



# Anggun Snack Platz: A Case Study

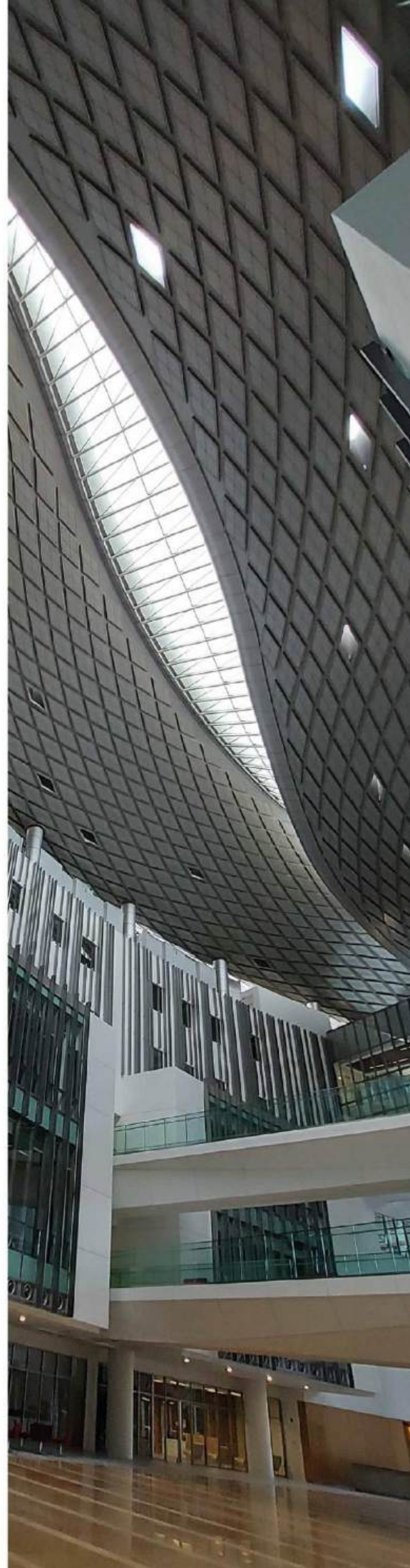
Khatijah Isa

Aiman Aizuddin

## Business Case Study Series: August 2024

### ASEAN Research Center (ARC)

Endowed by Maybank, the ASEAN Research Center (ARC) positions itself as the intellectual hub in Southeast Asia, focusing on impactful research about emerging markets in the ASEAN region.



## EXECUTIVE SUMMARY

*This case study focuses on Anggun Snack Platz, a small and medium enterprise in the food and beverage sector. Its business is affected by broader factors such as the passing of Budget 2023, the implementation of the MADANI Economy framework, Budget 2024, the ringgit's performance and tourism. Specific challenges include: (1) Malaysia's heavy reliance on food imports and raw materials; (2) the rising costs of goods and services; (3) the high sensitivity of consumers to prices; (4) the growing presence of e-commerce and shifts in consumer behaviour; as well as (5) difficulties among industry actors in adapting to ongoing challenges. Anggun Snack Platz can leverage several potential opportunities, including: (1) pursuing government initiatives and incentives; (2) taking advantage of increased health consciousness among consumers; (3) a vibrant café and restaurant culture; (5) adopting international product quality standards; (6) developing convenience food; (7) creating an additional revenue stream by supplying essential ingredients; (8) making contemporary digital transformations; and (9) applying for halal certification.*

### ASB-ARC | BCS003 / 5 August 2024

The views and opinions expressed are those of the authors and do not represent those of the ASEAN Research Center (ARC), the Asia School of Business (ASB) or its affiliates. All errors remain the authors' own.

Attribution – Please cite the work as follows:

Khatijah Isa & Aiman Aizuddin (2024). *Anggun Snack Platz: A Case Study*. ARC BCS ID: BCS003. <https://asb.edu.my/faculty/research-publication-database/> Kuala Lumpur: Asia School of Business.

Creative Commons Attribution CC BY 3.0

Please visit <https://asb.edu.my/research-office/the-asean-research-center-arc/> for further information on the ASB ASEAN Research Center – Case Study Series.

