

Company analysis on giant hypermarket malaysia



**ASSIGN
BUSTER**

This paper is a company analysis on Giant Hypermarket Malaysia in general, but specifically focusing on Giant Hypermarket Sabah. Giant Hypermarket is a major supermarket and retailer chain in Malaysia. It is a subsidiary of Dairy Farm International Holdings (DFI) and is headquartered in Shah Alam, Selangor. In this paper, firstly we focus our analysis in identifying the Strength-Weaknesses-Opportunities-Threats (SWOT) of Giant; in addition, we constructed a SWOT Matrix for Giant where we identified the SO, ST, WO and WT strategies, which we think Giant should apply to improve their competitiveness. Next we focus our analysis on the external as well as the internal analysis on Giant. In the external analysis, we center our analysis based on two instruments that is the General Environment which is also known as the PESTLE analysis to help us to understand the external environment in which the organization operates, and also Porter's Five Forces Model to identify their industry competitiveness. On the other hand, in the internal analysis, we also used two instruments to analyze Giant, which is by doing an analysis on their Value Chain as well as by identifying their market growth and market share in BCG Matrix. Lastly, we conclude our analysis with some recommendations that we suggest Giant should focus on to better improve their supermarkets.

INTRODUCTION

Giant Hypermarket, which is owned by Giant Capital Holdings (GCH), is one of the largest hypermarkets in Malaysia. It was founded in 1944 by the Teng family in Kuala Lumpur. It's headquarter is based at Shah Alam, Selangor, meanwhile Sabah-Sarawak-Brunei Regional headquarter is located in

Kolombong Outlet, Kota Kinabalu. The key people to the success of Giant Hypermarket are the Teng Family themselves, and CEO Dato' John Coyle.

Giant is operating under the retail industry. Its main competitors are Servay, Milimewah, and Chua Kah Seng in Sabah, while Mydin for the western part of Malaysia. Giant's mission was always been to offer a wide variety of products at the lowest possible price. Their slogan which says " Everyday Low Prices, big Variety and Great Value" communicates the company's mission to the public.

Although Giant Hypermarket had been long operating at the western part of Malaysia, its operation is fairly new to the local people of Sabah. Knowing this fact, Giant has included states such as Sabah, Sarawak, and countries such as Brunei in their strategic plan for expansion. In order to implement their strategic plan, their strategy includes identifying stores to takeover (i. e. Likasmart in Sabah), and introducing low prices by having staffs surveying competitor's prices at major supermarkets outlets.

Giant Hypermarket currently has around 1, 000 employee in Sabah itself, and 10, 000 employees in total nationwide. Some of the employee benefits that Giant employee receives for working in Giant are employee insurance, a 10% discount when purchasing within group (i. e. Giant Hypermarket, Guardian Pharmacy, and Cold Storage).

Besides having plenty of outlet stores around Malaysia, Giant also has outlet stores around the Southeast Asia countries such as Singapore, Indonesia, Vietnam, India and also Hong Kong. Information about Giant Hypermarket

and promotions details can be accessed through Giant's Official Website which is www.giant.com.my.

Below is the price comparison we did during our interview visit to Giant Kolombong, between Giant house brand products with other major brands. It is clear that Giant house brand products are cheaper compared to other major brand which is as listed below:

Product Giant Brand

(RM) Other Brands

(RM)

Baby diapers (M) 27. 49 35. 99 (Pampers)

Dish washer 3. 79 4. 39 (Sunlight)

Liquid Softener 6. 29 6. 99 (Softlan)

Sos Ketchup Chili 1. 99 2. 29 (Maggi)

Box Tissues (4's) 6. 99 7. 89 (Premier)

Mineral Water (1 L) 0. 89 2. 19 (Spritzer)

(500 ml) 0. 69 1. 19 (Spritzer)

BACKGROUND OF THE COMPANY

Giant Hypermarket is a major supermarket and retailer chain in Malaysia. It is a subsidiary of Dairy Farm International Holdings (DFI).

The Giant store brand was founded by the Teng family as a simple grocery store in one of the suburbs of Kuala Lumpur in 1944. Its mission was to offer a wide variety of products at the lowest possible prices. As its reputation grew, so did its business.

Dairy Farm, which acquired Giant in 1999, recognized that the key to Giant's success had been its ability to continuously offer value for money products. It retained this core principle even as it began transforming Giant into a national and international brand.

After six years of effort, which included redesigning the stores, the introduction of the non-food products into the Giant hypermarkets, the implementation of international retail standards that includes safety, cleanliness, structured training, and a vibrant shopping environment as well as centralized buying functions and improved operations, Dairy Farm has made Giant the undisputed leader in Malaysia's retail sector.

In 1999, the first Giant Hypermarket store opened in Shah Alam, Selangor. By 2007, the company had grown to operate a total of 85 hypermarkets/supermarkets in Malaysia with outlet size ranging from the 350, 000 sq. ft hypermarket in Shah Alam to the 11, 000 sq. ft supermarket in Bangsar, Kuala Lumpur. The chain also includes 7 stores in Singapore and 15 hypermarkets in Indonesia. Giant hypermarkets offer a wide range of local merchandise, such as fresh local fruits, vegetables, and seafood within a wet market environment.

