

Padini holdings  
berhad is a malaysia  
based investment  
marketing essay



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Padini Holdings Berhad is a Malaysia-based investment holding company. Padini has setup its operation in Malaysia's apparel industry, manufacturing and trading. Its product line includes garments for men, women and children; women shoes, maternity wear and fashion accessories for men, women and children.. It operates in Malaysia and Hong Kong. Its major subsidiaries include Vincci Ladies' Specialties Centre Sdn. Bhd., Padini Corporation Sdn. Bhd., Seed Corporation Sdn. Bhd., Yee Fong Hung (Malaysia) Sdn. Bhd., Mikihouse Children's Wear Sdn. Bhd., Vincci Holdings Sdn. Bhd., Padini Dot Com Sdn. Bhd., The New World Garment Manufacturers Sdn. Bhd. and Padini International Limited.

## PEST ANALYSIS

### Political Factors

In order to improve consumers spending in the clothing industry, " Mega Carnival Sale" has been implemented by the Malaysian government is to be held 3 times a year. Its main purpose is to promote Malaysia as a " value for money shopping destination". This aggressive approach attracts the tourist to shop at the local apparel outlets, which in turn would increase foreign tourist spending and increases our country's foreign exchange earnings. This would also encourage the Malaysians to shop locally, which would benefit Padini Holdings Bhd in terms of their sales. This has created an opportunity for the domestic companies. However the side effect of such activities would stimulate the domestic economy and increases the number of competitors in the domestic market. Nevertheless, Padini Holdings would still stand out as a market leader.

## Economic Factors

Malaysia's economic growth is to be has been unstable fluctuating from -1. 5 to -2. 6 from 2008 to 2010. The highest growth was during the period of March to September 2009 which increases from -7, 8 to 5. 7. The economic growth is expected to be due to the domestic market with growth in the private sector. The private sector makes up the majority of the Malaysian economy, with private consumption accounting for nearly 44% of GDP. “ Love Malaysia, Buy Malaysia” campaign was launched to by the government to get Malaysians to support domestic market and take holidays in local tourist sites. The government also subsequently launched a national campaign on wise spending, with the aim to educate consumers on the importance of domestic demand on the GDP growth and economic recovery as a whole.

## Social Factors

Malaysian is classified as an upper middle-income country, and considered as one of the most developed among the developing countries. Middle income households defined as those earning between RM1, 500 and RM3, 500 per month, and has increased from 32. 3% of total household population in 1995 to 37% in 1999. The low-income group, categorized by household income of up to RM1, 500 per month, spends a proportion of this amount on food. Meanwhile, the high and middle income households spend most of their money at hypermarkets. 3. 4% of their income is spent on clothing and foot wear. Malaysia's consumers' lifestyle has been changing for the better due to the rise in education levels. High profile retailers as well as global

mass media have shaped consumers' buying behaviour, resulting in the Malaysians being more westernized. The Malaysian's life leisure life revolves around trendy shopping malls. Therefore Padini Holdings Bhd has to be more update with the latest trends. They have to advertise and keep the consumers informed and reminded that they still exist and provide the customers with quality and trendy clothes.

### Technological Factor

With the Internet and e-commerce, retailers can now sell their products online and deliver it to customers on their door-step efficiently within a timely manner. It can make customers' life more convenient as they do not need to get their house to go purchase a product in the hypermarket and making the purchase at the comfort of their own home. Furthermore, retailers can also sell their products to the overseas market without the need to open a physical store in the foreign country. This helps Padini Holdings to earn more profit using online intermediaries and cut costs by not establishing new stores in certain areas.

### PORTERS 5 FORCES

#### 4. 1 Intensity of rivalry among existing competitors

In today's industry, many company has increase its size in order to competitively fit. Most company now is equally big in terms of size. When the firms are of equal size, they will have to compete for the same resources such as brand image, market share, customers' loyalty, and other factor.

This would result in a high rivalry and a threat for Padini Holdings Bhd,

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especially since its competitors: Giordano Holdings Bhd, Bonia Corporation Bhd and Esprit are of equal size. Hence, Padini has to compete with aggressive strategies, such as opening more outlets and creating new and trendier styles and designs to capture customers' attention.

Cost of switching is low

The cost of switching is low, because customer will only have to compare prices of competitors clothing and services offered. They can also compare the styles of the clothing season. This increases the rivalry among competitors and Padini will never stop competing against Bonia, Esprit, Giordano to ensure that they make a sale, and that customers will always keep retuning because of the trendy clothing styles. This is a big catch for the competitors because constant advertising counts in calling to the customers.

#### 4. 2 Threat of Substitutes

In the retailing and manufacturing industry for apparels, there is no visible substitute, because clothing is a basic need and necessity. However, there are potential substitutes in reaching to the customers. This is in the form of a non-retailing store, where by it is slowly gaining popularity in the Asian countries. Non-retailing include direct mail, online shopping, direct mailers, telephone sales, door-to-door selling. In Malaysia, we have already seen this appearing such as SmartShop,

Cosway, Amway, and others. However the treat of substitutes is weak, because there isn't an entry yet on clothing only perhaps online shopping

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which is currently available at large, but hasn't gained popularity in the Asian culture.

