

Marketing Environment, Segmentation and Targets in Peninsular Malaysia: The Case of Gardenia Bakeries SDN. Bhd.

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I. EXECUTIVE SUMMARY

In this case study, we will focus about the strategies of Gardenia Bakeries (KL) Sdn. Bhd. (Gardenia) in the consumer markets which market segmentation and targets implemented by Gardenia. Although Gardenia Bakeries launch a lot of products in South East Asia, here we will only focus on products and marketing activities done by Gardenia Bakeries in Peninsular Malaysia. We are going to analyze the marketing strategies by Gardenia Bakeries such as how Gardenia Bakeries does it market segmentation, targeting and positioning. Segmentation, targeting and positioning helps Gardenia Bakeries to find out which area or segment should the company focus in. Besides, we will also look at its marketing environment that plays an important role in implementing marketing activities.

Other than that, we will be able to comprehend further about how Gardenia does its marketing activities to overcome the highly competitive environment and remains as the leader of bakery or breads manufacturer among its competitor such as Massimo. The aim of doing this analysis is to help us to find what actually are techniques implemented and how Gardenia manages to remain as the strongest brand in the highly competitive environment and being a different among all other competitors which the existed produces including SME bread producer in Malaysia in term of different strategies, plans and ideas.

Company Background

Gardenia Food Industries (Gardenia) is a multinational company that founded in Malaysia on year 1969 in East Malaysia. Gardenia originally was founded by an American named Horatio Scy Slocumm, an employee of International Executive Service Corps. Mr Slocumm who had 35 years of baking experience together with America's leading chain of bakeries. Gardenia was born successfully after 45 years of hardship. Gardenia now has become a Malaysia leading brands of bread manufacturer. Gardenia produced the first loaf of bread in year 1986. Gardenia becomes the leader in the bakery market with an outstanding 99% brand recall rate and 80% top-of-mind recall within 4 years. Gardenia's multiply its products chain throughout the years, which slowly become better and soon best.

II. FINDINGS

Segmentation, Targeting and Positioning

Segmentation, targeting and positioning also known as strategic marketing, it include determine a suitable segment to market your goods or services, identifying the correct target market and positioning the respective goods or services to create maximum profits. The core part of segmentation, targeting and positioning is to find out exactly what advantages your goods and services give and who will get the most benefits. Segmentation, targeting and positioning is the most common strategy used by marketers in today world. This is because it can help them to analyse which target market should they enter and concentrate in. Besides, this is one of the most accurate tools to help marketer to set their marketing plans. Furthermore, this is the basic concept to understand the market needs and develop marketing strategies.

Gardenia Bakeries (KL) Market Segmentation in Malaysia

Market segmentation is the process of dividing a market into meaningful, relatively similar and identifiable segments or groups. The purpose of market segmentation is to enable the marketer to tailor marketing mix to meet the needs of one or more specific segments. Gardenia had segmented their consumer into two main categories which Psychographic and Demographic.

Psychographic Factors

Known as a factor that divides customers into sectors according to their basis of personality, motives or lifestyles, how they carry out their daily lives and their behaviour. First of all, gardenia focuses on the psychographic factor in separating the Gardenia markets which is lifestyle. Therefore, Gardenia focuses on customer who demands for freshness, convenience, variety and uncompromising taste. Customers nowadays

demand for not just a simple loaf of bread, they also looking forward for a fresh and convenience bread that they can consume at low health risk and can get it easily. To fulfil the demands, Gardenia had did its very best to provide daily baked bread to their customers and have more delivery channel such as supermarket, grocery shop or even hawker along the road.

Preferred brand of bread

Table 2 shows the results of consumer survey done in Skudai; and found 5 major brands of bread in Malaysia including daily's, Bonanza, Gardenia, Delicia and Massimo brand. Amongst all, around 69% respondents preferred Gardenia making it strongest brand from consumers' perspective. The consumers of Daily's bread are 13 percent, Massimo are 8 percent, and few people prefer homemade bread, handmade bread and Arabian bread with response rate of less than 1 percent.