## Introduction: Malaysia's Economic Outlook

As of 2023, Malaysia's economy reflected a positive trajectory, with a nominal gross domestic product (GDP) estimated at USD 430.895 billion and a purchasing power parity (PPP)-adjusted GDP of USD 1.226 trillion. It has a prominent position in the global economy, ranking thirty-sixth in nominal GDP and thirty-first in PPP-adjusted GDP. Notably, Malaysia has experienced robust economic growth (3.1%, 8.7% and a projected 5.6% growth in 2021, 2022 and 2023, respectively). Malaysia's nominal and PPP-adjusted GDP per capita are estimated at USD 13,034 and USD 37,083, ranking sixty-seventh and fifty-fifth worldwide, respectively. There is a diverse sectoral contribution to the economy: although dominated by services (58.6%), there are significant contributions from agriculture (6.3%) and industry (24%). Key industries include electronics, semiconductors, rubber, automotives, pharmaceuticals and Islamic finance. The substantial labour force numbered 16,760,000 individuals in January 2023, with an employment rate of 69.8%. Despite its economic vibrancy, as of October 2023, Malaysia's Gini coefficient was 41.2, thus indicating moderate income inequality, while the unemployment rate stood at a reasonably low 3.625%. Regardless, Malaysia's economic outlook remains optimistic, fueled by its diversified industries and strategic positioning in regional trade organisations, thus promising continued growth and development (CIA, 2024). This is the economic context in which the Rawang-based Anggun Snack Platz company operates, and we outline the food and beverage sector's context as well as challenges and solutions to its business.

## Industry Context

### *The MADANI Economy Framework and its Impact on Businesses*

The passing of Budget 2023 and the MADANI Economy framework are anticipated to catalyse significant economic growth, with particular benefits for small and medium enterprises (SMEs) and the informal sector at large, which were hard-hit by the Covid-19 pandemic. This framework, which is perceived to be a meticulously crafted blueprint, emphasises support for startups, provides business loans and micro-loans, promotes upskilling through technical, vocational education and training (TVET) opportunities, and allocates substantial resources for SME digitalisation and automation. The SME Association of Malaysia (Samenta) has highlighted the importance of effective implementation through the Budget's timely disbursement. Samenta believes that the framework will drive SME growth, emphasising its alignment with structural reforms and the transition away from grant-based support towards emphasising productivity and inclusive financing instead. Various SMEs are expected to reap benefits, with larger enterprises tapping into the low-carbon and renewable energy transition, while SMEs will receive support through initiatives such as digital matching grants and micro-loans. Overall, these initiatives signify a positive economic narrative, providing SMEs in Malaysia with opportunities for growth and resilience. However, concerns remain over how certain traditional businesses can adapt to this evolving economic landscape.



