

IMPROVING COMPETITIVENESS OF PALM OIL FRUIT DEALER TO  
INCREASE THE FRESH FRUIT BUNCHES (FFB) TRADING

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## **DEDICATION**

This thesis is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time.

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## **ABSTRACT**

Decrement in FFB trading is the main concern of fruit dealer in agriculture intermediary business. High customer discharge rate has reduced the sales of company, indirectly affect the competitiveness of company towards other dealers. High competition in FFB dealers' market has reminded the organisation to pay attention on its current strategy. It needs realistic alternatives to improve the competitiveness of company. The purpose of the research is to identify the factors that influence the fruit trading of company and to suggest useful interventions to increase the competitiveness of company by looking at the performance of fruit trading. The research also evaluates the effectiveness of interventions such as outsourcing workers, adopting social media platform, and adjusting on price tactic in the process of enhancing the FFB trading in KTG Yong Hin Sdn. Bhd. Porter's Diamond theory and Porter 5 forces model has used to assess the competitive strength of a business. Some interventions are proposed to improve practically towards the status quo of company. A mixed method approach is used in this research for pre interventions and post interventions. There are 5 respondents involved in qualitative study, while a total of 11 respondents took place in quantitative study. All the respondents are from management level. SPSS and thematic analysis were mainly used to interpret and analyse the findings in this study. As the results, the interventions included outsourcing workers, adopting social media platform, and adjusting on price tactic implemented in company found to be significant based on the results of paired samples t-test analysis and thematic analysis. This research gives future researchers a guidance to further investigate any strategy that suitable for palm oil fruit dealer in improving its competitive position, thus increasing the FFB trading. This research is suitable to act as a guide for small company with same business nature to employ it especially during strategy planning and execution.

## ABSTRAK

Penurunan dalam perdagangan buah kelapa sawit adalah kebimbangan utama peniaga buah sawit dalam perantara pertainian. Kadar pelepasan pelanggan yang tinggi telah mengurangkan jualan syarikat, secara tidak langsung menjejaskan daya saing syarikat terhadap peniaga lain. Persaingan yang tinggi dalam pasaran peniaga buah sawit telah mengingatkan organisasi untuk memberikan perhatian kepada strategi semasanya. Ia memerlukan alternatif yang realistik untuk meningkatkan daya saing syarikat. Tujuan kajian ini adalah untuk mengenal pasti faktor-faktor yang mempengaruhi perdagangan buah sawit syarikat dan mencadangkan intervensi yang berguna untuk meningkatkan daya saing syarikat dengan melihat prestasi perdagangan buah sawit. Penyelidikan ini juga menilai keberkesanan intervensi seperti pekerja penyumberan luar, penggunaan platform media sosial, dan menyesuaikan taktik harga dalam proses meningkatkan perdagangan buah sawit di KTG Yong Hin Sdn. Bhd. Teori Berlian Porter dan model daya Porter 5 telah digunakan untuk menilai kekuatan daya saing perniagaan. Beberapa intervensi dicadangkan untuk memperbaiki secara praktikal terhadap status quo syarikat. Pendekatan kaedah campuran digunakan dalam penyelidikan ini bagi pra intervensi dan pasca intervensi. Terdapat 5 orang responden yang terlibat dalam kajian kualitatif, manakala seramai 11 orang responden telah mengambil bahagian dalam kajian kuantitatif. Semua responden adalah dari peringkat pengurusan. SPSS dan analisis termatik digunakan terutamanya untuk mentafsir dan menganalisis keputusan dalam kajian ini. Hasilnya, intervensi-intervensi yang dilaksanakan di syarikat didapati signifikan berdasarkan keputusan analisis ujian t-sampel berpasangan dan analisis tematik. Penyelidikan ini memberi panduan kepada penyelidik masa depan untuk menyiasat lebih lanjut sebarang strategi yang sesuai untuk peniaga buah kelapa sawit dalam meningkatkan kedudukan daya saing, sekali gus meningkatkan perdagangan buah kelapa sawit. Penyelidikan ini sesuai untuk dijadikan panduan kepada syarikat kecil yang mempunyai sifat perniagaan yang sama untuk menggunakannya terutama semasa perancangan dan pelaksanaan strategi.

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## **LIST OF ABBREVIATIONS**

FFB	-	Fresh Fruit Bunches
FD	-	Fruit Dealer
CPO	-	Crude Palm Oil
GDP	-	Gross Domestic Product
MPOB	-	Malaysian Palm Oil Board
MCO	-	Movement Control Order
SPSS	-	Social Sciences Statistical Package



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# CHAPTER 1

## INTRODUCTION

### 1.0 INTRODUCTION

The palm oil industry is one of the most important agricultural contributors to the economy of Malaysia. Crude palm oil (CPO) is the primary raw material for chemical and food industry, making it a true global product. The success of oil palm industry contributed 5% to 7% of Gross Domestic Product (GDP) in Malaysia, with average export revenue of RM 62.24 billion every year (Nambiappan & Ismail & Hashim & Ismail & Nazrima & Idris & Kushairi, 2018). There are 85% of palm oil produced by Indonesia and Malaysia as both countries are the biggest palm oil producers in the world (Maluin & Hussein & Idris, 2020). Malaysia has contributed around 39% of global palm oil production and 44% of global export for palm oil (Iskandar & Baharum & Anuar & Othaman, 2018). The exports of Malaysian palm oil are mainly to the markets of Pakistan, European Union (EU), China, India, and United States (US) because the price of oil palm is cheaper than other vegetable oil (Ramli & Tahir & Rozali & Othman & Muhammad & Singh, 2020).

