

Strategy planning for a farming company Itk

[Business](#), [Company](#)



LTK1 was incorporated on 16th October 1986. It is situated at Durian Tunggal District, Malacca. The principal activities of LTK are production of chicken eggs and manufacturing organic fertilizer. LTK is one of the leading eggs producers in Malaysia. The production capacity of LTK is 1 Million eggs per day. Part of the production is for local consumption while the rest of the production is mended for export. Presently, LTK is exporting to Singapore, Hong Kong and Indonesia.

With the collaboration between LTK and MARDI2, LTK become the sole producer and distributor of Omega 3 eggs in Malaysia. The LTK Omega 3 eggs provide up to 5 times more Omega 3 and 4 times more of Vitamin E compare with ordinary eggs. The consumption of Omega 3 will reduce heart disease, hypertension, LDL cholesterol, breast cancer, colon cancer and rheumatoid arthritis. In additional, Omega 3 is vital for the development of brain and retina tissues3.

The daily production capacity of LTK is 1, 500, 000. In order to maintain the quality of eggs, LTK applies TQM throughout the whole production processes.

Figure 1. 0 Production Flow in LTK

Chapter 2. 0 An analysis of the market, customers and macro conditions of LTK

Chapter 2. 1 Market Analysis

LTK is one of the leading eggs producers in Malaysia since 16th October 1986.

But, Omega eggs are still new in the market. Therefore, in the short term the demand will still be low in the market. Nevertheless if the demand of the omega eggs continues to increase, it will benefit LTK in the future. This can be seen as product development strategy.

The market where LTK operates in is some sort between perfect competition and monopolistic market. This is because the market is full of egg producers who hold commodity rather than product. On the other hand, this market is full of buyers who purchase eggs for different purposes. However in term of Omega eggs, LTK has made a right move to shift egg as commodity towards branded product. Thus I assume LTK Omega egg is operating in a monopolistic market.

Thus, it is the time LTK have the thorough planning and strategic marketing to satisfy customer requirements profitably and sustain competitive edge in a long run

Chapter 2. 2: Customer Analysis

Omega eggs actually are the simple product that the consumers can consume everyday. The marketing strategist should keep track of the customers' behaviour. It is because the switching cost to buy the eggs is very low.

Thus, LTK should conduct research from time to time in order to answer the following research questions and hypothesis.

> Research Question: Why do consumers buy omega eggs?

Hypothesis: Consumers manage to understand the explanations make by LTK through TV, newspaper, magazine and salesperson in the distribution outlets, so they buy Omega egg.

> Research Question: Who participates in the buying process?

Hypothesis: Most of the time, housewife, mother-in-law or husband participate in the buying process.

> Research Question: Where consumers buy omega eggs?

Hypothesis: Consumers buy Omega eggs based on convenient or not.

Through years of experience and fieldwork research, LTK understand the consumers' behaviour very well. LTK buyers can be divided into 4 categories: the retail market, the business market, the government and non-profit organisation. The retail market refers to the normal consumers while the business market refers to confectionaries and bakery in the southern part of peninsula Malaysia. On top of that, the government market refers to the barracks or army camps in Johor and Pahang. Lastly the non-profit organisations are like school canteens, old-folk home and orphanages. Above and beyond, LTK also concluded that consumers' decision would be influenced by some external stimuli. Therefore, LTK not only provide quality eggs, but convenient pack size, reasonable price (RM0. 399), ordinary eggs same size price (RM0. 299) and convenient outlets.

Chapter 2. 3 PEST Analysis

Malaysia is a potential market for international marketing because the political and legal environment is mature and stable. Furthermore, the AFTA agreement enable LTK product to flow freely throughout the whole South East Asia region without political barrier. Thus LTK involve very low or no political risk continuing the operation in Malaysia.

Although the overall economic performance in the Malaysia had declined, a thorough study will explain that the decline is mainly due to the poor performance in the global economy. No matter what is said and done, LTK performance will not be badly influenced by the economy because eggs are fast moving household product.

From the social perspective, LTK goods should be acceptable because the Malaysian should be aware that their current main source of protein is badly affected by the JE Disease and polluted environment. Thus the society has phobia towards consumption of pork and poultry, thus egg is the alternative source of protein and it is a very health source of protein too. Besides, the aging population is also very much concerned about their daily eating habit, so LTK product should be acceptable. Besides, I feel that the rate of product diffusion for LTK enriched egg should be faster because the literacy rate for the target market is higher.