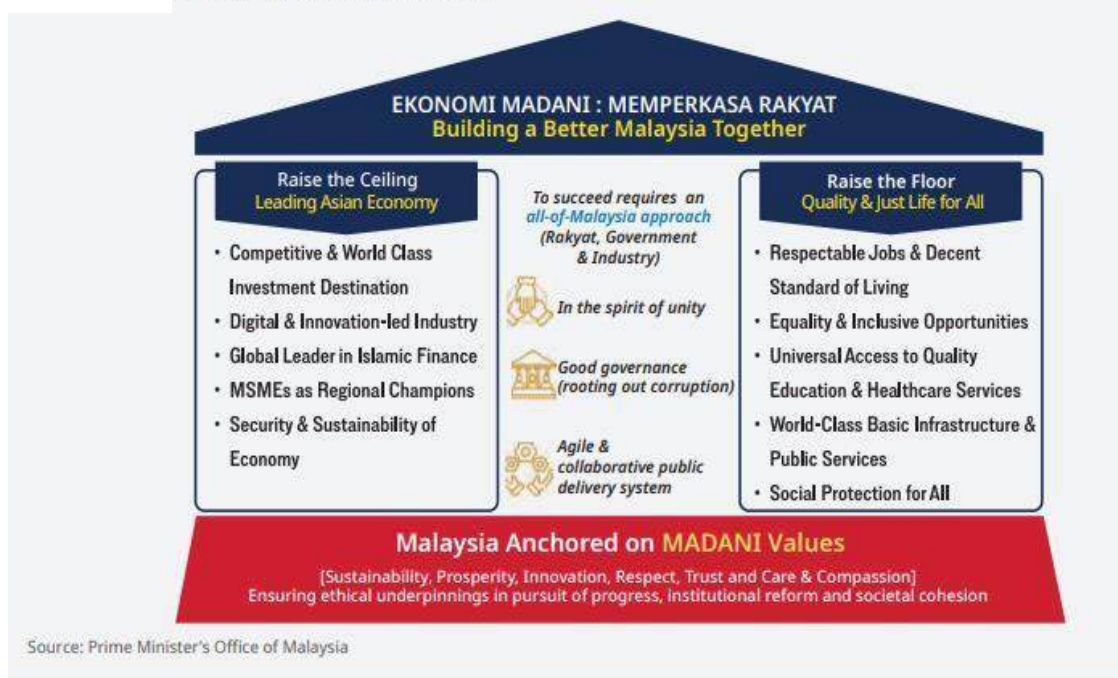


Figure 1: An overview of the MADANI Economy framework (Ministry of Finance, 2023)

### The F&B Sector Landscape

The local food and beverage (F&B) sector is a dynamic and rapidly growing market. Valued at approximately USD 22.12 billion in 2018, with an annual growth rate of 7.6%, this sector offers a broad range of processed foods catering to various tastes. Although dominated by numerous SMEs, it also attracts investments from foreign multinational corporations (MNCs). The Malaysian government has encouraged foreign investment through favourable policies to stimulate research, development and knowledge transfer. The most significant subsector is in palm oil-based products, of which Malaysia is a major exporter. Other important products include cocoa, chocolate, fishery products, cereals, confectioneries, beverages and more. The sector has a heavy dependence on imported staples such as rice, meat and seafood. However, many SMEs face challenges implementing efficient production practices, with an impact on local production costs. Despite advancements, the industry still grapples with consumer, food safety and regulatory challenges.

The food processing subsector constitutes about 10% of Malaysia's manufacturing output and has substantial export and import value. The food distribution subsector, encompassing retail and services, was expected to have a market value expected of €30.34 billion by 2022, with a growing online grocery market. This subsector, which ranges from small-scale retailers to e-commerce platforms, is highly fragmented. The Covid-19 pandemic accelerated the growth of the latter, thus prompting businesses to adapt to digital marketplaces. Meanwhile, the food service subsector has witnessed the rapid growth of fine dining, international chains and cafes, with over 31% of Malaysians spending their disposable income on dining out. Lifestyle changes and an increased demand for organic and healthy food reflect evolving consumer preferences. Meanwhile, halal-certified products (as determined by the Jabatan Kemajuan Islam Malaysia, JAKIM) enjoy increased market opportunities given Malaysia's substantial Muslim population. Overall, the F&B sector's multifaceted contributions underscore its substantial contribution to Malaysia's economy, reflecting a vibrant and dynamic market with considerable growth potential.



 Nestlé (Malaysia) Berhad <a href="https://www.nestle.com.my/">https://www.nestle.com.my/</a>	 Fraser & Neave Holdings Berhad <a href="https://www.fn.com.my/">https://www.fn.com.my/</a>	 PPB GROUP BERHAD PPB Group Berhad <a href="http://www.ppbgroup.com/">http://www.ppbgroup.com/</a>
 Dutch Lady Milk Industries Berhad <a href="https://www.dutchlady.com.my/">https://www.dutchlady.com.my/</a>	 MSM Malaysia Holdings Berhad <a href="http://www.msmsugar.com/">http://www.msmsugar.com/</a>	 FFM Berhad <a href="https://www.ffmb.com.my/">https://www.ffmb.com.my/</a>

Figure 2: Key players in Malaysia's F&B sector

### Budget 2024 and Prospects for the F&B Sector

TA Research anticipates significant benefits for both retail and F&B players based on Budget 2024, which is expected to strike a balance between fiscal responsibility and inclusive economic growth, as Malaysia transitions into Covid-19's endemic phase. Subsidy rationalisation is projected to reduce relevant allocations to around RM40 billion (compared to RM58.6 billion in the revised Budget 2023), with only a modest impact on affluent households (*The Star*, 2023). The government may introduce a new progressive wage model alongside the existing minimum wage policy, while potentially increasing the minimum monthly wage to RM1,800. Additionally, a reduction in disbursements through the cash assistance programme is expected, with eligibility criteria assessed through the new Pangkalan Data Utama (PADU) system, which serves as a central data hub.