SWOT ANALYSIS

A SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to impact on strategy development. It is also useful as a basis against which to generate strategic options and assess future courses of action. The aim is to identify the extent to which the current strengths and weaknesses are relevant to and capable of dealing with the changes taking place in the business environment.

Here, we are going to analyze the strength-weaknesses-opportunities-threats of Giant one by one in order to fully understand the challenges Giant face. First, we will discuss about their strengths. Giant indeed is one of the largest players of the retail industry in Malaysia, having over 85 branches spread throughout the country making them one of the largest supermarket chains in Malaysia, which is good because this way they can capture the market share and little by little space out their competitors. Unlike TESCO and Carrefour which only focuses their customers in major cities, Giant's 85 branches are strategically located throughout the country and states, making them more attractive to their customers.

Besides that, having their own house brand is a good way of marketing their brand name to their customers. Giant house brand is quite cheap compared to other major brands available in the market, which will make them more sellable to their consumers. In addition, Giant has a reputation of value for money, which offers low prices, sometimes even lower than cost, which is good in the eye of their customers.

Giant also has a good marketing team whom are in charge in marketing and promoting Giant brand name to the public. The primary marketing tools of their marketing team is by buying billboards space, advertising in newspapers and by distributing flyers and brochures. These methods is proven to be useful especially when Giant first introduced their stores in Sabah, because according to their executive, more and more customers are going to their supermarket compared to before when they initially opened. Another strength of Giant is that, they have a good relationship with their suppliers where in the recent official opening of their store in Kolombong, they made a deal with their supplier to give them free products when they purchased more for the opening day. The free products are in turn promoted for only RM0. 10 on their opening day which causes many to turn up to buy the products, and indirectly also purchased other products in their store.

The main weaknesses for Giant are that, they are experiencing a high turnover rate with their employee especially in the operation department, many of their employee resigns after only working one or two months in their supermarket, which is not good for them as they will need to find and employ new employees. Besides that, running a supermarket especially the hypermarket in Kolombong requires high maintenance, if they are unable to keep up with the maintenance, it will destroy their reputation. For example, their store in Karamunsing which is not maintained well, the store has a certain smell which comes from their previously frozen section and the store product are not arranged well for the convenience of their customers.

Another weakness is that large size leads to inefficiency in bureaucracy; their decision making is centralized in their headquarters. Therefore, anything

happened or anything they do, they need to first consult their management team in Shah Alam. Also, Giant is experiencing a high advertising cost, especially in Sabah, where they need to introduce their brand name to attract their customers and capture market share.

Furthermore, in pricing their products, Giant does use the conventional sticker type pricing, they uses the shelf type pricing which is confusing to their customers, because the price list on their shelf are not frequently updated and often wrongly place. There are several incident whereby a customer saw a different price tag of the product they want to purchased but when they reaches the counter, they are asked to pay a different price which is much higher, this create unhappiness and dissatisfaction among their customers.

There are several opportunities for Giant. Firstly, they have ready customers, households now are increasing and everyone needs to buy household products, this creates a good demand for them. Another opportunity for them is to explore into new location in Malaysia, which is also in conjunction with their current strategic plan which is to open up to 40 branches throughout Sabah, Sarawak and Brunei. Besides that, they can try to increase the variety of their house brand, as well as introducing other products for their house brand to compete with their competitors.

The threats experienced by Giant are that there is stiff competition within the industry, there are other major supermarket chains, such as Tesco, Servay, Milimewah, etc. in Malaysia which is competing alongside with Giant in the retail industry.

Another threat is that although their house brand is known to their customers, but it is not their customers preferable brand, their customer still prefers other established brand name products compared to theirs. Also, survey done by Giant shows that initially Sabahan cannot accept Giant due to numerous reasons, this can be scary for them because if their customers still cannot accept them for a long-tem period, thus less people will shop in their store and sales will decreases.

Lastly, the threat faced by Giant is online shopping. We are now in the IT era, people are becoming used of using computers to do their daily task, for example to pay bills, transfer money, as well as to buy stuffs. Websites which provides online shopping are such as [www. ebay. com. my](http://www.ebay.com.my), [www. lelong. com. my](http://www.lelong.com.my), and etc. Thus, online shopping can create threats for Giant conventional brick-and-mortar type of business.

On the other hand, the SWOT matrix is an important matching tool that helps managers develops four types of strategies: SO (Strength-Opportunities), WO (Weaknesses-Opportunities), ST (Strength-Threats), and WT (Weaknesses-Threats).

SO strategies use a firm's internal strengths to take advantage of external opportunities. For the case of Giant, their SO strategies might be to explore into other areas in Malaysia, such as in Tawau, Semporna and Miri, as well as to expand internationally in Southeast Asia countries such as the Philippines, Thailand, and etc. Also, to increase variety and add product line to their existing house brand product to gain customer's attention.

WO strategies aim at improving internal weaknesses by taking advantage of external opportunities. For their WO strategies, we think that Giant should provide adequate training and more employee benefits to their employee especially in the operation department, to lessen their turnover rate in the future. Besides that, they should also renovate or refurbished their acquired supermarkets to resemblance their Giant concept and reputation and to continue maintenance of the outlet. (E. g. Giant Karamuning outlet is not maintained well)

ST strategies use a firm's strengths to avoid or reduce the impact of external threats. ST strategies that would be appropriate for Giant would be to continue strategy to open more branches to increase market share and to eliminate competition. Besides, to increase marketing