



**A STUDY OF MARKETING OPPORTUNITY IN
EXPORTING ANIMAL PRODUCTS FROM MALAYSIA:
AN APPLICATION OF SHIFT-SHARE METHOD**

BY

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**A dissertation submitted in fulfilment of the requirement for
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ABSTRACT

A decade of Malaysian animal products' data, ranging from the year 2006 to 2015, was analyzed using shift share method. The 10 year data was divided equally into two periods to ensure accuracy in analysis. The two equally divided periods are: firstly, 2006 to 2010 is considered as initial time period; secondly, 2011 to 2015 is the next terminal time period. The main objective of this study is to explore marketing opportunities in exporting Malaysian animal products. The shift share analysis showed a drastic change over the two-time period, indicating occurrences are influenced by the market share. The most meaningful and accurate representation was the computation that divide the positive and negative net shift of changes in the growth and variable around the different parts of the world. The percentage net shift represents the percentage of total growth or total gain/loss of the market share. Hence the net shift is utilized as the criterion which indicate the selection of market for trade opportunity. The overall results of the shift share indicate that there are availability of opportunities in countries, such as Cambodia, Hong Kong, Thailand, Bangladesh, Vietnam, and Myanmar, representing the Asian region. However, it also indicates that Europe, USA, and other developed countries, played negligible role in providing export marketing opportunity due to the lack of excessive production and development in the animal industry. This study uses shift share analysis and found that Malaysia stands to improve in the following ways: (a) regional and educational development are needed for the advancement of husbandry industry in Malaysia; (b) cautious and appropriate planning in tackling known and unknown challenges with technology and educational advancement in the field could assist tremendously; (c) governmental policy, appreciation, and encouragement in the growth of the industry would definitely boost future export marketing in this sector; (d) enthusiasm is the key factor which can help to maximize the growth of the husbandry industry. All the factors stated could potentially encourage export opportunity for this industry in the future. The derivative conclusion from the shift share analysis conducted in this study indicated that the trend in the Malaysian export of husbandry product would lead us to become a leading export nation in this region. There is also an indication that an increase in the husbandry industries would lead to the Malaysia's overall export growth rate. The shift share analysis applied in the regional export research and analytical study is a useful tool to depict the regional changes in the export industry of this country. In addition, the results of this study indicated that there are potential opportunities from countries, like Thailand, Malta, Bahrain, Macau, Oman, USA, Canada, Papa New Guinea, and countries partnering with FTA.