Thus, businesses such as Anggun Snack Platz may experience significant benefits from Budget 2024, given the overall expected positive environment for the consumer sector. Affluent households are expected to retain significant purchasing power, thus potentially benefiting businesses catering to this demographic. Wage reforms could have an impact on labour costs for businesses, including Anggun Snack Platz, potentially requiring adjustments in terms of budgeting and pricing strategies. Meanwhile, the reduction in direct cash assistance could influence consumer spending patterns. Therefore, Anggun Snack Platz should closely monitor these broader developments and adapt its business strategies in accordance with potential shifts in customer behaviour and operational costs.

### The Ringgit's Performance and Tourism's Impact on the F&B Sector

The ringgit's performance indicates a strong foreign portfolio inflow into the Malaysian capital market, which reached a total cumulative net inflow of RM24.8 billion as of August 2023. A notable inflow in July, driven by a substantial influx of RM11.3 billion into the fixed-income market, contributed significantly to this trend. However, there was a reversal in August, with a RM5 billion outflow from the debt market. However, the equity market still experienced a positive inflow of RM0.14 billion. The ringgit's performance is significantly influenced by these capital flows, which have an impact on the tourism and F&B sectors. For businesses like Anggun Snack Platz, a strong ringgit may attract more tourists, thus potentially boosting the F&B market. However, fluctuations or outflows might impact consumer spending patterns. Therefore, monitoring the ringgit's performance and understanding its connection to tourism and other economic trends is crucial for the F&B sector to adapt accordingly.

Anggun Snacks Platz stands to gain from a possible inflow of tourists to Rawang. This mukim boasts a diverse range of tourist attractions, offering access to natural beauty, cultural richness and outdoor adventures. The seven-tiered Kanching Falls is a popular spot for picnics and jungle walks. Bukit Unyang, Bukit 2 Ringgit and Jing Loong Shan Wan Fo Shih provide hiking opportunities with scenic views. Cultural sites, for example Sri Krishna Paramathma Temple and Jing Loong Shan Wan Fo Shih, showcase religious architecture and practices. The Tasik Puteri Golf Club & Resorts and Gamuda Gardens offer recreational activities such as golf and lakeside relaxation. The Commonwealth Forest Park, Tasik Biru Seri Kundang and Moto Maniac Dirt Bike Adventures & Tours provide diverse outdoor experiences. The Selangor Fruit Valley offers interactive learning

and outdoor fun. However, challenges such as deforestation<sup>1</sup> and infrastructural issues in Rawang may impact the appeal of these attractions. For F&B operators like Anggun Snack Platz, aligning business operations with tourism trends by addressing visitors' needs could positively impact sales, especially during peak tourist seasons.