Figure 2. 0 Diffusion Process of LTK goods

In term of technology, there isn't any disadvantage for LTK since the product doesn't require any other technological support. However, biological

engineering or medicalscienemight assist LTK to increase its production or reduce the rate of defect.

Chapter 2. 4 Microenvironment Analysis

As mentioned above, the enriched egg is new in the Malaysia market; hence the level of intense competition is relatively low. Based on Michael Porter 5 forces analysis, there is no bargaining power for supplier because LTK is the supplier.

On the other hand, the bargaining power of buyer is very strong because the retailers in Malaysia are corporate giant like Parkson, Jusco, Top, Makro, Carrefour and Fajar.

The threat from substitute is small because the society is suffering beef and pork phobia. Besides, a lot of doctors advise the public to reduce the consumption of red meat and go for the white meat.

The entry barrier is the solely most worrying factor for LTK as the entry barrier for such industry is very low. Therefore, it is crucial for LTK to establish strong brand equity before the competitors creep into the market.

Figure 2. 1 Michael Porter 5 forces

Chapter 3. 0 Internal Corporate and Marketing Conditions (SWOT)

The SWOT analysis is one of the most useful marketing planning outfit that aids the analysis of the firm's overall situation because it provides a clear picture from complex data.

LTK incorporated since 1986, one of the strengths of the company is the organization structure is very lean. Therefore, breakdown incommunicationrarely happened in LTK. Furthermore, the organisation is able to response effectively because the organisation is flexible. In the company, the CEO practices the product category management. Therefore, each department are doing their task efficiently.

The second strength LTK possesses is the government support. LTK is the only private organisation in Malaysia that is linked with Mardi. Thus there is a lot of technological transfer and LTK manage to save lots of R&D expenditure.

The third strength of LTK is that the organisation has a strong goodwill in the market and a lot of chickfoodsuppliers support the company. On top of that, the distribution network of LTK is relatively widespread throughout Peninsula Malaysia.

The fourth strength of LTK is the quality standard has been maintained very well throughout these years. The defective and crack rate is lesser that 7.94% for every period of six months.

The weakness for LTK is lack of fund in conducting research and development. As we known that if the products do not get improvement sooner or later the competitor will become the leader in the market.

The second weakness for LTK is that the production is inelastic within a short period of time. Even when there is a strong demand for the product, LTK is unable to double or triple the production.

The opportunities in this market is nowadays consumers are more concern about their health. Omega plus can improve the brain functions; can reduce heart disease, hypertension, LDL cholesterol, breast cancer, colon cancer and rheumatoid arthritis. Therefore, the demand will accelerate due to positive word of mouth and publicity over the press.

Besides, the annual population growth in Malaysia is still rising, thus the demand will definitely rise because more mouths to be fed.

There is also an opportunity when the AFTA come into the picture. The Omega egg can flow freely to neighbouring countries and increase sale for the company.

The threat to LTK is the competitors enter into the same market. When most of the consumers accept the product, it is also the time more and more players come into this market. Thus, LTK must do more R&D to enhance the quality of the products.

Chapter 4. 0: A Portfolio Analysis of the Competitive Conditions (BCG)

Relative market share

Figure 4. 0: BCG Matrix

The Boston Consulting Group (BCG) matrix is a well-known approach to conduct portfolio analysis that provides corporate strategists with an insight of important strategic relationships between internal cash flows, market share, competitive position and growth trajectories.

The characteristic of LTK omega plus eggs in BCG matrix is under STAR.

First, it is because LTK is the initial player in the market of omega eggs. Thus LTK haven't tapped the total market and the percentage of share is very low. Second, omega eggs are now in a fast growing period and haven't reached the maturity stage yet. A lot of people are curios about these eggs and some people still do not believe whether the egg is so miracle and healthy as they claimed.

On the other hand, the traditional egg produced by LTK is in the Cash Cow stage. This is because the market growth rate has been stagnant for very long time and the PLC is in the maturity stage. Moreover, the relative market share for LTK is very large if weight against the total market in Malaysia.

The profit earned from the traditional eggs can be transferred to develop the star. Although the Omega eggs do not generate substantial profits compare to the ordinary eggs, but LTK believe that the trend is moving towards consumption of such eggs. Strategic planner must follow the trend in order to develop sound long term strategic plan.

Chapter 5. 0: Segmentation Strategy

Segmentation is a process of subdividing broad markets into varied and differing smaller groups of buyers. They are consisting exclusive of characteristics.