#### 4. 3 The power of Buyers

Padini has the same customer base as its competitors. Therefore, switching cost is low and if customers are not satisfied with the quality, and service offered it can switch easily to its competitors and purchase from them. The issue here is the fashion, how fashionable is the products of Padini and does it provide the better value to the customers than its adversary. The bargaining power of buyers here is moderate, and they can influence fashion and trend. Thus Padini must be sensitive to the customer's ever changing trend to satisfy their needs. However, the products are differentiated, thus buyers aren't able to find the same style and instead have to purchase from Padini even if the price is moderately high.

#### 4. 5 Threat of entry

The existing companies such as Padini, Bonia and Elba have already established themselves with manufacturing. They are already operating at the lowest cost possible because their selling prices are much cheaper than foreign competitors. Since they achieved economic of scale it is difficult for new comers to come into the market, because they will face retaliation from the existing companies. New companies can come into the market, however they cannot operate in a large scale immediately, instead they can compete with smaller competitors that are not listed in the KLSE, and once they have been in the market for long and have expanded in size, can they start to compete with Elba, Padini, Espirit and Bonia.

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### \*Product Differentiation

Established firms like Padini, Elba, and Bonia already have brand identification and customer loyalties. It has taken several years to obtain this through heavy expenditures spent on advertising, creating a good customer service, creating the products with style and fashion. As for Padini, they have acquired a large amount of market share after establishing its brand for a long time. Thus, entry here will be low because new companies will have to study the market and do good public relations to win the heart of consumers. Furthermore, it is very risky to build a brand name, because there is a potential of failure even if a big amount of money has been spent on advertising, thus suffering from a start up loss which may take years to recover.

## 5. 0 COMPETITORS ANALYSIS

Within the apparel industry, here are a number of retailers that have already been well established such as, Bonia, Espirit, and Giordano that are direct competitors of Padini. They are selling the same product but it is highly differentiated in their style, design and services provided.

### 5. 1 5. 2 Bonia Corporation Bhd

Bonia was incorporated as a private company on 28th August 1981, and became public on 22nd June 1993. The Bonia Group is involved in the designing, manufacturing, marketing, retailing, wholesaling and franchising of fashionable leather goods, accessories and apparel for the local and overseas markets. Bonia's market share in Malaysia and Singapore is

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currently between 35% and 40%. Bonia has two factories in Malaysia. The strengths possessed by Bonia is that have a superior and well established brand name, compared to the formal wear at Elba's fashion menswear. They have also expanded into the foreign market such as New York, London, Paris, Tokyo, Hong Kong, and Thailand. Bonia has several promotional activities such as the members' card, whereby point can be accumulated. The weakness of Bonia is that during the 97'crisis, their financial performance had been affected, and in the later years, they had to change their strategy and focus on the core products and to ensure a profit, they had to dispose of their land which was meant for the construction of apartments.

### 5. 3 Esprit Holdings Limited

Headquartered in Hong Kong, Esprit Holdings Limited is engaged in the sourcing, retail and wholesale distribution and licensing of quality and lifestyle products designed under the globally recognized ESPRIT brand name. It has been a listed company in Hong Kong since 1993 and has a secondary listing on the London Stock Exchange since December 1998. The strengths of Esprit is that they have a very well established brand, and they have been expanding tremendously in the overseas market, and have ventured into new product lines such as sports wear and clothes for kids. They have been successful in their financial performance, and have managed to survive with positive figures even during the turbulent events that took place in the economy.



However, the weakness is that in Malaysia itself, they are not very aggressive in their advertising. They seldom advertise when there is a sale or when any other promotional events are taking place or when they are launching a new clothing design.

## 5. 6 Giordano

The company was established in 1981 and it is one of the well known and established brands in the Asia Pacific region especially Malaysia. Giordano is a retailer of unisex casual wear apparel catering to a market which is young and looking for affordable clothes. Simplicity is perhaps the most important guiding principal of the brand Giordano feels that by keeping everything simple. The strengths of Giordano are that it offers simple clothing in terms of its designs. It is cheap compared to other foreign competitors like Esprit, and even with these affordable prices, their products are of good quality. The weakness however is that they have been doing poorly in their financial performance ever since the 97' crisis took place. Thus, with insufficient funds, they are not able to aggressively advertise and expand their outlets across the Malaysia region.

## Conclusion

The key success factors of Padini are that they are very aggressive in their advertising compare to most of their competitor. They recognize the value of promotions and advertising as a way of building a brand image. This incepts a strong image in the customers' mind that it is a brand of great value and affordable for them. Padini is always one of the top few brand in the customer's list when they buy their clothes especially formal dressings.

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Padini is always implementing new concepts diversely in the apparel industry in order to be unpredictable and stand out from its competitors. The firm is also began to expand into overseas neighbouring countries such as Bangkok and Thailand. This accounts for one of its globalization strategies. The downside of this company is that it has too many different brands. Their famous brands is Padini Concept and Vincci which is widely known by the consumers whereas the other brands are not well exposed to the customers. Some of them maybe known to the customer but they do not know that they belong to the same family.