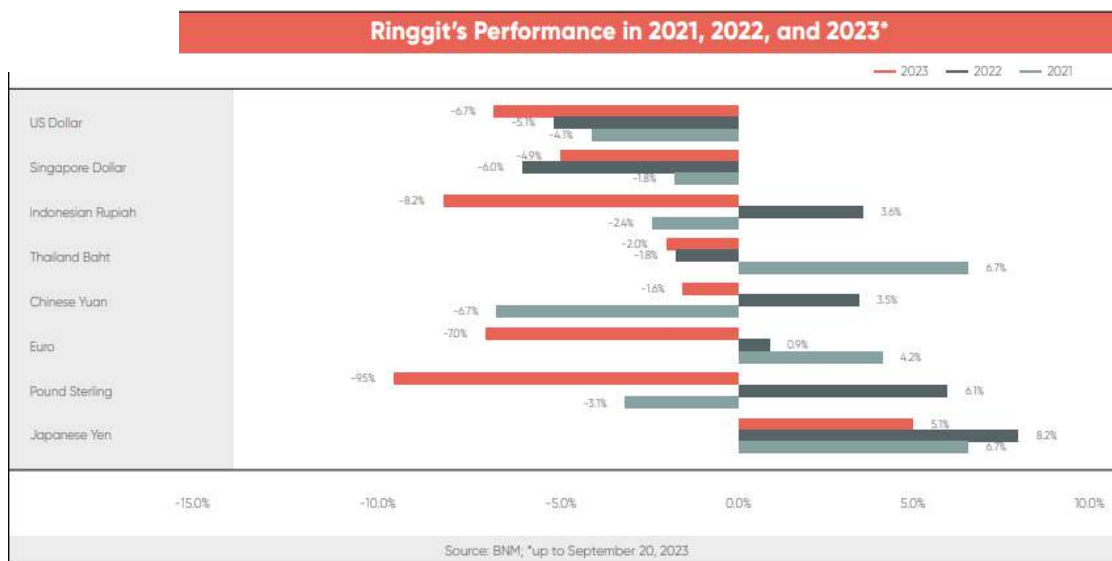


Figure 3: The ringgit's performance against other major currencies, 2021–23

## Challenges and Solutions

### Challenges Facing the F&B Sector

The F&B sector faces several challenges which could impact Anggun Snack Platz's business. Firstly, *Malaysia's heavy reliance on imports for F&B products and raw materials*, coupled with disruptions to the food supply chain because of the Covid-19 pandemic, poses a threat to the sector's stability. Although the government emphasises research and development initiatives to address food security, Anggun Snack Platz may experience changes in sourcing ingredients.

Further, the *rising costs of goods and services*, driven by increased input prices and inefficient production methods, may lead to higher operational costs for the F&B sector. Government initiatives such as the provision of grants to upgrade production methods could offer relief, but adjusting to higher costs may present challenges for Anggun Snack Platz.

The *high sensitivity of Malaysian consumers to price changes*, despite their increasing spending power, highlights the importance of balancing affordability against quality. Anggun Snack Platz may need to carefully navigate pricing strategies to meet consumer expectations and maintain market competitiveness.

The *growing presence of e-commerce and shifts in consumer behaviour*, accelerated by the Covid-19 pandemic, has changed the retail landscape. Anggun Snack Platz should consider adapting its business strategy to embrace e-commerce opportunities and leverage digital platforms to reach a broader consumer base.

Finally, the *inability of SMEs in the F&B sector to adapt to changes*, which may be attributed to a lack of knowledge and financial resources, may affect the sector's overall competitiveness. As an SME, Anggun Snack Platz should evaluate the opportunities provided by government grants and incentives to review and reevaluate its processes

<sup>1</sup> For example, the Templer Park forest reserve faces threats from recent developments and deforestation.

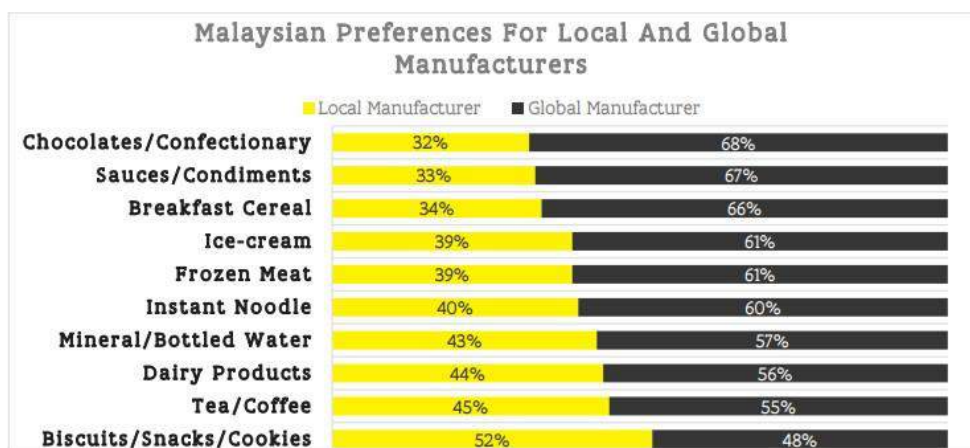
(including branding as well as distribution and communication channels) to enhance its resilience and competitiveness in the evolving F&B market.