Table 2-Preferred brand of bread

Variables	f	Percentage
Daily's	23	12.8
Bonanza	10	5.6
Gardenia	123	68.7
Delicia	3	1.7
Massimo	15	8.4
Other	5	2.8

Demographic Factor

Demographic is defines as how marketer will divide the market into categories such as age, gender, income and ethnic background. Gardenia focuses on age factor when Gardenia segments consumer into teenager, adults and senior citizen. In doing that, Gardenia provides variety of products to fulfil all needs. Teenager which is very energetic will require some source to fight their hunger and in the same time they are more likely to consume products with sweet taste. So Gardenia had come out with the new waffle products to meet their demands. They also focusing on adults and senior citizens that demand for healthy diet, Gardenia launch whole wheat fibre bread and the latest Gardenia Break thru that contains a high level of vitamins and fibre.

The bread industry in Malaysia is vibrant in meeting customers' demand for various types of products. Gardenia Bakeries, for example, produces a variety of tasty bread products such as the Toast'ems (sliced bread filled with fibrous fruit and grains) and convenient savoury snacks such as Gardenia Twiggies, Gardenia Muffins, Squiggles, Fun-in-a-Bun and Fluffy Bun besides its most popular sandwich loaves. A wide range of choices makes bread a popular food, affordable for people of all ages and incomes. The capability of the bread industry to catch up and cope with the consumers' ever changing demands has helped the bread industry to expand. The emphasis now is on health breads. Gardenia Bakeries recently introduced their health bread, the Gardenia Breakthru, which has a low glycaemia index, more protein and fibre and less calories and carbohydrates.

According to the "Passport Baked Goods in Malaysia" (International Euromonitor, 2011), more Malaysian customers changed their eating routine in the direction of much healthier diet plans, which often lead to bread as a breakfast every day rather than local delicacies such as noodles and nasi lemak, literally 'fatty rice'. The most preferred in-store bakery in Malaysia is located inside the outlets of Cold Storage, Carrefour, and Giant, Tesco, and Jusco outlet stores. Bakery Business in Malaysia is popular, as the three major races of Malaysia namely Malay, Chinese and Indians prefer bakery products not just for their breakfast time but also for the whole food consumption of the day. Gardenia Bakery KL Sdn. Bhd. is the top ranked branded industry within baked goods in Malaysia with 21% share value, followed by Stanson Bakeries Sdn. Bhd. with 11% share value

The country's most prominent bread brand, Gardenia, has successfully identified the demand, and developed the knowledge to entrench itself as an industry leader. Dominating the market with a wide range of specialty breads, buns and rolls that cater to every taste bud, Gardenia has risen to become Malaysia's preferred brand, and has already captured a 70% market share. Its consumers span the entire spectrum of socio-economic segments, and market studies clearly indicate that Malaysians prefer the soft, American-style bread produced by Gardenia, to the drier European varieties.

Targeting

After Gardenia segmented the market according to the segment, Gardenia will need to find out its target market. There is a strategy that can suit all consumer groups, so Gardenia must able to develop specific strategies for its targets markets to achieve maximum profits in less cost. The targeting strategies used by Gardenia are differentiated marketing or mass marketing. "Using a differentiated marketing strategy, a firm

might decide to target several market segments and designs separate offers for each. Gardenia targets its consumer market by offering variety of bread. By offering product and marketing variation to customer, Gardenia hopes for higher sales and a stronger position within each market segment.

The disadvantage of using strategy is Gardenia will face difficulty in develops and produce new products because it requires extra research based on each segment it serves. For example of differentiated marketing strategy did by Gardenia are post advertisement about Gardenia whole wheat bread in newspaper to target senior citizen and do online advertisement for Gardenia waffles products that aim mainly teenagers.

