms, such as Habhal, Jalel and Adabi, and the increase in prices of raw materials used as the main ingredients for MUDIM's products, such as dried soy bean and chilli, could also badly affect the company's profitability. As the owner and Managing Director of MUDIM, Sharaani believed that business sustainability was very much dependent on the ability of the business strategy. To stay competitive, Shaarani had started to think to develop and penetrate to new market.

COMPANY BACKGROUND

MUDIM was a *Bumiputera* business producing three main products - soy sauce, chilli sauce and vinegar. Of its three products, MUDIM was well known for its soy sauce, boasting of a unique taste and catering to the palate of children, teenagers, adults and the older group, alike. The use of plastic bottles with a unique and easily identifiable shape was made MUDIM distinguished from its competitors who used glass bottles.

MUDIM commenced its food business in 1987 as an SME. The start-up capital was RM 10,000. Due to the fine and exquisite taste of the soy sauce, the demand from the customers consistently kept increasing and hence it rapidly increased the capital to

RM300,000 after just 20 years of operations. MUDIM was located in Pendang, Kedah Darul Aman. The name 'MUDIM' was crafted from the nickname of Shaarani's late father, Mr. Zakaria Arshad.

In the initial stages, MUDIM's products were sold to local people around Kedah, and slowly began penetrating markets in the states of Perlis and Pulau Pinang. Sharaani himself was responsible for promoting and selling the soy and chilli sauces. Being very enterprising, Shaarani distributed the sauces to grocery shops around the village. For two years, he was a familiar figure on a motorbike in his village, diligently distributing his homemade soy and chilli sauces to nearby areas. The income from the two-year sales was good enough for him to buy a second-hand car at a cost of RM3,000. Being able to carry more products in his car and travel, even in bad weather, Shaarani found his sales increasing with more revenue coming in, due to his perseverance and relentless efforts.

In 2016, MUDIM had a total of 46 workers. His right hand man was his General Manager, Hakim. To emphasize on efficient business operations, Shaarani always cared about his employees and did not neglect their welfare. In fact, employees were treated as MUDIM's most prized asset. He was a magnanimous man, and staff members, mostly from the Pendang area, were happy working for MUDIM. Since its establishment, staff turnover in MUDIM was negligible. The longest staff tenure was 27 years and that employee retired at the age of 77 years. MUDIM did not face shortage of staff since it was easy to find local people to work with MUDIM.

VISION AND MISSION OF MUDIM

MUDIM had a Vision as follows:

To become one of the leading food industries in Malaysia with high quality products at reasonable price, which satisfies customers and meets their expectations.

Two broad mission statements embodied MUDIM's goals as follows:

- To produce high quality and *HALAL* products for the local and global markets.

- To contribute to the economic growth of Malaysia.

MUDIM'S STRATEGY

To be competitive in the food industry, strategic planning was crucial. Shaarani initiated many marketing efforts to promote MUDIM's products both locally and abroad. One of the ways he did this was by hiring sales agents who could promote the products to hypermarkets in Malaysia, such as Tesco, Giant, AEON and Mydin. Top management realized that once the products could penetrate the hypermarkets, the demand would increase. However, most hypermarkets were more inclined to place well-known brands in front shelves and products of MUDIM were as an alternative choice for customers. Fulfilling customers' demands was not easy. Shaarani was aware that their products were still new in certain geographical areas, and 'guerrilla' style promotion was not exactly a brilliant option to market MUDIM's products due to inadequate resources and limited production.

During festive seasons, MUDIM promoted its products via the state radio, especially during the fasting month of Ramadhan. The indirect sales into international market were also initiated from MUDIM's products, such as in Egypt, Brunei, Indonesia and Singapore. The overseas market was initially started by students who went to study overseas. They brought along MUDIM's products in huge quantities for their own consumption and sometimes, sold the products to their friends. Besides, MUDIM also allowed students from higher learning institutions to do research on MUDIM's products in order to boost its business image. 'Word-of-mouth' from these students indirectly helped in business expansion to other new geographical areas, such as the Klang Valley and the Western and Southern Peninsular of Malaysia.

