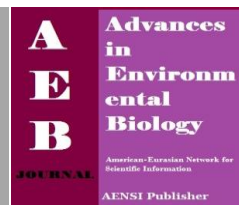




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Factors that Influences Customers' Perception Towards Bumiputera Food Industry In Kedah

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ABSTRACT

Malaysian SMEs in the food sector are driven to operate to contribute household income, for self employment and the growing demand of international markets in particular for Halal foods (SMIDEC, 2007). Halal foods industry has great potential to expand globally. Malaysian producer has great potential for developing and promote halal product for the global market. The Malaysian government has supported in the national plans to assist SMEs in the food industry through Ministry of Entrepreneurship and Co-operation (MECD), Malaysian Agricultural and Development Institute (MARDI), Federal Agricultural Marketing Authority (FAMA) and SME Corporation. The purpose of this research is to examine the extent of growth and obstacles that may occur in influencing the food sector for SMEs. Three objectives of this research are to investigate the food products factors under SMEs, to examine relationship between Branding, Marketing, Customer Perception, Technologies and Financial and to find out how efficient the government has supported the SMEs in Kedah. The research was carried out around Kedah which involved the SME entrepreneurs including food enterprise sector.

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INTRODUCTION

SME is generally defined as an enterprise that is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity. Based on the number of employees in the firm including micro is around 0-9 employees, small is around 10-99 employees and medium is 100-499 employees.

In Malaysia, Small and Medium Enterprises (SME) represent majority of the business which contributes 99.2% of total establishments in the country and providing about 56% of the total workforce. Food industry has a major socioeconomic importance in Malaysia. In total establishment of the food processing sector is 6,069 in which 5,925 (98%) are the processed foods are exported to more than 80 countries, based annual export value of more than RM6 billion (approximately US\$1.7 billion), amounting to two-thirds of the total Malaysia food export (The Business Times, 2010) began to increase from year to year.

1.1 Problem Statement:

SMEs in Malaysia have faced many problems and thus causing the food sector of SMEs getting stiff competition from larger companies. This causes the food sector of SMEs to be at a critical point when the challenges arise. This research is to examine whether SMEs food products are well received by the customer.

Every effort should be made to increase the number of Malay entrepreneurs, around the states. This is because business in Malaysia is dominated by the Chinese based on the observations. This fact has made Bumiputera to be left far behind in the market competition. Increasing the amount of Malay entrepreneurs is important to ensure that the food sectors in Malaysia are dominated by the Bumiputera.

1.2 Research Questions:

The main research questions are:

1.2.1 What is the main factor that influence of food products under SMEs?

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1.2.2 What is a strategy to improve food product SMEs at Kedah?

1.2.3 What is the role of government support in influencing the success of the small and moderate customers SMEs?

1.3 Research Objectives:

The objectives of this research are:

1.3.1 To investigate the factors that affect the food products factors under SMEs.

1.3.2 To find the strategies that can be used to improve food product SMEs.

1.3.3 To find out the effectiveness of government support in influencing the success of SMEs in Kedah.

2.0 Literature Review:

The definition for food processing refers to the practices used by food and beverage industries to transform raw plant and animal materials, such as grains, produce, meat and dairy, into products for consumers. Nearly all of our food has been processed in some way.

Food related business have a very good prospect in the long run because no matter what happens to the world and economy, all people still need to find and eat the food.

2.1 Product and Food under SMEs:

Food processed based SMEs has been recognized as one of the important contributors for the economic development of many countries. According to Malaysia-German Chamber of Commerce & Industry (MGCC), predominantly the number of Malaysian-Owned food processing SMEs increases every year. This industry has contributed about 10% of the Malaysian manufacturing output and increase job creation 1.4% (MGCC, 2010). In order to face the increasing competition in today's market scenario, the SMEs, especially the Malaysian SMEs in the food industry need to intensify their productivity and quality initiatives.

2.2 Factors that affect SMEs food product:

In Malaysia, there are several factors affecting SMEs suggested by Hashim and Ahmad that focus mainly on the internal aspect such as marketing, price, technology, branding and product and customer perception. In this research the factors that will be used are branding, marketing, technology and financial.

2.3 Relationship between Branding and SME Product:

Branding is a relatively new field among SMEs [13]. This is important to compare between big and small firms, which warrants a different in marketing approaches and magnitude [1].

Based on the previous studies, it has been revealed that the most commonly mentioned problems by operator of small business are marketing problems which are mostly relating to insufficient budget, capacity, skill and expertise [19,13].

In marketing SMEs, strongly focus on product and price, use of brochures and largely sales oriented, implying that building strong brands is not a high priority issue.

According to [5] the owner of the small company plays important role in building and managing a brand.