Positioning

A product positioning is the way a product is defined by consumers on important attributes the place the product occupies in consumers mind in relative to competing products. Gardenia has positioned their products strongly against competitor's products in the consumer minds. For example, Gardenia has own song to make consumer remember its bread which is "So good...you can even eat it on its own". By listening to the song, people will think of the convenience of Gardenia bread that it can be consume directly without any dishes. Besides, Gardenia also positions itself as a healthy, fresh and high quality product in consumers' minds. To develops a position within segments. Gardenia will be able to create more sales and attract more business opportunity.

III. MARKET ENVIRONMENT OF MAJOR BAKERIES PRODUCER IN MALAYSIA

In Malaysia, there are 2 main bakeries which are Gardenia Bakeries (KL) Sdn. Bhd. and The Italian Baker Sdn. Bhd. (Massimo). The Malaysian bread industry are mostly governed or dominated by these 2 bakeries. They compete with each other through prices, quality, variety types of product, product characteristics and many more. Here we will define the market environment and the challenge facing by Gardenia.

Economic Factors

Economic factors are factors that affect consumer purchasing power and spending patterns. Consumers with different occupations will have different income levels and thus they will have different spending pattern. For instance, high and middle income level consumers will demand for a better standard of living, they demand for good quality products, same goes to food like bread, although it is a daily basic need, but for high and middle income level consumers, they will likely or tend to choose a high quality and features products.

Consumer with higher income will choose those bread which are more expensive such as Toast'em (one of Gardenia products) that offer special features like raisin oatmeal. On the other hand for low income level consumers, when they are making decisions to purchase something, they will try to reduce the expenses incurred, so they may just buy a classics white bread to fulfil their daily basic need. Hence, a company's marketing plans might be influenced by the economic force. Every consumer has different needs and wants, so Gardenia supplies many variety of bread in order to meet the demand of the consumer in order to satisfy them. Demand is a principle that the consumer willing to pay for the price and also desire to buy the goods and services (Investopedia, 2013).

Political and Legal Factors

The political environment contains laws, government agencies and pressure group that influence and limit various organizations and individuals in a given society. Development in the political and legal environment will definitely affect marketing decision. The implication of such government intervention may lead to problems such as market failures. Prices of both sugar and flour are expected to rise due to peaks in global petrol (The New Strait Times, 2013). Malaysian Government was urged to reduce the sugar subsidy due to the increment of diabetes in the country (The Star Online, 2013). As a result, cost of production would increase for Gardenia Bakeries.

Besides that, a significant reduction in the demand of Gardenia bread had arisen due to the political and racial issue that happened in the Malaysia. In the past situation, one of a Malaysian had created an online campaign in the social media through Facebook with the title of boycott the products of Gardenia. Gardenia had stopped purchasing any flour from Federal Flour Mills Bhd (FFM) which is owned by Sugar King - Tan Sri Robert Kuok. Gardenia tried to explain this is a commercial purpose so Padiberas Nasional Bhd (Bernas) decided to switch from FFM Company into Prestasi Flour Mills (M) and Malayan Flour Mills Bhd (Malaysiatoday, 2004). But Malaysians Chinese still believe that, Gardenia stop purchasing flour from FFM is due to the racist issues isn't with the commercial purposes (The Star Online 2012). The Malaysian Chinese started to switch the brand of Gardenia to Massimo because Massimo is produced by FFM. Due to this issue, some of the grocers had reduced the price of the Massimo with the reason of encourage the consumers buy Massimo bread instead of Gardenia bread (The Star Online 2012). As the result, the demand of Gardenia bread declined and the Massimo increased.

Technological Forces

“Technology is improving rapidly in this modernisation era. Technology brings to mind scientific advances such as information technology which having resulted in the Internet, cell phone and many more. To improve the producing speed and bigger market, Gardenia forced to upgrade the technology in the factory.