The benefits of segmentation are strategist able to accumulate sufficient market sector knowledge as well as sustain customerloyalty. LTK also segmented the customers into several clusters. The objective is to avoid

confusion and provide strategies with the opportunity to approach available segment with the right marketing strategies.

LTK should segment its market based on income level, attitudes towards health, educationlevel and psychographics. It is because the price of omega egg is slightly higher than ordinary eggs. Thus, only certain segments of the consumers are willing to pay for it. For instances, the business market of LTK will not be interested with this new product but to prefer conventional egg to keep the production cost as low as possible. Therefore, LTK market segment should be those in the middle class and it is practical since Malaysia has a relatively big middle class society.

The consumers' decision whether or not to choose Omega egg also determined by the health awareness among consumers. It is because in the market there are too many health foods. Therefore, most of the consumers will think that omega egg is just another propaganda made by the producer.

Education level is also the main reason LTK should consider since it can influence consumers DMU. It is because the higher education group of consumers only understand the meaning of Omega 3 and how the eggs can provide up to 5 times more Omega 3 and 4 times more of Vitamin E compare with ordinary eggs. The consumption of Omega 3 will reduce heart disease, hypertension, LDL cholesterol, breast cancer, colon cancer and rheumatoid arthritis. In additional, Omega 3 is vital for the development of brain and retina tissues⁴.

Psychographics also will be the factors that can influence the customers whether to buy or do not buy omega egg. As we know that nowadays majority of the customers prefer to buy the products that have a brand. Previously it is no way that consumers can accept that even egg should have a brand identity. Those days, branded goods were toys of the rich and famous. However, today people perceive branded goods as quality assurance. Thus LTK should portrait a healthy lifestyle image in the overall promotion campaign. LTK should aim those who cherish healthy lifestyle and always engage in exercise or outdoor activities. In such a way, the company not only able to enhance market share but also building up a strong brand equity.

Chapter 6. 0: Positioning Strategy

For all these years, consumers treat all the eggs are the same. The only noticeable different is the size and the hardness of the shell. However, LTK successfully draw the differentiation line between Omega eggs and the ordinary eggs. Therefore, LTK should position omega substances as the distinctive and important element for the growing years. In such a way, general public as well as target market will draw attention on consuming more omega substances and association such need with buying LTK Omega egg. This is known as classical learning in consumer behaviour study.

Chapter 7. 0: Marketing Objectives

Marketing objectives may divide into quantitative and qualitative. In LTK case, the quantitative objective is to enlarge the market. The CEO of LTK

plans to exploit the South East Asia countries as well as western countries. LTK also wishes to increase the market share by 35% within the next 5 years. It is because LTK plans to spend 20% of the revenue in advertisement to promote the new product and healthy lifestyle. LTK also wishes to increase profitability by 7.6% in the coming year. In order to improve profitability LTK will empower and delegate more authority for the marketing department and sales force to carry out necessary tasks.

The qualitative objectives set by LTK are to build up the company image and product's brand equity. Besides, the company also wishes to train more middle managers in line with the strategic expansion. In conjunction with the expansion, LTK also wish to increase the marketing department employee welfare to boost up organisation spirits and morale. Besides, LTK wishes to have stronger affiliation with large-scale retail chains.

Chapter 8. 0: Marketing Strategy (Strategic Direction)

LTK is the market leader; a leader must be at a state of constant alertness and maintain watchfulness because other firms will attacks its weaknesses and try to offset LTK strength. The competitors also can do R&D and become more innovate than LTK.

Thus, if LTK wish to sustain their positions as a leader, LTK should be more proactive. First, LTK must pursuit the strategy of expanding the total market. LTK should "welcome" new users including the low-income earner. LTK can categorise the size of the eggs. It is because now omega egg only has one size. If LTK sells the smaller size egg cheaper than the other, lower income

consumers will try to buy it. Besides, LTK could develop new market such as South East Asia and EU continent. Thus, LTK not only concentrate the Malaysia market but the overseas market too.

As the market leader, LTK not only must expand the market, but to protect its current market share. Pre-emptive defence is crucial to undermine the competitors before they do. Furthermore, counter-offensive defence is also necessary to cut off the challenger's operational base.