OPERATIONS

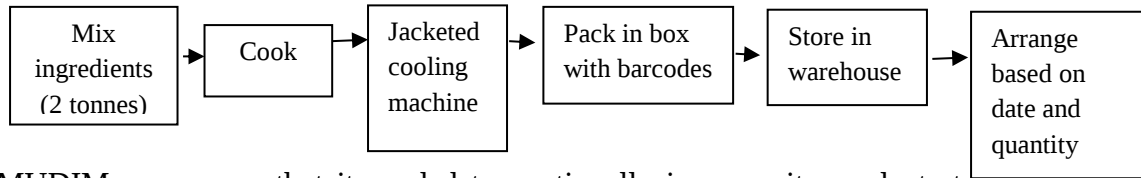
MUDIM was aware that it needed to continually improve its products to be more viable in the market. Therefore, MUDIM felt it was essential that the efficiency of its machinery

and the technology used in the factory be upgraded in order to maximise production. To continue producing high quality soy sauce and chilli sauce, it was imperative for MUDIM to ensure the machines and equipment could function optimally. Presently, there were 20 operators in the production line with two main activities (for soy sauce and chilli sauce) being carried out using the same machines in a week.

The main raw materials needed by MUDIM for production were soy beans, dried chilli, sugar and salt, and of course, the plastic bottles. Usually, the soy sauce that was produced could cater to a one-week demand. However, the demand for soy sauce and chilli sauce was often unpredictable, depending on prevailing conditions. Besides, one of the problems that MUDIM faced was maximising production due to shortage of machines. Currently, there was only one machine operating to cater for the production of both soy sauce and chilli sauce.

In MUDIM, the production of soy sauce took two consecutive days. Then, the company had to stop the machines and clean them in order to produce the chilli sauce. This usually resulted in a glitch when the production had to shut down for two to three days. The machines needed to be cleaned and dried completely before being used for the chilli sauce production. The process started with mixing the ingredients in a two-tonne heated pot. Once it was cooked, it was transferred into a jacketed cooling machine through a pipe. This was to avoid bacterial infection and to reduce the possibility of spoiling the sauce. The sauce was then filled into the bottles at a temperature of 32⁰C to 35⁰C, sealed and put into boxes with barcodes. In the event of any loss of products or spoilage, management could easily trace the products by referring to the barcodes. Before sending the goods to the market, the products were placed in a warehouse. MUDIM had a large and clean warehouse to stock the products and MUDIM ensured that the temperature of the warehouse was suitable for storing the products. This was because soy sauce and chilli sauce were considered as perishable products and needed to be stored under the right temperature. The products were systematically arranged based on the date manufactured and the quantities were keyed into a system.

Figure 1: Production Process



MUDIM was aware that it needed to continually improve its products to be not only more viable in the market, but to also sustain its competitive edge. It was important to accommodate the customers' demand and compete in the dynamic market. For MUDIM, their suppliers were the backbone, since the demand for MUDIM's products had increased tremendously over the years. To meet the high demand, new and sophisticated technology was vital for production. To be competitive, MUDIM had improved greatly on its business operations, from manual to automated production. Currently, the plant was 95% automated. With the automated and sophisticated facilities, the work system changed from a shift system to daily weekday operations from 8.30 am to 5.30 pm. Mr. Shaarani believed that with the new and modern machinery, the business could operate effectively without the need to operate 24 hours a day.

At MUDIM, there were seven main suppliers - Teong Chun, HM Trading, Syarikat AAA, Soon Seng Food Industry, Hat Leong Sticker Master, Rebond and Bintang Niaga, supplied raw materials. For MUDIM, it was not difficult to get new suppliers if the current suppliers over-charged. However, MUDIM preferred to create and sustain a long-term relationship with its current suppliers in order to build trust and ensure reliable and steady supplies. Shaarani believed that a good relationship with suppliers was significant as this would help in ensuring quality input, reduce delay of raw material delivery and speed up the production process.

COMPETITION

MUDIM also faced stiff competition from other businesses that offered the same products (chilli sauce, soy sauce and vinegar). Therefore, MUDIM needed to be constantly prepared to face the threat of new entrants into the same markets. Hakim, the Manager of MUDIM realized that some of MUDIM's competitors had previously

received several awards, especially for quality standardization. For instance, Habhal's soy sauce, a well-known product in this country, especially in West Malaysia, had received the ISO 9000:2008 certification, which was an obvious indication that Habhal's products had fulfilled international quality standards; customers had since begun to make a beeline for Habhal's soy sauce which were marketed all over Malaysia, including Sabah and Sarawak and to some countries, such as United Kingdom, United States and China. The competitors' products could easily enter the new markets due to their popularity and aggressive advertising. As for MUDIM's products, Shaarani was realistic. He acknowledged that it was difficult for their products to penetrate new markets due to limited resources and volume of production. For MUDIM, their priority was the survival of the business and offering affordable products for their customers. Shaarani remained confident. He was aware of MUDIM's strengths, including the competitive price of MUDIM's products compared to its rivals, like Habhal and Jalel. This was one of the main reasons why people preferred MUDIM's products as the prices were reasonable for all customers from low to high income earners. The last price revision for soy sauce was RM2.80 and it was done in 2012. Hakim, the General Manager of MUDIM mentioned that although the Goods and Services Tax (GST) had been implemented, there was no price increment for MUDIM's products. In terms of fluctuation of raw material costs, MUDIM did not face problems as they had a number of suppliers that could fulfil their demand on time. The price of the raw materials had not increased because MUDIM normally bought in bulk from suppliers.