Malaysia’s increasing demand for fresh and nutritious bread, led Gardenia to build its own fully automated factory in 1991, capable of producing 6,000 loaves per hour. In 1994, another state-of-the-art plant, capable of producing 10,000 loaves per hour, commenced operations to cope with the growing popularity. Today, Gardenia’s five factories, with fully automated bread lines, have a machine capacity that exceeds 900,000 fresh loaves each day, making it by far, the biggest bread producer in Southeast Asia.

Socio Cultural Forces

Socio cultural forces will influences in society and culture that brings about people’s belief, custom, lifestyle and many more. For bigger market and more profit, Gardenia forced to produce a HALAL certificate product to the Malay and Muslim customer. Due to reason of Malay and Muslim culture is cannot eat pork and consume alcohol. So Gardenia put the HALAL logo on every product. Malay and Muslim will buy a product with a HALAL logo with any hesitation. Gardenia can earn profit and plan for future market by complying HALAL on their product with open market especially to Muslim community consumer.

Halal Commitee

At Gardenia, a special Halal Committee is formed to scrutinise every aspect of the Halal regulations and to ensure that all requirements are stringently adhered to. As an added measure to control and safeguard our Halal status, we have appointed an Independent Syariah Advisor whom Gardenia could refer to in “syariah” related matters.

Jakim Certification

All Gardenia products are certified Halal by ¹JAKIM. Regular factory inspections are conducted by officer from JAKIM to monitor and ensure that overall operations are following the guidelines set by them.

In term of health, Malaysian society is a part of the higher people in the country that having decease such as obesity. A breakdown of the 2015 National Health and Morbidity survey also found that about 30 per cent of Malaysian adults above the age of 18 were overweight (with a body mass index of 25 and above) and another 17.7 per cent were obese (with a BMI of 30 and above). This is a sharp rise from the 4.4 per cent of Malaysians classified obese 10 years ago, in 1996. About 50 per cent of Malaysian citizens are at least overweight or obese.

Gardenia provides an experience to its customers that they are not only consuming the breads but also a healthy diet. For example, the latest Gardenia Breakthru breads contain low Adipose Tissue Fat-Storing Capacity that assists us in having better control over obesity. It is also Diabetic Friendly which aids to keep stable blood sugar level that typically follows a meal. All the breads of Gardenia have no artificial and preservative. Gardenia values its quality by providing convenience for customers. They offer affordable price for customers without abandon the quality.

As for safety assurance, Gardenia ensures that the breads are all baked daily and are distribute immediately throughout Malaysia. Gardenia always store bread in cool dry place and sent their staffs to attend training at American Institute of Baking and other professional institutions around the world. Gardenia Breakthru, is the ground-breaking Low Glycaemic Index and Low Glycaemia Load bread. It has prebiotic properties, high protein and fibre content, with lower carbohydrate and caloric attributes. The presence of Beta Glucan helps to reduce cholesterol. Breakthru has even passed an extensive clinical protocol of the Glycemic Index Testing conducted at the Glycaemic Research Institute (GRI) in Washington DC. Breakthru earned a coveted seal of approval from GRI as a diet-friendly and diabetic-friendly food.

IV. DISCUSSION

Currently Gardenia is the market leader in the bread supply business. There are several problems that faced by Gardenia which as the market environment consisting of political factor, economic factor, socio culture forces and technological factors. Here we will discuss about all of these problem and alternative solutions.

Political factor

Political processes and legislation influence the environment regulations with which industries must obey. This includes items such as government stability, taxation policy, and government regulation. Some of the products which required using produce bread are under control by government. For example, flour, salt or sugar will be the product control by every government. In last past few years, the price of these controlling products had been increase. Indirectly affect all the bakery industry and Gardenia is not be excluded. Price rising of particular product had increasing the production price of bread. Therefore, Gardenia force to increasing the

bread price in order to cover the cost. However, the rising prices have resulted in a decrease in total domestic bread consumption. According to Umali Jr., president of Gardenia Bakeries Inc., the prices of bread is depending on the prices of flour. The Gardenia expects continue growing when the political spending and fairly better prices of ingredients.

