

Mydin expansion and growth strategy analysis



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Mydin Mohamed Holdings Bhd is a local business organization in retail industry under the leadership of chief executive, Datuk Ameer Ali Mydin. The business starts its operation since 1957 in retail and wholesale. In the economic environment, Mydin face challenge from other key players such as Giant, Tesco, Carrefour and Econsave. Currently Mydin has 4 hypermarkets and its total stores are 55 which located at Klang Valley, Terengganu, Kota Bharu, Seremban, Nilai, Johor, Alor Setar, Melaka, Penang, Pahang and Kelantan. To compete, the company plans to expand their business and grow organically. Mydin imposed low pricing strategies and provide economically price goods to its customers. Surely, the expansion and growth will influence the business objective. Below is the comparison data of retailers with its number of stores in Malaysia.

Retailer

Number of stores

Giant.

40(hypermarket/superstores)

Total Giant stores: 100

Tesco.

35(hypermarket)

Carrefour.

23(hypermarket)

Econsave.

38(supermarket & hypermarket)

Mydin.

4 hypermarkets.

Total Mydin stores : 55

Hypermarket list is not exhaustive.

[Business Times , Saturday, July 31, 2010]

Therefore I would like to investigate whether Mydin's expansions and growth strategy is viable to the business to gain market share and emerge as market leader.

RESEARCH BACKGROUND.

This commentary will be based on these following supporting documents;

MYDIN EXPECTS 10pc RISE IN PROFIT,

Q&A with Datuk Ameer Ali (Mydin)/SKORCAREER

Mydin to built its biggest hypermart in Kota Baru/Business Times.

New logo, motto for Buy Malaysian Campaign/mydin. com. my

INTERNAL CENTRE OF LEADERSHIP(ICLIF)-2009/MYDIN CASE STUDY.

Microsoft Supports Malaysian Retailer's Aggressive Plans to Expend.

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Malaysia mulls bar-code system for halal, products Business Times

MARKETING.

Marketing Planning.

As a retail company in Malaysia, Mydin had implement several marketing planning to boost their sales and obtaining bigger market share. Therefore, this commentary will examine the marketing mix approached by Mydin to successfully market their product and formulate their marketing strategy. Therefore, Mydin can moves towards becoming a market leader.

Marketing mix:

Product.

Mydin has a wide range of product line such as food line, soft line, hard-line and household items. Due to the wide range of product, Mydin will benefits from larger customer base. This will give positive advantage to Mydin as its customer can obtain all products needed here at lower and cheaper price. As a local player, Mydin provide items that are complement with its customers need. Majority of Malaysian are Muslims. Therefore, Mydin provide local prayer mats, prayer garment for women and traditional product which are rarely found elsewhere. However, Mydin should consider its non-Muslim customers due to the image of the place where only Muslim shops.

Place.

Besides, Mydin is currently expanding their business into different format namely hypermarkets, emporium, and My Mart (24 hour convenience stores). As referred to growth of Mydin's chain by the year 2009 to 2020, the <https://assignbuster.com/mydin-expansion-and-growth-strategy-analysis/>

business forecasted to have 26 Hypermarket, 60 Convenience Store, 20 Emporium and 5 My Mart[1]. This investment cost the business a large amount of cash which is RM 200million for supermarket and 60 million for the building of hypermarket[2]. The managing director tries to emulate the growth strategies of Kmart by having My Mart although Kmart experience bankruptcy. This expansion can help Mydin, reachable for its customers with various channel of distribution. For example, the choice to build the biggest hypermarket in Malaysia at Kota Baharu[3] is due to high demand and larger land available. However, Mydin should consider their large expansion as they may be affected by diseconomies of scale.

Promotion.

In terms of promotion Mydin apply 'me-to-promotion' where Mydin follow and respond to their rivals marketing strategies such as purchasing similar advertisement board and article from newspaper[4]. One of its outlets in Subang Jaya has a digital billboard, controlled digitally from its office. This provides fast response toward its rival's advertisement. Besides, Mydin should consider having other marketing strategies such as advertisement through website or radio to provide detailed information and awareness of their existence.

Price.

Mydin is well-known for selling its product at wholesale price (40% of its business is wholesale). As compared to its rival, (Giant, Tesco and Carrefour) Mydin is a favorite place for shopping especially in period of economic downturn. They gain RM 1.3 billion in 2009 from RM 1.1 in 2008[5]. This proves <https://assignbuster.com/mydin-expansion-and-growth-strategy-analysis/>

that as Mydin grow organically, they gain strength in volume, thus can sell cheaper as compared to its rivals. Therefore, the situation is inciting its marketing objective.