### Opportunities and Projected Benefits

As stated above, Anggun Snack Platz can leverage several potential opportunities, primarily *government initiatives and incentives*. Further, the Malaysian government is encouraging foreign direct investment (FDI) in the F&B sector through tax incentives and exemptions. Anggun Snack Platz can benefit from these initiatives by exploring opportunities to invite FDI—here, foreign capital owners may potentially expand their operations within Malaysia while enjoying tax reliefs.

The *promotion of healthy lifestyles*, given increasing health consciousness among Malaysians, presents an opportunity for Anggun Snack Platz to align its product offerings with the demand for healthy and sustainable food choices. Developing or promoting products such as nutrition bars, functional cereals as well as vitamins and supplements can cater to this growing trend. The current valorisation of health and convenience enables Anggun Snack Platz to innovate in terms of its product offerings and marketing strategies.

There is also a need to adopt *international product quality standards*. Malaysians generally perceive such products as being of better quality than local ones, thus presenting an opportunity for Anggun Snack Platz to guarantee the quality of its snacks. Highlighting its adherence to international standards in terms of production and ingredients may attract consumers seeking premium and high-quality F&B products. Further, a *rising demand for convenience food*, such as ready-to-eat (RTE) meals, allows Anggun Snack Platz to be innovative. Developing options that cater to the preferences of younger generations could tap into the growing market for RTE meals.



Source: Nielsen Global Survey of Brand Origin, 2017

Figure 0.4: Malaysian preferences for local and global manufacturers

The demand for raw materials in food processing provides another direction for innovation. Since Malaysia is a net importer of raw materials for the food processing subsector, Anggun Snack Platz can explore the possibility of *supplying essential ingredients* (e.g., dairy ingredients, corn, potatoes) *for the local market* as an additional revenue stream. Further, the *booming local café and restaurant culture* provides a separate opportunity to collaborate with cafes by producing biscuits, cookies, or chocolates, while exploring partnerships with restaurants to feature its snacks on their menus. This aligns with industry trends towards diverse culinary experiences, which may enhance brand visibility. *Contemporary digital transformations* should also be taken into consideration, primarily by embracing e-commerce and digital platforms to enhance product accessibility.

Finally, the company should apply for *halal certification* to signify its adherence to religious standards to capture a broad Muslim consumer base. Halal-certified products must be safe, non-intoxicating and health-friendly. Products should adhere to strict Islamic dietary laws, thus ensuring that they are free from non-halal animal parts and have been prepared according to Sharia law and in accordance with fatwa. These products exclude ingredients

deemed as "najis", such as alcohol, dogs, swine, non-ritually slaughtered animals, blood and certain animal milks. The manufacturing process should avoid contamination by such substances through physical segregation during preparation, processing and storage. For businesses like Anggun Snack Platz, ensuring compliance with these standards opens opportunities to tap into the substantial halal-conscious consumer market, thus enhancing the brand's appeal and market reach.



Figure 5: Halal logos from JAKIM

## Conclusion

By strategically aligning its offerings with the opportunities discussed above, Anggun Snack Platz can strengthen its position in the Malaysian F&B market by appealing to evolving consumer preferences and contributing to overall business growth.

## References

- CIA (Central Intelligence Agency). (n.d.). The World Factbook: Malaysia. <https://www.cia.gov/the-world-factbook/countries/malaysia/>
- Ministry of Finance. (2023). *Economic Outlook 2024 (Malaysia Madani: Memperkasa Rakyat)*. <https://belanjawan.mof.gov.my/pdf/belanjawan2024/economy/economy-2024.pdf>
- The Star*. (2023, October 5). F&B players, retail sector forecast to benefit from Budget 2024. <https://www.thestar.com.my/business/business-news/2023/10/05/fb-players-retail-sector-forecast-to-benefit-from-budget-2024>