خلاصة البحث

تم عمل بيانات عقد تبدأ من سنة 2006 إلى 2015 لمنتجات الحيوانات الماليزية باستخدام تحليل التحول والحصة. تعتبر مجموع فترة الدراسة 10 سنوات وتم تقسيمها إلى فترة زمنية متساوية، مع البيانات التي جمعها فترة 10 سنوات من الخبرة والتوجيه لضمان الدقة في التحليل. الفترتان الزمنيةتان المقسومتان بالتساوي، أولاً 2006 إلى 2010 تعتبر الفترة الزمنية الأولية، وثانياً من 2011 إلى 2015 تعتبر الفترة الزمنية الثانية النهائية. لذلك، إن الهدف الرئيس لهذه الدراسة هو استكشاف فرص التسويق لتصدير منتجات الحيوانات الماليزية. وأظهر تحليل التحول والحصة تغير حاد خلال الفترتين الزمنيةتين مشيراً لحالات أثرت عليها حصة السوق. الحساب الذي يقسم صافي التحول الإيجابي والسلبي للتغيرات في النمو والتغيرات حول مختلف أنحاء العالم هو أكثر تمثيل ذو معنى ودقة. مثلت صافي نسبة التحول نسبة إجمالي النمو أو إجمالي الربح/الخسارة لحصة السوق. لذلك تم استغلال صافي التحول كمعيار يؤشر لاختيار الفرص المتوفرة للتجارة في السوق. وتشير النتائج الإجمالية لتحول الحصة بوضوح بتوفر الفرص في بلدان مثل كمبوديا، وهونج كونج، وتايلاند، وبنغلاديش، وفيتنام، ومينمار، ممثلة للإقليم الآسيوي. لكن، من الواضح جداً أن الدول الأوروبية، والولايات المتحدة الأمريكية، والدول المتطورة الأخرى لها دور ضئيل جداً في إيجاد هذه الفرصة التسويقية نظراً لانعدام الانتاج المفرط والتطوير في القطاع الحيواني. استخدمت هذه الدراسة تحليل التحول والحصة ووجدت أن لدى ماليزيا الفرصة لتحسين الطرق الآتية؛ (أ) تطوير الإقليم والتعليم المطلوب لتطوير قطاع تربية الحيوانات الداجنة في ماليزيا، (ب) الحذر والتخطيط المناسب في التعامل مع التحديات المعروفة والغير معروفة في التقنية والتطوير التعليمي في المجال يمكنه أن يساعد بشكل هائل، (ج) سياسة الحكومة والإدارة السليمة في نمو القطاع ستعزز بالتأكيد مستقبل تسويق هذا القطاع، (د) الحماسة عامل مهم والذي يمكنه أن يروج لأقصى نمو لقطاع تربية الحيوانات الداجنة. ويمكن لكل العوامل المذكورة أن تشجع بشكل محتمل فرصة تصدير هائلة في هذا القطاع في المستقبل. النتيجة المستخلصة من تحليل التحول والحصة المستخدمة في هذه الدراسة، أشارت أن التوجه في التصدير الماليزي في منتجات تربية الحيوانات الداجنة ويقودنا لتكون دولة رائدة في التصدير في هذا الإقليم. هناك أيضاً مؤشر أن الزيادة في قطاعات تربية الحيوانات الداجنة، والتصدير سيكون أكبر لنسبة نمو الصادرات الإجمالي لماليزيا. إن تحليل التحول والحصة المطبق في بحث التصدير الإقليمي والدراسة التحليلية هو أداة مفيدة لوصف التغيرات الإقليمية في قطاع التصدير في هذا البلد. بالإضافة لذلك، أشارت نتائج هذه الدراسة أن الفرص المحتملة تأتي من دول مثل تايلاند، ومالطا، والبحرين، وماكاو، وعمان، والولايات المتحدة الأمريكية، وكندا، وبابوا غينيا الجديدة، دول تشارك في اف تي ايه FTA.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science in Marketing.

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Supervisor

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted for any other degrees at IIUM or other institutions.

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This dissertation is dedicated to my husband, Dr. Syed Ibrahim, and my two lovely children, Syed Imran and Syarifah Balqis. The reason behind what I have become today is because Imran and Balqis have always been my strength to keep going and to reach this educational level. Thank you for the great support, care, and sacrifices throughout the years I took to complete this Master Degree. Thank you and May the Universe bless us all to progress towards a summit of perfection.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Export promotion is a firm or nation's efforts to sell domestically-produced merchandise and services to different nations. Export marketing is represented in objectives terms, such as sales, profits, and promoting measures; or by subjective measures, like distributor or buyer satisfaction (Lages, 2005). Export performance has changed our world drastically over the last couple of centuries. In 19th century, technological advancement has triggered a period of marked growth in world trade 'first wave of globalization' (Roser, 2018). As such, most countries wish to extend their exports to other countries; also, firms wish to sell additional and excess products in the same manner. In this case, if firms are able to sell all their products to their own country's population, they are also required to sell overseas.

The more the export, the bigger their competitive advantage and as a result, they will gain experience in manufacturing products and services better. Similarly, they can jointly gain information regarding the way to sell merchandise or services to foreign markets (Amadeo, 2017). As such, governments' motivation on export, especially by private organizations, is extremely important since doing this could expand employments, gets higher wages, and raise the way of life for inhabitants. In addition, they end up more joyful and more prone to help their national pioneers. Organizations can send out merchandise to enterprises where they have the upper hand; this implies that they are superior to some other organizations that are not capable of sending out such merchandise to other enterprises (Amadeo, 2018).

