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Baked KL: Prospects for a Pioneering Actor in the Local Vegan Market

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EXECUTIVE SUMMARY

Baked KL, a niche, home-based vegan snack and dessert business, caters specifically to consumers with strict dietary restrictions. This case study examines Baked KL's strategic approaches to market challenges by focusing on its unique positioning (i.e., as a first mover in the Klang Valley's vegan market) and recommending solutions in line with the ethos of its owner. Its key challenges are (1) consumer awareness, (2) economic conditions, and (3) Technical and material limitations. Solutions include (1) operational modifications, (2) business expansion, and (3) strategic marketing and delivery services. We argue that combining economic and managerial theories with hands-on tactics can enable niche food businesses to thrive by embodying theories and skilfully applying them to overcome complex issues and achieve long-term growth in a fast-changing market. Baked KL's journey demonstrates the importance of agility in small businesses and the value of applying a targeted, niche approach which does not necessarily rely on the mass market.

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Introduction

Baked KL, a niche, home-based vegan snack and dessert business, caters specifically to consumers with strict dietary restrictions. This case study examines Baked KL's strategic approaches to market challenges by focusing on its unique positioning (i.e., as a first mover in the Klang Valley's vegan market) and recommending solutions in line with the ethos of its owner, Iza Sallehuddin. The company has been targeting women and mothers whose young children have specific allergies, but in recent years, it has been forced to streamline its operations to adapt to market demands and changing economic conditions. Operating from a home base in Ampang, Baked KL primarily serves customers in the surrounding neighbourhoods (i.e., those within a ten-kilometre radius). Notably, it has not emphasized the nutritional data of its products, which incur additional costs such as laboratory testing. In this case study, we outline the industry context and discuss both challenges faced as well as solutions—some of which Iza has already taken, and others which we recommend.

Industry context

Baked KL is a significant actor in the vegan dessert industry, which is a specialized segment taking advantage of both increasing consumer awareness of specific dietary restrictions and allergies, as well as a growing preference for vegan food options. Overall, the Malaysian food and beverage (F&B) industry's [recorded RM228.66 billion in revenue in 2023](#), with a projected compound annual growth rate of 7.95% projected between 2023 to 2027. As a substantial contributor to the national economy, the broader industry provides employment for over a million Malaysians. We are specifically interested in the healthy snacks and foods market, which is poised for robust growth. According to industry observers, the remarkable 22% growth posted in 2022 was expected to continue in 2023, and they particularly emphasized the food service subsector's recovery after years of Covid-19 lockdowns. Such expectations were in line with insights from [Export Connect](#), which highlighted the pent-up demand driving growth.

Meanwhile, economic trends show a pivot towards health-conscious food consumption, particularly in the Klang Valley. Rising health consciousness and a demand for healthier treats present growth opportunities. Baked KL's early entry into the market and its specialization in allergy-friendly products places it in a prime position for further growth. Given that more children have recently been identified as suffering from gluten allergies, gluten-free (and vegan) desserts could see increased sales and consumption. At this juncture, Baked KL's biggest selling point is customer trust, which emerged from its successful track record. Many people depend on the company to make delicious desserts which cater to their dietary restrictions.

Challenges and solutions

Challenges faced

Consumer awareness

Despite Baked KL's efforts to cater to more health-conscious consumers, the broader market perception of treats as being merely indulgences highlights the need for targeted and effective educational campaigns. Thus, Baked KL not only faces challenges from direct competitors, but also in terms of promoting cakes and desserts to consumers who are attempting to live healthier lifestyles. While Iza has expressed a desire to open pop-up shops in Kuala Lumpur, there remains relatively low consumer understanding about the process of making vegan products—thus, they might wonder why her products are so expensive (see below). Vegan desserts cater to a niche market, rather than the broader market for traditional desserts, which thus limits Iza's potential customer base accordingly and complicates her attempts to upscale the business. While veganism is indeed becoming more popular and there is a growing awareness of gluten allergies, competition between her and her competitors to fill this niche market segment is still increasing.



Economic conditions

After the Covid-19 pandemic, Baked KL faced significant hurdles, including a reduced demand for vegan desserts and the ending of business-to-business contracts with cafes. Given the reduction in disposable income among consumers, desserts became seen as a luxury for those who were forced to reduce spending on such products. An inability to maintain high profit margins and the material challenges faced in selling products with short shelf-lives (see below) have caused a drastic drop in sales (from a pre-pandemic average of RM50,000 to RM10,000 per month). Further, the costs and risks associated with scaling-up operations in order to compete effectively in the rapidly evolving and competitive healthy food market are significant. Iza currently finds it difficult to fundraise and hire support staff, and without external help, she lacks the time to implement a growth plan.