2.4 Relationship between Marketing:

In SMEs sectors, marketing is important to be more creative, alternative, instinctive informal and unstructured.

The SMEs sector by way of promoting the right product is needed. Because of economic growth, it is very challenging for the SMEs sector to compete with large companies. Proper marketing methods help SME entrepreneurs in creating customer value is not only in the domestic but also can expand internationally.

Marketing research is necessary in market segmentation strategy product quality, price, support retailers, and advertising. This is every effort to increase the growth of SMEs in Malaysia.

According to Ibeh, Ibrahim and Panayides, the achievement of the SME sector in the food sector is due to positive marketing capabilities Other than that, examples of previous research indicate the success of ASEAN exporters dependent on marketing. Furthermore, the success factor in expanding into regional market is dependent on the capability to manage product-mix, ability to target and segment the market.

2.5 Relationship between Technology:

Most local SMEs in Malaysia had not installed and internal IT infrastructure such as local Area Network (LAN) and access to the internet. A survey of 12,000 SMEs in Malaysia indicated that only 16 per cent had a web presence, compared to per cent of similar enterprise in Europe and North America.

To further improve the distribution of the food sector such as promotional efforts need to be done. The use of sophisticated technology is very useful to expand their marketing activities. It is an effort by SMEs to achieve a wider target market. Use of technology allows entrepreneurs around Kedah advertise their products more

widely if through online.

Based on the fact entrepreneurs can enhance their creditability by creating a professional image with an efficient web site [7].

The use of technology in marketing can “add value” to products and services in order to meet customer expectations.

2.6 Relationship between Financial:

Basically the government fund for SMEs is mainly for the purpose of fostering and development. Explained about the main factor that influences on growth of SMEs is financial capital. It is because financial is used to handle all education and training, open new business, add advantage for their product and so on.

Financial help to firm growth to enter the business and also when they are growing compare to the large business. According to commonly barriers for small business include institutional barriers and financial barriers.

In Malaysia the factors affecting the SMEs growth suggested by Hashim and Ahmad are focused mainly on the internal aspect in term of resources such as marketing operation and production, financial and strategic planning of enterprises. The financial gives more impact on inhibitor for SMEs growth in Malaysia.

2.7 Relationship between Customer Perceptions:

According to Morley, identify these food quality attributes as taste (critical element for high quality food). Today the majority of customers are looking for alternatives to buy a food product found on supermarket shelves, are mass produced denatured and chemically preserved. SMEs producers can show their products to customer, because to increase demand for quality and authentic food.

Another factor that influences consumers' perception is packaging, because it influences the consumers to purchase product. According to James and Mindly packaging should have children pictures and informed about the children if the products is aimed at the children.

3. Methodology:

3.1 Hypothesis Development:

The study involved the hypothesis formation as below:

H1: Branding has significant influence on food product SMEs.

H2: Marketing gives positive and negative influence on food product SMEs.

H3: Technology has significant influence on food product SMEs.

H4: Financial situation has great effect on food product SMEs.

H5: Customer perception has significant influence on their food products SMEs.

3.2 Research Design:

This research was to examine the strategies used by entrepreneurs to enhance the perception of the food sector SMEs products in Kedah.

The primary source of the information was obtained through interview that was conducted with SME entrepreneurs in Kedah and government bodies or other departments responsible for managing the SME sector in Kedah. This research will emphasize the marketing terms used to promote products produced by SMEs and factors that influence food industry in Kedah.

3.3 Data Collection:

Data collection method for this study was conducted by gathering questionnaires that were distributed in the SMEs entrepreneurs. The questionnaires consisted of 29 items that needed to be answered by entrepreneurs and seller of food product. The respondent that participated in this research were from the state of Kedah. The questionnaires were distributed to SMEs entrepreneurs in with a total 50 respondents.

3.4 Data Analysis:

Statistical Package for Social Science (SPSS) is used in order to describe on respondent profile and also to analyze correlation between dependent variable and independent variable of this study.

4. Findings:

4.1 Profile of Respondent:

Table 4.1 shows the sample profile of respondent participated in this research.

Table 4.1: Sample Profile.

Number of Questionnaires distributed	50
Number of Questionnaires Collected	50
Response Rate	100%
Number of Questionnaires used for Analysis	50

4.2 Reliability Analysis:

Table 4.21 shows the Cronbach's alpha and item of each independent variable. Independent variable is named as branding, marketing, technology and financial. According to Sekaran reliability is established by testing for consistency and stability of data collected. Consistency of data will show the degree of an item is independently measured of a concept.

4.2.1 Branding:

Table 4.21: Cronbach's Alpha.