The demand for this research interest has been derived from a better acknowledgment for the different types of macro and micro level outcome in accordance to the export performance. At the macro-level, higher ranking export performance is a cost-effective method for the economic growth and the poor gradually benefits as a result of the increase in the employment establishment that make them become the largest foundation for the collection of tax and a basic benefit in the living standards. Numerous benefits at the firm-level, such as growth opportunity, expand market shares, higher margins, and variety of risk and betterment in volume usage. Export performance is the most researched area in export marketing (Leonidou, 2010).

1.2 OVERVIEW OF MALAYSIA ECONOMY

The Malaysian economy has witnessed quick development recently and the agrarian segment has assumed a vital part in that development. Being a center of pay nation, Malaysia has changed itself since the 1970s from a producer of crude materials into a rising multi-zone economy that is based on capital-broad businesses. Malaysia fiscal execution is positioned at 18 out of 189 economies in 2015 (Bank, 2015).

Situated inside the heart of south-east Asia, Malaysia offers cost-forceful territory to purchasers that are planning to establish seaward tasks with a reason to make mechanical stock for each territorial and worldwide markets. In 2011, the Malaysian Government propelled the economic change program which was oversaw by utilizing the Performance Management and Delivery Unit, under the support of the Prime Minister (Pemandu, 2017).

Moreover, the economic transformation program identifies country wide key economic areas (NKEAs) that can drive monetary supports with the capability to

make contribution to the boom of the country. Its goal – also called “imaginative and prescient 2020” – is to transform Malaysia to a “high income country” by year 2020 and lift capital profits to at least USD15,000, meeting the World Bank’s Threshold for high income nation (Forbes.com, 2011).

With the performance of the Malaysian economy in 2014, the good condition offered by this country during that year was exploited by the marketing experts. Also, private ventures were filled by accommodative monetary condition and impacts of long haul open speculation programs. In addition, solid business and wage development have bolstered private utilization. The evacuation of fuel endowments has pushed expansion over its authentic normal, yet with no indications of more inflationary weights. The credit development also stayed lively, with private property advance development of about 14 percent in September 2014. Store development eased back to the single digits and residential liquidity conditions started to fix. Stores declined by USD15 billion between mid-August 2014 and December 2014 in the midst of capital outpouring (International Monetary Fund, 2015).

Oil prices fell by almost 50 percent since the beginning of 2014, subsequently the Ringgit depreciated against USD by about 6.8 percent during 2014, with further depreciation of about 9.0 percent between January and July 2015 (Finanzen.net, 2015).

1.3 MALAYSIA BUSINESS LIFESTYLE AND CULTURE

Individual life-style is frequently studied within the context of nutritional consumption, fitness, neighborliness, exercising and recreational sports, family members, and paintings or source of profits. Geographically, Malaysia is situated among the major route in the world of trading and its location has encouraged

international economy and globalization of foreign capital as the main player in exporting animal products.

“Aside from the calls from our essential buying and selling, we foresee exports making the most of the undervalued ringgit,” that the combine efforts would make it more likely to trade at RM4.31– 33 for 2017. The exploration habitation anticipated for the entire year 2017 Gross Domestic Product (GDP) blast to be around 5.7 percent; that is on the high surrender of the true-blue projection of 5.2– 5.7 with regards to the declaration towards the end of 2017. Affin bank BHD subsidized its monetary organization, overhauled its development projections for the year from 5.2 percent in the past to 5.5 percent year-on-year to reflect more grounded fares and local call for more exports (Times, 2017).

“With improvement in worldwide commodity fees, we agreed that gross exports of commodity-associated merchandise will continue to be wholesome. “Similarly, exports of synthetic items, mainly merchandise from china and predominant economies will continue to assist the USA’s general exports.” The balance in ringgit has raised Malaysia beauty within the worldwide trade market and we foresee this to hold, stated in a report of public invest study. “The normalization of world change could be another impetus to our increase potentialities. All these combinations of factors will result in similarly sturdy alternate prospects in subsequent 12 months, wherein we expect Malaysia export to hit 7.9, according to cent” (Times, 2017).