Although MUDIM's products were doing reasonably well, Shaarani realised that the company could not afford to be complacent and rest on its laurels. Marketing efforts had to be undertaken and every year, Shaarani advertised MUDIM's products via the radio, especially during the fasting month. MUDIM also appointed their lorry drivers as sales agents. The sales agents were responsible not only for delivering the products to their respective wholesalers and retailers; they also had the role of introducing and marketing MUDIM's products to prospective wholesalers and retailers. Indirectly also, the attractive plastic bottle was another marketing effort which made customers want to buy MUDIM's products. The carefully ergo-designed plastic bottles were attractive and stood out from other similar products in the market. Compared to glass bottles, consumers found the

plastic lightweight bottles of MUDIM a nice addition in their kitchen and useful for storing other things when the sauces had been used up.

MUDIM'S INITIATIVES

Shaarani had received the support from various government agencies, such as the Malaysian Agricultural Research and Development Institute (MARDI), *Majlis Amanah Rakyat* (MARA), *Lembaga Kemajuan Pertanian Muda* (MADA), Federal Agricultural and Marketing Authority (FAMA) and Standards and Industrial Research Institute of Malaysia (SIRIM). MARDI was instrumental in providing advice and training on food processing; MARA conducted workshops on the intricacies involved in food preparation besides tips on how to become a successful and motivated entrepreneur; FAMA helped in the promotion of MUDIM's products through Expos held in various places, including in Brunei and Thailand; MADA gave a grant amounting to RM200,000.00 to boost MUDIM's business development; and SIRIM helped Shaarani hone his entrepreneurial skills to provide him the competencies and the much needed competitive edge to take MUDIM's brand name to greater heights.

Shaarani also had participated in several food product Expos organised by several relevant parties, such as the Global Halal Market Place (MIHAS) in Melaka, IAT Expo at the Putra World Trade Centre in Kuala Lumpur and ALL-Expo in Serdang, Selangor; it was Shaarani's fervent desire to make MUDIM's products a brand to be reckoned with in the local market. It made him beam with pride to see MUDIM's products proudly displayed on the shelves in hypermarkets, like Tesco, C-Mart, Giant and Mydin in Kedah, Perlis, Penang and North Perak. The average production of soy sauce, chilli sauce and vinegar was around fourteen (14) tonnes per day. Abroad, MUDIM products had successfully penetrated Brunei, Singaporean and Thai markets, clearly evidencing that Mr. Shaarani had successfully placed the MUDIM brand alongside other competitors, not only domestically but also in global market.

Other initiative was the practice of Islamic concept in MUDIM's production. The company strongly emphasized on cleanliness and purity of its products. This was proven

when MUDIM was conferred the Good Manufacturing Practice (GMP) Award. MUDIM sent its staff to attend courses organised by SIRIM in order to enhance their management skills and keep abreast with the latest trends and developments in the market. MUDIM's products were guaranteed *HALAL* and had been certified by *Jabatan Agama Islam Malaysia* (JAKIM).

FUTURE DIRECTION

The immediate future plan of MUDIM was to complete the construction of a new factory plant in order to enhance its production capacity. The wide and spacious compound surrounding the existing plant would be used to build the new factory. It was expected that the new factory could contribute towards an increase in production, sales and profitability of the business in the future. The completion of the new factory would enable the production and processing of soy sauce and chilli sauce to be done separately, hence negating the need to stop production and clean the same machine as done previously

MUDIM had come up with a few strategic plans for the company. The company started their operations manually and shifted to semi-automation, and then was 95% automated. Plans were underway for full automation. The company was in the process of building a new factory located behind the existing factory. Once the new factory had been completed, MUDIM planned to split the production of chilli sauce and soy sauce. MUDIM also planned to expand its trading and distribution of products, not only in Malaysia, but in global markets as well. In line with Vision 2020, MUDIM would move on and expand its business creatively, innovatively and competitively, to become viable as well as to achieve excellence, glory and distinction in the industry. MUDIM also wished to increase the use of computerized systems in its manufacturing and business operations. But, were these strategic initiatives being the best execution of MUDIM's growth and survival in this fragmented sector?