Positioning.

Market positioning is crucial to portray a good corporate image and differentiate Mydin's product over rivals. The unique selling point (USP) of Mydin that makes the business stand out from others is the embracing the concept of Halal (following the dietary law in Islam)[6]. As most Malaysian are Muslim and very particular in Halal product, the USP is an added advantage.

Mydin popular slogans: "Where everybody can buy"[7] also provide a perception towards the customers that in retail industry, you can buy product cheaper at Mydin. But Mydin need to sustain the image by providing items cheap and not providing cheap items with low qualities. Mydin can perceive its brand to be a bargain brands (at high quality but with low price) although it's hard to sustain. Therefore, with the growth and expansion strategies, Mydin is moving from Economy brands towards Bargain brands.

[8]

Quality

High

Low

High

Premium brands

Cowboy brands

Low

Bargain brands

Economy brands

Price

Figure 1: Perception map showing relationship between price and quality.

The slogan is in line with government's campaign, ' Buy Malaysian"[9]which educates Malaysian to buy local product (Mydin provide local product on its shelves). Mydin's outlet at Subang Jaya has been chosen as the place for exhibition attends by Prime Minister to launch the campaign[10]. Besides, Mydin together with Halal Development Council (HDC) organized Halal training program course for small- and medium-sized entrepreneurs (SMEs) [11]. The corporate social responsibilities (CSR) done by Mydin enhance its image and will attract customers to choose Mydin instead of others.

OPERATION MANAGEMENT.

Product Planning.

As Mydin grow, the business may affected by overtrading due to stockpiling[12]. This situation can increase cost and later absorb on the price of product. Hence, Mydin decide on Microsoft Dynamics AX for Retail to applied Just-In-Time stock management[13]. The software provides

information for its suppliers and decision-makers so that the distribution of stocks runs smoothly from stores to supply chain[14]. By this, Mydin can be more responsive to its customers, reduce their break-even point, and improve cash flow and the working capital cycle[15]. Consequently, provide competitive advantage towards its rival.

HUMAN RESOURCES.

Organizational Structure.

Besides, Mydin interfere coordination problem of its managers as the business grow hierarchal taller and wider span of control. Communication across the organizational structure will become time consuming and in certain case may be distorted. To overcome this, Mydin decide on Microsoft Office SharePoint Server 2007[16]that allows massive information to be provided to all layer of the organization and its suppliers.

Motivation.

In becoming a market leader, Mydin must have a productive employees to generate larger working capital. 16. 2% of its workers are foreigners and the remaining are locals[17]. To create sense of belonging to work and generate teambuilding between workers, the company provides financial and emotional support[18]. According to Maslow's hierarchy of needs, people are motivated more than just money[19]. Mydin meets the social needs of its worker by conducting birthday parties, cultural dance and inter-branch sports.[20]

CONCLUSION.

Mydin has implemented huge expansion and organic growth of its company. They try to gain their market share by becoming more competitive toward its rival. In becoming so, a transformation throughout the organization is done. Based on the marketing planning carried out, Mydin is currently on the right direction towards its corporate objectives. We can notice how Mydin develop strategic marketing mix to successfully market their product. However, there is some areas that should be improved and focus on. In terms of product, Mydin can try to attract non-Muslim customers by having a promotion or creating an image of Mydin as a place for anyone.

Besides that Mydin has wide channel of distribution. However, Mydin should also consider dealing with diseconomies of scales. One of the choices is by introducing measures to remove productive inefficiencies. Mydin might count the effectiveness of each of the business format. The marketing strategies indicate that Mydin can gain higher market share from its competitive advantage in promotion and price.

In positioning their product, Mydin had done it well through their USP, slogan and CSR played. They manage to give clear perception of the business to public. Hence, they can gain more customers in the future. In operation management and human resources, Mydin try to centralize their management to hinder business runs at loss and to generate efficiencies. Their decision to cooperate with Microsoft Corp. is a right choice to place Mydin at top amongst other key players. Also, without neglecting its employees needs and demands.

Overall, based on the analysis of marketing planning, operation management and human resource Mydin expansion and growth strategies is viable for the business to be a market leader in retail industry.