The nature of business in Malaysia is constructed on the market-oriented economy, financial and banking industry commonly use English language in their businesses. Malaysian accounting system follows eBinary accounting system. It provides simple concept of managing financial and accounting information, all

accounting entries would be segmented into 4 main journals; that is, cash and bank entry, sales journal entry, purchases journal entry, and general journal entry (eBinary, 2017).

Malaysia, not like huge numbers of its Asian partners, is not a country that has a culture that is unmistakably attached to one ethnicity or dialect; rather, on account of Malaysia rich history, it has turned into a genuinely multi-racial and multi-social society, where its three noteworthy ethnic gatherings – the Malays, Chinese, and Indians – alongside a heap of littler ethnic gatherings live amicability, learning each other's dialects and societies, while allowed to carry-on the conventions and convictions of their own ethnic foundation (inspirations, 2017).

Great influence from the Chinese, Indian, and European culture exist when the foreign trade started in Malaysia. The Malaysia economic pattern has changed after years of slow growth style to stronger beginning in 2017. The GDP of Q2 significantly grow as high demand in export leads to a positive economic propulsion. In May 2017, the industrial production and export growth returned to double-digit helped by competitive ringgit currency. The present population of Malaysia is 31,909,964 as of March 8, 2018, in light of the most recent United Nations gauges. Malaysia population is equal to 0.42 percent of the aggregate total population (Worldometers, 2018).

“The external demand is also expected to remain strong, although the growth rate for both exports and imports are projected lower due to the base effect of a high growth realized last year.” Malaysian Economic Outlook for the Fourth Quarter was reconsidered upwards the nation's GDP to 5.6 percent in 2017, up by 0.8 percent from its estimate ahead of time. The fabulous viewpoint correction was credited to the quicker than-anticipated home request, in conjunction with maintained assembling

sports appeared by method for a creating mechanical assembling record, bolstered through a twofold digit blast in trades. In addition, it is far expected to slide to 3.5 percent this year based on the projection of 3.8 percent out of 2017. “Ordinarily, increase in financial momentum was anticipated to persist into subsequent year, main GDP to develop between 4.8 percent and 5.3 percent in 2019” (Times, 2018).

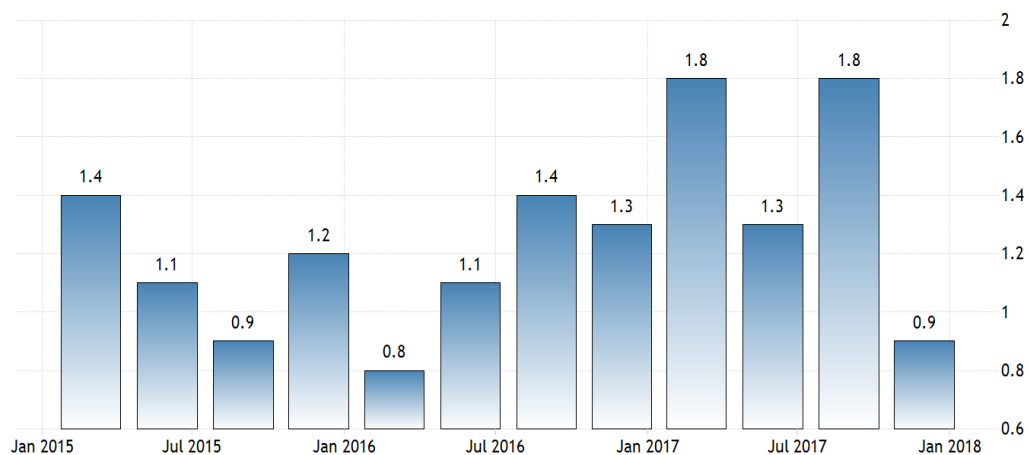


Figure 1.1 Malaysia Gross Domestic Product (GDP) Growth Rate
Source: Department of Statistic Malaysia

1.4 IMPORTANCE OF EXPORTS

Why exports are important for a nation or country?