Technical and material limitations

One crucial challenge standing in the way of full certification was the lack of a formal hazards and critical control points (HACCP) system—however, as a small business being run from home, it would likely not be possible to comply with such a system’s requirements, which are optimized for major food producers. Thus, formal and standardised quality assurance procedures remain beyond her capacity for now. Besides that, securing a consistent supply of high-quality vegan ingredients can be challenging. Many vegan substitutes and specialty items are more expensive than regular ingredients, which thus lead to higher production costs and will affect her pricing strategies accordingly. Compounding matters further is how there are few vendors which can supply vegan ingredients, thus potentially giving them the upper hand in negotiations with customers such as Baked KL (whose economic power is affected by a limited volume of orders and capital). A related point is how many vegan desserts and food items require fresh and perishable ingredients, which result in shorter shelf lives for Baked KL’s outputs relative to non-vegan products. Such material limitations can impact inventory management, distribution strategies, and even waste levels. These considerations can be detrimental, as seen by how Iza can only start preparing desserts based on rolling orders, rather than preparing them in bulk beforehand, since she cannot store perishables for more than three days. Further, Iza’s ambitious target of doubling her monthly revenue requires robust marketing and partnerships, but efforts are currently hindered by her lack of time. Finally, Iza is also unable to fulfil large-scale deliveries due to inadequate resources and platforms through which customers can place online orders. Logistical difficulties are compounded by how most customers live outside Ampang (i.e., beyond her ten-kilometre operating radius). The responsibility for collection then falls to customers themselves, many of whom might see pick-ups as being too much hassle and thus patronize her competitors instead.

Recommended solutions

In the long term, Baked KL aims to achieve sustainable operations through daily sales targets, built upon a focus on customer retention and loyalty in the increasingly competitive post-pandemic market. In order to scale businesses upwards, owners must truly believe in their products and this process. Iza is a determined entrepreneur who has found success through her baking endeavours, gaining positive reviews and news coverage. However, Baked KL’s failure to expand could be traced to Iza’s personal choice not to scale her business upwards. She preferred a more relaxed and smaller operation which did not require investing as much time and money into her work. As a result, we have structured our recommendations accordingly.

Operational modifications

Iza’s existing responses have included actually downsizing her operations (i.e., by taking a lean approach) and focusing on direct-to-consumer sales through online channels. Despite reducing its scope of operations, Baked KL has maintained a high net profit margin. However, budget and labour constraints have prevented her from dealing with some other issues mentioned above (e.g., technical and material limitations). We proposed that she introduce a subscription box service where customers could sign up for regular deliveries of brownies, cupcakes, and other desserts. We also suggested the introduction of “Quick-to-Make” recipes. By applying both strategies, she could ensure a steady stream of revenue through repeat orders, strengthen relationships with suppliers, and potentially reducing the need for constant marketing work—thus, she could free up more time to engage in other important tasks such as pursuing expansion strategies. Finally, having local

suppliers on hand may possibly serve as a backup in case her first-choice ingredients or inputs are unavailable.

Business expansion

Baked KL can consider the possibility of engaging just one part-time employee, who can play a role in fulfilling larger orders. This limited approach may offer a good balance between expanding the team's existing capacity while avoiding upscaling operations. At this juncture, alternative revenue channels may include identifying new food products and recipes which may be easier to produce, thus addressing some technical and material limitations identified above. In the process, Iza may be able to significantly reduce preparation or lead times for some foods, thus enhancing the efficiency of her process.

Strategic marketing and delivery services

Given how price plays a significant role in shaping consumer responses, it is important to educate potential consumers about the benefits and qualities of more expensive vegan desserts, even if these require significant marketing efforts and resources. Baked KL's target demographic, which is predominantly single women and mothers in the 20–30-year-old age group, demands a nuanced marketing approach to enhance brand visibility, cultivate consumer awareness, and foster purchases. Strategic marketing and educational initiatives can mitigate the threat of direct competitors (i.e., ordinary desserts and cakes) and consolidate the unique value proposition of Baked KL's allergy-friendly treats. Besides that, by enhancing Baked KL's ability to make deliveries, Iza can expand her services beyond Ampang to target areas in the broader Klang Valley (including both Kuala Lumpur and Selangor). To overcome delivery constraints, we propose that Iza partners with reputable logistics platforms (e.g., Hawkr, MyGalore) which can offer comprehensive end-to-end support across the supply chain (i.e., collection, marketing, sales, distribution).

Conclusion: Lessons learned

In summary, Baked KL's practical problems demand creative answers in line with Iza's wish to keep her business at a manageable scale. We argue that combining economic and managerial theories with hands-on tactics can enable niche food businesses to thrive by embodying theories and skilfully applying them to overcome complex issues and achieve long-term growth in a fast-changing market. Baked KL's journey demonstrates the importance of agility in small businesses and the value of applying a targeted, niche approach which does not necessarily rely on the mass market. Here, the significance of market positioning and the elasticity of demand in niche markets comes to the fore. Our analysis of the vegan dessert industry highlights Porter's Five Forces in action, particularly competitive rivalry and the bargaining power of suppliers and buyers. Notably, having a first-mover advantage and serving a niche market with few or no competitors may not necessarily correlate with increased sales—while these elements can be part of a successful business strategy, they are not definitive predictors of increased sales alone. Therefore, companies must carefully assess market sizes, ensure product–market fit, address scalability, manage costs effectively, and maintain competitive advantages through continuous innovation and adaptability.

Appendix: Description

Business name	Baked KL
Location	Ulu Kelang, Selangor
Year founded	2014
Owner/founder	Iza Sallehuddin
Industry	Healthy snacks and desserts (a subset of the F&B industry)
Business type	Microbusiness

Key products	Gluten, sugar-free, and vegan-friendly snacks and desserts
Revenue	Approximately RM8,000 per month on average, with a peak amount of RM50,000
Growth goals	<ul style="list-style-type: none"> • Increase revenue from orders from RM10,000 to to RM25,000 monthly • Expand the business to include business-to-business relationships • Rapid implementation of expansion plans by 2024
Competitive edge	Early entrant status in the vegan and gluten-free market, consumer trust, commitment to healthy customer experiences