Question	Mean	Std. Deviation	Cronbach's Alpha
1. Branding is important to improve the marketing of products.			.601
2. The branded product has high quality.	4.4400	.61146	
3. Branding helps to compete in international markets	4.2800	.83397	
4. Brand is important role that distinguishes between the two products	3.7800	.84007	
	4.3400	.47852	

Table shows the independent variable for Branding. Based on the question one item had been dropped. The Cronbach's Alpha is .601.

4.2.2 Marketing:

Table 4.22:

Question	Mean	Std. Deviation	Cronbach's Alpha
1. Marketing can help SMEs to market products			.510
2. Marketing is important in commercializing the product	4.0600	.51150	
3. Government agencies play the important role in marketing SMEs products	4.3200	.76772	
	3.7800	.99571	

Table shows the independent variable for Technology. Based on the question two items have been dropped. The Cronbach's Alpha is .510.

Technology:

Table shows the independent variable for Technology. Based on the question one item had been dropped. The Cronbach's Alpha is .594.

4.2.4 Financial:

Table 4.24:

Question	Mean	Std. Deviation	Cronbach's Alpha
1. Support from the financial institutions is important			.539
2. Financial support is needed to improve quality product	4.4400	.50143	
3. Government financial support program is effective	4.2200	.54548	
4. Financial need support in term of fund is important to develop SMEs products	3.9400	.73983	
	4.0400	.53299	

Table shows the independent variable for Technology. Based on the question one item had been dropped. The Cronbach's Alpha is .539.

Correlation:

Table 4.30: Correlation.

Variable	Mean	Std. Deviation
Branding	4.2520	.39961
Marketing	3.9720	.44080
Technology	4.1000	.41342
Financial	4.1600	.38052
Customer	4.7800	2.06635

Table 4.30 shows relations for five factor influence correlation include Branding, Based on the analysis mean 4.7800 for customer are high and SD is 2.06635. Followed by mean for branding 4.2520 and SD .39961, mean for financial if 4.1600 and SD is .38052, Technology is 4.1000 and SD is .41342 and last is mean for marketing is 3.9720 and SD .44080.

Regression Analysis:

Regression analysis based on the independent variable.

Table 4.41: Total Mean and Standard Deviation of all variable.

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.551	2.915		2.247	.030
Branding	3.351	.582	.648	5.755	.000
Marketing	-.435	.601	-.093	-.723	.473
Technology	.848	.760	.170	1.116	.270
Financial	-4.271	.839	-.787	-5.091	.000

R square= .572 Durbin Watson= 2.302

F=15.009 Sig F= 0.00

Table 4.41 shows regression analysis, it shows that the variation for food product explained as much 57% by branding, marketing, technology and financial. This is considered as good because only 4 factors used for this study. There are the number of factors that can contribute to the explanation of 43%. The significant impact to contribute 0.00% for financial and branding contribute and the other factor gets the high score.

In summary the analysis that was carried out, managed to meet the hypothesis tested was described in table 4.51

Table 4.51: Hypothesis.

Hypothesis	Statement of hypothesis	Result
H1	Branding has significant influence their on food products SMEs.	Rejected
H2	Marketing gives positive and negative influence on food product SMEs.	Accepted
H3	Technology is has significant influence on food product SMEs.	Accepted
H4	Financial has great effect on food product SMEs.	Rejected

Conclusions and Recommendations:

Marketing and Technology are the variable that have significant relationship towards SMEs food product. Therefore, it is important for SMEs to have their marketing activities in order to stimulate consumer interest in purchasing their products. In the meantime with the help of adequate technology in terms of machinery can help the SMEs to produce high quality product and achieve the zero defect productions.

As an entrepreneur, it is important to be more focused on products that fulfill the customers' need and desire. Other than that, the entrepreneurs also need to maximize the use of technology in product development and innovation. Commitment from entrepreneurs to develop themselves and willing to seek and adopt appropriate technology continuously to produce high-quality food product, safe for consumption, cost-effective and can compete in the global market is very important.

Branding and Financial can give positive impact on food industry in Kedah. It shows how the branding is able to compete and how important finance to entrepreneurs doing something on their product. As a conclusion based on the survey it shows the relationship between the brand and the financial rejected is by entrepreneur. The branding is rejected from entrepreneur's most probably because not all of these brands may survive, unless they refocus their efforts around emotional values that enable them to differentiate themselves from their competitors. Another conclusion is branding is important to differentiate the consumers.

Financial as independent variable is rejected because it has no significant relationship with customer's perception. This maybe because of the entrepreneurs facing some difficulties in finding support from Government agencies. Strong financial supports are needed by the entrepreneurs especially from the government agencies such as TEKUN and SMEs Bank because for a developing business, more funds are required to be invested in that particular business.

In order to develop well a company should perform well in terms of product brand, marketing, technology and also having a stable financial resource is important so that they can gain more customer loyalty.

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