Exports are important for the improvement and boom of country wide economies due to the fact that not all countries are blessed with resources and abilities required to provide certain goods and services; though nations usually impose exchange limitations along with price lists and import quotas to protect their domestic industries. Some crucial reasons for why exports are important are listed below:

- **Growth of Employment:** Export marketing can create employment opportunities. For instance, the development in oil send out has created numerous occupations in oil enterprises – e.g. Petronas production line in

Kuala Lumpur. Generally, send out occupations have been in assembling of enterprises – a vital wellspring of all day work, particularly in mechanical areas. Lately, send out have turned out to be more broadened with a more noteworthy dependence on benefit part based fares, for instance, PC programming.

- **Economic Development:** Exports are a segment of total request (AD). Rising fares will help build AD and cause higher monetary development. Development in fares can likewise have a thump on impact no related ‘administration ventures.’ For instance, the achievement of oil trades in ASEAN and different nations will help the nearby economy with neighborhood clubs and shops profiting from expanded spending. Also, a fall in sends out, amid a worldwide monetary downturn can have a major negative effect on the Malaysia economy.
- **Current Account Deficiency:** The quality of fares has a substantial part in deciding the present record shortage. In the previous couple of decades, Malaysia has had a tenacious current record deficiency, which numerous ascribe to the Malaysia's relative poor fare execution.

Nowadays, we cannot imagine any goods or services without export process. For example, China exports their goods and services all over the world. Sometimes other countries residents getting the products and offers cheaper than their local products. Amazon and Alibaba have made life easier for doing worldwide delivery for their services and products. If a nation or country is unable to carry out its exports process (export its products), then its supply becomes higher and demand becomes lower. So, the price of the products or services become cheap. As a result, many manufacturers have to shut down their company which will subsequently affect the

country's economy. Now, China is the second largest economy, just after USA in world ranking. Exports process help them a lot to become a stronger country in the world.

Moreover, Malaysia is also trying to increase its exports goods and services in order to help its economy and residents. Southeast Asia, particularly Malaysia, has been an exchange center for a considerable length of time. Since the start of history, Malacca has filled in as a key territorial business community for Chinese, Indian, Arab, and Malay dealers for exchange of valuable merchandise. Today, Malaysia imparts sound exchange relations to various nations, particularly the US, and other nations that are related with exchange associations; for example, APEC, ASEAN and WTO. The ASEAN Free Trade Area that was built up for exchange advancement among ASEAN individuals likewise has Malaysia as its establishing part. Malaysia has additionally consented to Free Trade Arrangements with other nations, such as Japan, Pakistan, China, and New Zealand.

Malaysia was at one time the world's biggest maker of tin, elastic, and palm oil. Its assembling division has a vital part in its monetary development. The fare business was hit hard amid the late 2000 monetary retreat, dropping to 78 percent; that is, Foreign Direct Investment (FDI) dropped to RM4.2 billion in the initial two fourth of 2009. In other words, it tumbles down to \$156.4 billion in 2009 from \$198.7 billion in 2008. The imports likewise lessened from 154.7 billion in 2008 to \$119.5 billion in 2009 (economywatch.com, 2010).