Chapter 9. 0 Developing the Marketing Programs for LTK

In order to achieve the preset objective, LTK must balance off the attention for domestic and foreign market. Until now, the main focus for LTK should be domestic thus LTK should establish an overseas subsidiary in Asia and other state in Malaysia. However, LTK must always conduct research pertaining the consumer behaviour to segment the market. LTK must bear in mind that consumer insight will differ base on geographical differences. In addition to segmentation, LTK should aim for the most profitable target market. In my humble point of view, I will consider the segment which earning per year is above 30, 000 with a family size of 2-5 members. This segment will be the single largest segment in Malaysia and Asia countries. Thus the segment is sustainable, measurable, profitable as well as accessible.

This subsidiary is also responsible to gather market information in Malaysia market and distribute the company product to neighbouring countries such as Thai, Singapore, Indonesia and Brunei. The subsidiary is responsible to keep close contact with the retailers in these countries.

After establishing the distribution network, it is more important to ensure the product is acceptable by the consumers. The marketing department must understand that the company long-term objective is to move from core value to augmented value. Therefore, the media department must develop the advertising message that suits the taste of the target audience as well as meeting the company long-term objective. Furthermore, the message must be informative, educate and entertain.

In this point of time, I think the advertising theme must focus on introducing the public to the benefit of LTK Omega 3 enriched egg. The choice of media is also important when developing brand equity. It is a prudent move to place some advertisements in the health magazine in these countries.

Besides, the company can place some advertisements in selected local newspapers and radios stations. If the budget allocation allows, the company can consider placing advertisement on television. Whatever said and done, I think it is more appropriate to employ local agencies to handle the advertising activities since they are more familiar as well as more efficient. Below is sample of advertisements that LTK has applied in the local context.

The marketing department must monitor the performance of the advertising agencies from time to time or apply the payment based on performance scheme to motivate the agencies to put in more effort or pull up their socks.

Promotion campaign is equally important to stimulate trial for this product. The trial is very important because it will enable the company to portrait the superior quality of the egg and relate it to the brand name. The planned

promotion campaign that I intend to carry out is the demo session in major supermarket and hypermarket.

In this demo, I will show the audience how different is the LTK Omega egg from ordinary eggs. It is totally different in term of colour and elasticity of the yolk⁵. You can pick up the yolk of LTK Omega egg from the albumen and the yolk will not break or burst. This demo can be recorded and broadcast in the TV as part of the advertising campaign too. On the other hand, the company can also visit school and give away free bookmark and sample to the students when they are having cooking classes. In the supermarket, the company can employ sandwich man dress up like Humpty -Dumpy. Besides during Easter day, LTK can do promotion like buy 12 eggs and get an Easter egg for free.

Publicity is the most convincing tool for LTK Omega egg to persuade the consumers to purchase the product. The company should invite nutritionist to do scientific research and tell the public that whether LTK Omega eggs is really as good as the company claim. The consumer movement groups and the public watchdogs are also invited to examine the quality of the product. If their comments are positive, then LTK Omega egg will easily penetrate into the Asia market.

Packaging serve two purposes for LTK Omega egg. First of all, it will protect the egg and maintain its freshness. Secondly, the packaging can reflect the augmented feeling if it is nice decorated. However the company must bear in mind that the packaging must be environmental friendly and recyclable too.

The target consumers in these countries are very much concerned with environmental issues like plastic container and too much paper wrappers.

On top of that, the company should establish global web site, regional web site as well as country web site to provide health concern consumers about health facts pertaining to LTK Omega eggs. Suggestion box must be prepared to keep in touch with consumers. Furthermore, the company can do on-line delivery to enlarge the distribution coverage.

Lastly, LTK should enlarge the distribution channel to make this product easily available to the target market. There should be more state division wholesalers to support the distribution effort of LTK.

Chapter 10 Implementation, Evaluation and Control

Although all the strategic plan has been laid down in detail, the implementation is equally important to enable the plan to be carried out smoothly. All the tasks must be delegated accordingly. On top of that, there must be coordinating mechanism to facilitate decision-making process. Above and beyond, there must not be any breakdown in communication within each level and within departments as well. There should be weekly report and meeting to exchange ideas on improving the organisation activities. The Kaizen Methodology is very good in turning LTK into a learning organisation.

Since there is a preset quantitative objective, it is possible to evaluate the actual performance against the preset standard. If the difference is too wide, corrective measurement must be taken.

Other than comparing the actual result with the preset standard, LTK can measure the performance based on other sources such as customers' feedback, retail audit, distributors' feedback, survey and toll free calls.

In conclusion, the strategic plan must be review from time to time because the business environment is always dynamic and volatile in nature. The holistic audit of various aspects will definitely benefit the company with coming out a more complete strategic plan.