In the issue of boycotting Gardenia brands, Gardenia has been form their own blog that called Gardenia Weblog that provides much information regarding to Gardenia company any the issue happened on this company and to clarify what is actually happened in Gardenia and open mind to society about what was implemented in activities and issues clarification happened in Gardenia itself. Basically, this blog is not just to clarify any issues but it consists of information of recent activities, issues, policy changes, and inquiries for Malaysian virtual communities. It's also controlling by Gardenia moderator itself and responding to any inquiries from society.

Economical factor

The economy has an impact on all industries, from the suppliers of raw materials to manufacturing of finished goods and services. Key economic indicators include interest rates, gross domestic, retail price index, unemployment rates and exchange rates. Economy growth, and especially employment in services sector jobs, is driving demand for more convenient and prepared foods. Gardenia believes that the Gardenia's success is brought regarding by the dedication and commitment of each member of their family. These dedications are leading Gardenia to be the no.1 in bread industry. During global economic crisis, the industry had a flat growth but Gardenia continue to grow by two to four percent. Besides that, Gardenia take step further in encouraging micro-entrepreneurship and providing more opportunities for employment while making Gardenia bread more widely available conveniently to customer.

Social factor

Social factor include cultural changes within the environment. Socio-cultural forces will affect the values, beliefs, and lifestyles of a society. Over the past few years, rising levels of obesity, heart disease, and diabetes in the Malaysia have rapidly increased consumer interest in healthy and nutritionally food and government interest in promoting healthier eating and lifestyles. Gardenia had formed its own wellness team and offering nutrition counselling to educate the consumers on the true understanding of good nutrition. In this young 21st century, wellness becomes an issue to be considered. Consumers are willing to pay anything that will make healthy and fit.

Technological factor

Developments in technology lead to new products and services and improve how they are produced and delivered to the end user. As the top-bread maker and leader of bread manufacturing industry, Gardenia using state-of-the-art-bread manufacturing plant is capable making 6000 loaves of bread per hour or nearly 150000 loaves per day. It is the equipment whereby almost untouched by human hands. Therefore, it ensures providing safe and best quality of bread product. The new plants keep to current Good Manufacturing Practices (cGMP), and follow the highest globally-accepted food quality and safety standards through the international Organization for Standardization (ISO) and as well as Hazard Analysis Critical Point (HACCP).

V. CONCLUSION

Gardenia had segmented their consumers into two main categories which are Psychographic and Demographic. Psychographic factors are known as a factor that divides customers into several sectors according to their personality, lifestyles, their daily lives and behaviour. Gardenia focuses on the psychographic factor in separating the Gardenia market switch is lifestyle. To fulfil the demands, Gardenia had did its very best to provide daily baked bread to their customers and have more delivery channel such as supermarket, grocery stores or even hawkers along the road. Gardenia focuses on age factor. Gardenia segments their consumer into teenagers, adults and senior citizen. In doing that, Gardenia provides variety of products to fulfil all needs. The targeting strategy used by Gardenia is differentiated marketing or mass marketing.

Using a differentiated marketing strategy, a firm might decide to target several market segments and designs separate offers for each. Gardenia targets its consumer market by offering variety of breads and offering. By offering product and marketing variations to customers, Gardenia hope for higher sales and a stronger position within each market segment. Gardenia has positioned their products strongly against competitor's products in the consumers' minds. For example, Gardenia has its own song to make consumers remember its bread which is "So good...You can even eat it on its own". By listening to the song, people will think of the convenience of Gardenia bread that it can be consume directly without any side dishes.

Besides, Gardenia also positions itself as a healthy, fresh and high quality product in consumers' minds. By developing a stronger position within segments, Gardenia will be able to create more sales and attract

more business opportunity. All the breads of Gardenia have no artificial and preservative. Gardenia values its quality by providing convenience for customers. They offer affordable price for customers without abandon the quality. Gardenia products are aimed mainly people who need more conveniences and also looking for a saving plan. As for safety assurance, Gardenia ensures that the breads are all baked daily and are distribute immediately throughout Malaysia.