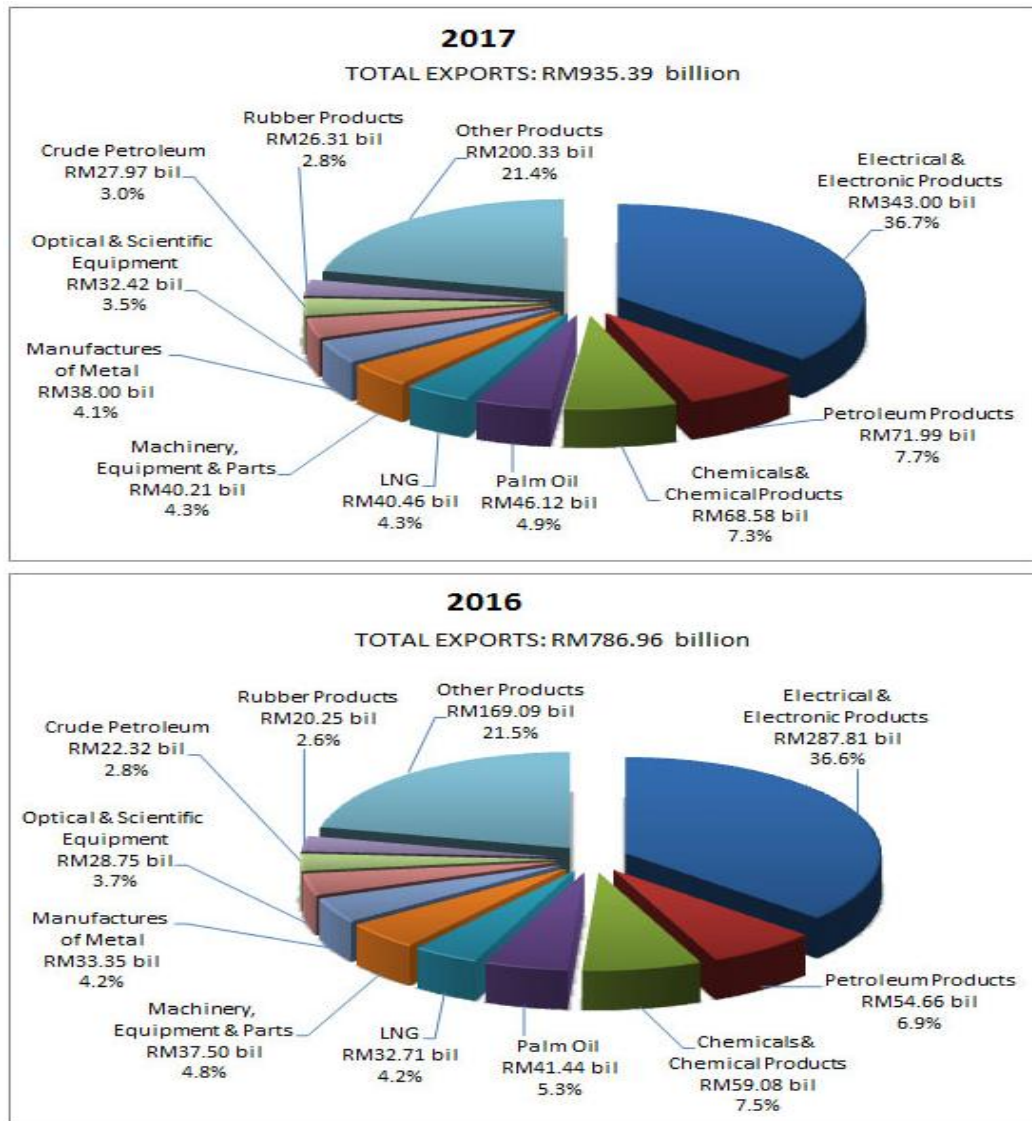


Figure 1.2 Malaysia Exports in 2016 and 2017
Source: Department of Statistics Malaysia

1.5 ADVANTAGES OF EXPORTING

As there is an assortment of advantages of bringing in items and administrations, there are various explanations behind trading as well. Here are two key advantages of sending out items to different nations.

1.5.1 Increasing Sales Potential

While bringing in items can enable organizations to diminish costs, sending out items can guarantee developing deals and wage capacity in favor of the country. Organizations that pay attention to trading grow their vision and markets locally, universally, or even internationally. Rather than getting money by offering their contributions on the nearby market, these organizations are centered on finding new chances to give their work abroad.

