

(R)

**MARKETING STRATEGIES FOR MALAYSIAN PALM  
OIL IN MEXICO**

**PREPARED BY :  
SIEW CHEE LING**

**SUBMITTED TO THE FACULTY OF BUSINESS AND  
ACCOUNTANCY, IN PARTIAL FULFILMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION  
(ACCOUNTANCY)**

**MARCH, 2004**

**Perpustakaan Universiti Malaya**



**A511704748**

## ABSTRACT

Malaysia has been exporting palm oil since 1950s and today, palm oil contributes significantly in supplying the world's requirement for oils and fats.

The market for oils and fats is competitive. Market development efforts ought to be given priorities to maintain its export share of Malaysian palm oil in the world market. This project paper is written in line with this interest and it is aimed at recommending strategies for adoption by the Malaysian palm oil industry to increase sales to Mexico.

The methodology adopted is mainly desktop research supported by the compilation of data and information made available from the various sources such as Palm Oil Refiners Association Of Malaysia (PORAM), Malaysian Palm Oil Board, (MPOB), Malaysian Derivative Exchange Berhad (MDEX), Oil World Publications of Germany and Department Of Statistics. Other sources of information is based on interviews and discussions with personnel in the Malaysian palm oil industry.

This study found that Mexico produced 38,000 tonnes of palm oil and imported 182,100 tonnes in 2002. The quantity of palm oil produced is small. Mexico imported palm oil mostly from the surrounding countries namely Costa Rica, Guatemala and Honduras. Collectively the 3 countries accounted for 74.1% of the palm oil imported. Malaysia and Indonesia's share in Mexico's palm oil imports were low at 2.5% and 12.8% respectively.

If Malaysia wants to increase its market share in total palm oil imported into Mexico, apart from adopting the offensive strategy of encouraging potential customers to use palm oil and current user to use more palm oil, the Malaysian palm oil exporters could look into new areas in Mexico which might need palm oil. Another strategy that the industry can adopt is to develop new products

suitable for the market and improve the quality and features of the existing products so that it could attract more customers and encourage wider usage in existing market.

Continuous improvement in the area of support services for the Malaysian palm oil industry is needed. In the Mexico oils and fats market, product that can offer cheaper price will capture larger market as there is little product differentiation and furthermore many of the oils and fats are substitute for each other. Therefore, Malaysian palm oil will have to promote efficiency in production so that it can produce palm oil with the lowest cost per tonne and price it competitively.

Another important aspect lies in the physical distribution network which is critical in ensuring that Malaysian palm oil can be delivered to the customers' place in the right time, at the right place and in the agreed quantity and quality. Lastly, Malaysian palm oil exporters/producers need to communicate effectively the advantages of Malaysian palm oil not only to industrial buyers but also to the final consumers aggressively.

## ACKNOWLEDGEMENT

The success of this dissertation is not without the assistance and support of many people.

My heartiest appreciation goes to En. Mohd. Azizi bin Mustafa, my supervisor who has sacrificed his time in giving me invaluable guidance, advice and words of encouragement. His advice and guidance were most valuable in helping me to write this text.

Special attention goes to my husband and my two daughters, Lim Sook Mun and Lim Sook Yee, for their understanding and patience given to me during the period when I do my MBA.

Siew Chee Ling

30th March, 2004

## TABLE OF CONTENTS

ABSTRACT.....	i -ii
ACKNOWLEDGEMENT.....	iii
TABLE OF CONTENTS.....	1-2
CHAPTER 1 - OBJECTIVES, SCOPE, METHODOLOGY AND LIMITATION OF STUDY.....	3
1.0 Introduction .....	3
1.1 Objective Of Study .....	3
1.2 Research Methodology .....	5
1.3 Limitations.....	5
CHAPTER 2 - LITERATURE REVIEW .....	7
2.0 Definition of strategic analysis.....	7
2.1 The structural analysis of industries .....	9
2.3 Porter's Three Generic Strategies .....	11
2.3.1 Overall Cost Leadership .....	11
2.3.2 Differentiation.....	12
2.3.3 Focus.....	12
2.4 Ansoff's Product - Market Expansion Matrix .....	13
2.4.1 Market penetration strategy .....	14
2.4.2 Market Development Strategy.....	14
2.4.3 Product Development Strategy .....	14
2.4.4 Diversification strategy.....	14
CHAPTER 3 - MEXICO OILS AND FATS MARKET .....	16
3.0 Mexico's oils and fats scene.....	16
3.1 Factors affecting palm oil demand in Mexico.....	18
3.1.1 Population.....	19
3.1.2 Income growth .....	20
3.1.3 Price .....	20
CHAPTER 4 - MARKETING ENVIRONMENT FOR PALM OIL IN MEXICO .....	23
4.0 Current Marketing Situation.....	23
4.1 Market situation.....	23
4.2 Product situation .....	24
4.3 Pricing situation.....	25
4.4 Competitive situation.....	26
4.5 Distribution situation.....	27
4.6 Foreign marketing environment – Mexico.....	28
4.6.1 Demographic/Social/Cultural environment.....	28
4.6.2 Political/legal environment .....	30
4.6.3 Economic environment .....	34
4.6.4 Technological /physical environment .....	34

4.7 Domestic marketing environment - Malaysia .....	35
4.7.1 Political/legal environment .....	35
4.7.2 Economic environment .....	36
4.7.3 Natural environment .....	36
CHAPTER 5 - STRATEGIC ANALYSIS OF THE MALAYSIAN PALM OIL INDUSTRY.....	38
5.0 SWOT Analysis .....	38
5.1 Strengths of Malaysian palm oil.....	38
5.2 Weaknesses of Malaysian palm oil.....	39
5.3 Opportunities to Malaysian palm oil industry .....	39
5.4 Threats to Malaysian palm oil industry.....	40
CHAPTER 6 - PROPOSED STRATEGIES FOR THE MALAYSIAN PALM OIL INDUSTRY.....	42
6.1 Marketing objectives.....	42
6.2 Marketing mix strategy .....	42
6.2.1 Product strategy.....	42
6.2.2 Pricing strategy .....	43
6.2.3 Place/Channel distribution strategy.....	44
6.2.4 Promotion strategy.....	44
Bibliography .....	48-51
Appendix A.....	52-54
Appendix B.....	55-56