In Malaysia, there were 61.1% of palm oil plantations owned by private estates, 16.7% owned by independent smallholders, and the least was owned by Rubber Industry Smallholders Development Authority (RISDA), which was 1.2% in year 2019 as shown in Table 1.1 (Parveez & Hishamuddin & Loh & Ong & Salleh & Bidin & Idris, 2020). Independent smallholders can be defined as unorganised farmers with the palm oil farm size of less than 4 hectare (ha). Based on the distribution data, it reflects that the independent smallholders provide a significant contribution to palm oil sector in Malaysia after the private estates.

Table 1.1: Distribution of Oil Palm Owned by Sectors in Malaysia since 2019

	2019	
	million hectares	%
Private estates	3 605 436	61.1
Independent smallholders	986 331	16.7
Felda	723 545	12.3
Felcra	185 005	3.1
RISDA	72 444	1.2
State schemes/ government agencies	327 396	5.5

Generally, the business model of independent smallholders is selling their fresh fruit bunches (FFB) to palm oil fruit dealers (FD) rather than to the mills because the amount of FFB produced are small and long travel distance from smallholders' farms to processing mills (Kannan & Basaruddin & Hashim & Bakar & Omar & Khairil & Salleh & Mansor, 2017). On the other perspective, fruit dealers also required to have certain amounts of smallholders to sustain their fruit business. Currently, fruit dealer business encountered high competition because there are many fruit dealers existing in this market. So, FFB trading amount become the main challenge for most of the fruit dealers whether the business is earning big amount or small amount of profit.

The following sections offer an overview on the information about case company, problem statement, research questions, research objectives, researcher role, research ethics, important of proposed research, and lastly the summary of this chapter.

## 1.1 INFORMATION ABOUT CASE COMPANY

The company chosen for this action research is KTG Yong Hin Sdn. Bhd. KTG Yong Hin is company in Malaysia, with head office located in Parit Jawa, Muar, Johor. The enterprise was incorporated in January 2017. The core business of the company is trading of fresh fruit bunches (FFB) and it is one of the fresh produce wholesaler industry and oil palm fresh fruit bunches dealers in Muar, Johor. It involved buying the fresh fruit bunches directly from landowners and distribute the fruits to its contacts (mills). At the same time, harvesting and delivering services also provided for our clients (landowners) to save their time, energy, and any transportation expenses. The

harvesting and transportation services will be charged accordingly to our clients. The land area of the company is 700 feet in length and 100 feet in width. The total employees in KTG Yong Hin Sdn. Bhd. are 25.

## **1.2 PROBLEM STATEMENT**

According to Ganeshwaran (2020), the author of The Star, it stated that the palm oil industry in Malaysia experienced an aggressive slowdown in exports and prices in the first quarter of 2020 because of Covid-19 pandemic. Lockdown imposed in most of the importing countries has caused the reduction in demand and production of palm oil industry in Malaysia. Based on the statistic released by Malaysian Palm Oil Board (MPOB), the exports of palm oil fall 23.9% which from 8 million tonnes to 6.09 million tonnes from January to May in 2020. However, the exportation of palm oil was increased back 37.3% from June to October 2020, which from 6.09 million tonnes to 8.35 million tonnes. The price of crude palm oil has rose to eight-year high, which is RM 3,262 per tonne in year 2020. The main reason contributed to the drastic increase of palm oil price is because the resumption of economic activities of importing countries has turned more demand for palm oil in Malaysia, according to Dr. Ahmad Parveez Hj Ghulam Kadir, the Director-General of Malaysia Palm Oil Board (MPOB).

Through interview and sharing session with the managing director and management staffs of KTG Yong Hin Sdn. Bhd, the researcher realised that the FFB trading was obviously reduced gradually from 2018 to year 2020. It gave an unfavourable impact to the revenue of KTG Yong Hin Sdn. Bhd. According to the managing director of the company, he stated that Covid-19 pandemic was a minor factor and it does not affected much on the trading between company and smallholders because KTG Yong Hin Sdn. Bhd. still can operate normally during MCO period. So, after I compared the online article statements with the actual situation in the company, I found that imposed lockdown obviously cut down the global demand to purchase palm oil from Malaysia, however it does not affect the fruit trading between smallholders and fruit dealers in local.