Sending out items is particularly useful for medium and extensive organizations – those that have effectively enhanced in the area showcasing. When they have immersed the commercial center of their nation, sending out items abroad can be an awesome plausibility for those organizations to expand the salary capacity. Besides, sending out can be one way of examining potential outcomes for abroad diversifying or even generation.

1.5.2 Profits Increasing

Export marketing can heavily contribute to growing country's profits. That is true due to foreign orders, as they may be typically larger than the ones located by the nearby consumers. Whilst nearby clients purchase a some products or a pallet, organizations overseas normally order a container of products, which necessarily results in expanded earnings. Furthermore, in case your merchandise are taken into consideration or revolutionary abroad, your earnings can increase swiftly very quickly.

1.6 ECONOMY OF MALAYSIA

Malaysia is currently positioned 23rd best economy out of 137 nations based on the worldwide aggressiveness. A year ago, it was in 25th place. As reported by the World Economic Forum's Global Competitiveness Report 2017-2018, Malaysia is among the best developing economies, in front of nations China for example, which was positioned 27th. Malaysia took the second spot among the nine ASEAN nations with Thailand in 32nd place, Indonesia (36), Brunei Darussalam (46), Vietnam (55), the Philippines (56), Cambodia (94), and Laos (98). The top three most competitive countries are Switzerland, the United States, and Singapore. (Star, 2017)

Malaysia export grow in 2018 as a result of technical high base effect which was caused by the surge in the country's exports last year. Despite the projected moderation in overall trade, analysts continue to be optimistic on the country's exports performance, moving forward. In its published note, CIMB Research said that it has maintained its export growth forecast for 2018 at approximately 9.8 percent. In comparison, Malaysia total exports surged by 18.9 percent year-on-year in 2017, with imports increasing by 19.9 percent y-o-y. "We project Malaysia exports to increase by 9.8 percent in 2018, but watch out for short-term weakness. "This is largely because a slowing expansion in the electronics cycle and a shallower commodity price rebound. "Apart from that, export growth would likely moderate, given the more muted gains in plantation crop production after the post-El Nino normalization in 2017 and the translation effects of a stronger ringgit," said the research house. AmBank Research is also sanguine on Malaysia export growth in 2018, backed by stronger global growth and global exports volume. The research firm anticipates the country's exports to grow by 9.5 percent this year. Malaysia's total exports rose to RM935.4bil in 2017 –

the strongest growth since 2005 – underpinned by marketing of electrical and electronics products and also major commodities (Star, 2018).

Malaysia exchange joined stellar execution in 2017, developing at the most astounding rate in 13 years. Exchange surged by 19.4 percent to RM1.774 trillion contrasted with RM1.486 trillion recorded the earlier year. The Malaysian exports on November and December 2016 eventually gave a good start for the year of 2017 in which it was expected to experience a better trade performance (Malaysian Industrial Development Finance Investment Research).

However, China are still pioneer in the global trading activity. With the year on year basis growth of 22.2 percent, China has become the main purpose for the global trading activity to be active. MIDF have been anticipating to see this scenario in Malaysia from the beginning of 2016. MIDF remain its export forecast of 3 percent growth for the year 2017 (Star, 2017). In January 2017, Malaysia trade experienced growth by 14.8 percent and reached the value of RM135.77 billion. It is higher compared to the trade in January 2016 – RM118.31 billion. China, ASEAN, Japan, the United States of America (USA), Taiwan, Australia, and the European Union (EU) have been recorded as the growing trade performers. In January, Export achieved the highest monthly export value in the entire export history by achieving the growth of 13.6 percent (RM70.24 billion) obviously greater than the last highest history achieved value registered in January 2014 which was RM64.05 billion. Imports also grow by 16.1 percent at RM65.53 billion. In January 2017, the trade balance of RM4.71 billion were recorded and forming the 231 consecutive months of the trade surplus since November 1997 (METDC, 2017)

However, the exchange overabundance of RM9.88 billion recorded the most elevated since April 2016. Add up to exchange for the long stretch of June 2017