VI. RECOMMENDATION

Gardenia have to doing things differently compare with others industry. They are even have to doing things much better. Therefore, it is the key whereby to achieving market penetration faster and with high affects. It is increasing market share in bread industry. Besides that, Gardenia has to plans to expand and construct a Gardenia bakery not just in term on to be the premier company, as well as related to food and beverage industries. In additional, Gardenia has to conducting product development such as snacks, muffin, and filling bun to sell in the market.

Strength

Gardenia is the top-bread maker which a very strong brand name which accept by consumer. Popularity and high customer awareness of the Gardenia brand in the regional markets are attested of Gardenia's unrelenting efforts in maintaining the integrity of its products are found in its ISO 22000:2005 certification, Hazard Analysis Critical Control Point (HACCP) certification, Highly Commended Product Award by Malaysian Institute of Food Technologies (MIFT), and a National Creativity and Innovation Award. Gardenia's accomplishments have sent reverberations throughout the industry, even winning the respect of enormous corporations like Padi Beras Nasional. Gardenia achieved the Universal Integrated System ISI 2020 certification from the Research Institute of Standards in Islam in 2005. In terms of Superbrand accolades, the brand garnered the Superbrands Award for three consecutive years from 2003 to 2005. In 2006, it was conferred the Superbrands Consumers' Choice Award in Malaysia and reaffirmed its Superbrand status in 2008. In 2009 and 2011, Gardenia surged its way into the list of TOP Ten Brands based on a Gardenia Superbrands survey conducted by The Nielsen Company. Recently, the bread giant was awarded the Putra Brand Awards by the Association of Accredited Advertising Agents. This award is a special award which significantly to the general public and attracting key demographic customer groups, built upon a unique philosophy.

Product innovation and development is a key area that helps Gardenia keep up with changing consumer demands. Without media advertising, Gardenia stills able target the consumer based on the way Gardenia packaging and the way to be present. Gardenia strengthened its distribution network by expanding its retail. Gardenia is the first company which using G-lock to ensure the freshness, aroma and taste of the product. G-lock contains all of the important information that the consumers might need such as product expired date, production line the bread was produced and the batch number. In additional, Gardenia quality and freshness come first. They are strictly for the freshness and quality of bread.

Weakness

Increases in the cost of raw materials and energy have been remarkable in this recent year. Over the past two years, there have been increase the price pressures especially in price for flour and fuel. Therefore adjusting prices are difficult task for Gardenia. Although increases are kept to the minimum, consumer purchasing power is still low. Gardenia have to explain to the customer that the overall cost of the Gardenia products consists of not only distribution cost, but a large portion of their production cost is made up of raw material, operating, labour, utility and other related costs.

"The impact of the dip in petrol prices in January 2015 is incomparable to the increased in raw material costs due to the increase incurred in foreign exchange, salary increases, the rising cost of utilities (as the rate remains as per previous increase) and so on."

Opportunity

Gardenia pledges to maintain its leadership through constant innovation. To this end, the company promotes new product development, enforces stringent quality assurance measures and provides reliable distribution channels for timely delivery of its goods. Gardenia continues to stand out from its competitors by continuously enhancing its product lines. Continuous research and development coupled with committed teamwork make this possible Gardenia regularly sends key employees overseas for training at the American Institute of Baking and other professional institutions. From time to time, the company sends representatives to participate in international trade shows. These are avenues where Gardenia employees can learn about the latest techniques and products in the industry.

Threat

Unfortunately, the developments are driving the threat of a possible over saturation of the market, as mainstream retailers are beginning offer more variety of bread like the bakery shop or others related Bread Company. Unstable of economical is the major threat for Gardenia. It affects the pricing and the consumption of consumer.

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APPENDICES

JAKIM – Jabatan Kemajuan Islam Malaysia