A Study On
Infant Formula Industry
In Malaysia

Kwai Kaun

Bachelor of Science in Food Science and Nutrition
National University of Malaysia (UKM)
1994

Submitted to the Faculty of Business and Accountancy,
University of Malaya, in partial fulfillment
of the requirements for the Degree of
Master of Business Administration

February 2001
ACKNOWLEDGEMENTS

My heartiest appreciation to Associate Professor Dr. Mohd Nazari Ismail for his guidance and encouraging comments throughout this research project.

Many thanks to my MBA lecturers and course mates for our fruitful teamwork and friendship.

Love to my family and friends for their support, encouragement and understanding.
ABSTRACT

Since established in 1959, DUMEX (Malaysia) Sdn. Bhd. is the market leader in infant formula business in Malaysia. Stricter Code of Ethics for Infant Formula Products and increasing market competitiveness however, have awaken the need to examine appropriate marketing strategies in order to remain as number one in the infant formula segment. Marketing strategies proposed for infant formula industry in this study are predominantly based on capabilities of DUMEX (Malaysia) Sdn. Bhd.

DUMEX Nutrition Services Team plays an important role in creating infant formulas awareness among health care professionals. Dilemma of high staff turnover generated a need to determine correlation between infant formula market shares growth rate with Nutrition Services Team’s perception on DUMEX management approaches.

DUMEX abilities to stay as number one for more than forty years in infant formula business are due primarily to its clear product positioning, humane people policies and top management’s direction and support. Besides taking these factors into considerations, infant formula industry should strive to improve its product line extension and formulations. On the other hand, supporting factors such as pricing, promotion and distribution strategies should not be ignored. It was also concluded in this study that there is no direct correlation between market shares growth rate of infant formula with Nutrition Team’s perception on DUMEX management approaches.
# TABLE OF CONTENTS

1.0 STUDY BACKGROUND.................................................................1

1.1 Objectives..............................................................................1

1.2 Scope of study.......................................................................1

1.3 Significance of this study......................................................1

1.4 Why DUMEX was selected for this study?.........................2

1.4.1 Market leader for infant formula in Malaysia.................2

1.4.2 Largest Nutrition Services Team among milk companies in Malaysia.................................................4

1.4.3 Facing substantial Nutrition Advisors turnover..............5

1.5 Research methodology.........................................................6

1.5.1 Primary data.....................................................................6

1.5.2 Secondary data...............................................................6

2.0 REGULATORY ESTABLISHMENT ON INFANT FORMULA PRODUCTS IN MALAYSIA..................................................6

2.1 Definition of infant formula..................................................7

2.2 Code of Ethics for Infant Formula Products..........................8

2.2.1 Background...................................................................8

2.2.2 Scope of the Code..........................................................9

2.3 Disciplinary Committee on the Code of Ethics for Infant Formula Products......................................................11

3.0 MALAYSIA INFANT FORMULA INDUSTRY – EXTERNAL ANALYSIS USING PORTER’S FIVE FORCES MODEL OF COMPETITION...............................................13

3.1 First force: Rivalry among competing firms......................13

3.1.1 Market analysis............................................................13

3.1.2 Competitive analysis......................................................16

3.2 Second force: Threat of new entrants.................................19

3.2.1 Economies of scale.........................................................19

3.2.2 Product differentiation....................................................20

3.2.3 Capital requirements......................................................22
3.2.4 Access to distribution channels
3.2.5 Code of Ethics for Infant Formula Products
3.3 Third force: Bargaining power of buyers
3.4 Forth force: Bargaining power of suppliers
3.4.1 Cost price increase
3.4.2 Basis of price determination
3.4.3 WTO/GATT and Malaysia tariffs policy
3.5 Fifth force: Threat of substitute products

4.0 INTERNAL ANALYSIS – DUMEX (MALAYSIA) SDN. BHD.
4.1 Resources
4.1.1 Tangible resources
4.1.2 Intangible resources
4.2 DUMEX core competencies
4.2.1 Product positioning
4.2.2 People policies
4.2.3 Top management’s direction and support

5.0 RECOMMENDATIONS FOR INFANT FORMULA INDUSTRY
5.1 Product strategy
5.1.1 Product line extension
5.1.2 Product formulation
5.2 Pricing strategy
5.3 Promotion strategy
5.4 Distribution strategy

6.0 STUDY LIMITATIONS

BIBLIOGRAPHY

APPENDICES