After several rounds of discussion and analysis, it was discovered the problem that cause the reduction of FFB trading annually was due to the high competition in the FFB dealers' market. KTG Yong Hin Sdn. Bhd. required to fight with others fruit dealer in that area to attract smallholders or farmers to do business with them. Since KTG Yong Hin Sdn. Bhd. is new to this industry, the company is able to survive because of their regular customers. As consequences, the trading of company decreased annually because they deal only with the same customers and less new customer is involved through this business.

The problem in KTG Yong Hin Sdn. Bhd. is critical because reduction in trading represents a significant loss towards the company. Therefore, a significant solution and intervention must be introduced to improve and increase the trading of palm oil fresh fruit bunches (FFB) in KTG Yong Hin Sdn. Bhd.

### **1.2.1 SWOT Analysis**

SWOT analysis uses a matrix form in which it highlights the strength, weaknesses, opportunities, and treats of a company. Strengths and weaknesses are the internal factors within the company, while opportunities and treats are the external factors from community. Strengths describe things that the company can do well, while weaknesses are the elements that stop the company from performing to optimum level. Opportunities defined as the good external factors that can give company a competitive advantage, while threats refer to the external elements that can harm the company. The primary purpose of SWOT analysis is to assist company in business decision making after analysing the internal and external factors of a company which described in table 1.2.

Table 1.2: SWOT Analysis for KTG Yong Hin Sdn. Bhd.

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Easy to manage and handle (small company)</li> <li>• Fixed customers</li> <li>• Skilled labour and knowledgeable staff</li> </ul>	<ul style="list-style-type: none"> <li>• Labour shortage</li> <li>• Traditional business (small market)</li> <li>• Limited resources and capital</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Increment in demand of fresh fruit bunches in domestic and global market</li> <li>• The price of fresh fruit bunches is fixed by government, company only can do minor adjustment</li> </ul>	<ul style="list-style-type: none"> <li>• Compete with other trading company in palm oil fresh fruit bunches</li> <li>• Price of other agriculture (durian, bananas) is higher than palm oil, some farmers quit palm oil industry</li> </ul>

### 1.3 RESEARCH QUESTIONS

- What are the factors that reduce the trading of fresh fruit bunches?
- What are the interventions proposed to increase the trading of fresh fruit bunches?
- What are the impacts of interventions proposed to increase the trading of fresh fruit bunches?

### 1.4 RESEARCH OBJECTIVES

- To identify the factors that influence the trading of fresh fruit bunches.
- To suggest and propose some intervention to increase the trading of fresh fruit bunches.
- To evaluate the outcome of intervention proposed to increase the trading of fresh fruit bunches.

## **1.5 RESEARCHER'S ROLE**

As a researcher in this action research, there were myriad of tasks or responsibility need to be achieved by the researcher. During the initial phase of the research, the researcher was required to identify the problem existing in the company by conducting interview with management staffs and managing director. Problem formulation would be introduced and utilised throughout this research, such as SWOT analysis, fish bone diagram, and Porter's 5 forces model to analyse the problem in the business. After that, research questions and objectives would be established to narrow down the gap of research outcome.

Then, the identified problem needs to discuss and analyse further to understand the origin of identified problem in more precise way. In this case, the researcher interviewed again the managing director of KTG Yong Hin Sdn. Bhd. to get know further what challenges faced by company that resulted to reduction of fruit trading from year to year. Next, the review of relevant literature and reading resources conducted to analyse the current problematic situation. Some interventions planned will be proposed after problem analysis.

In this action research, the data collection is mixed method which involved both qualitative and quantitative. The researcher needs to ask questions, observe the participants, and collect available data. After that, the results of collected data will be analysed and discussed to determine whether the interventions work efficient or not.

Therefore, as a researcher, the author needs to follow up the progress of action research with both company and university to achieve the tasks within the timeline given. Any outcome achieved after interventions in the company should be included in the report to ensure the data and findings is accurate and precise.

## **1.6 RESEARCH ETHICS**

Research ethics defined as the appropriateness of behaviour to the rights of people are subjected to the research or affected by it. Research ethics always related on how a researcher clarify a research topic, design research, collect data, process data, analyse data, and compile research findings with responsible and moral attitude. Ethical concerns are important to be practiced throughout the research to get rid any occurrence of unexpected adverse effects (Bracken-Roche & Bell & Macdonald & Racine, 2017). There are many ethical issues when doing a research, it included honesty in data analysis, objectivity, plagiarism, and redundant publication (Navalta & Stone & Lyons, 2019).

As a researcher, it must be responsible and honest when analyse the data because misinterpretation the findings will confuse the reader. To make sure an appropriate data analysis is produced, all methods and sources used must fully disclosed. Next will be objectivity in research, it means diminishing of any conflicts and bias throughout the research study. The conflicts can be financial interest, personal, political, commercial, or academic (Jenn, 2006). The researcher should conduct the study in fairness way especially in study design, data collection and results analysis, otherwise it will produce invalid results due to judgement prospect in the research study (Navalta & Stone & Lyons, 2019).

Apart from this, plagiarism is crucial when doing a research. It required researchers to paraphrase the original work from researcher and always use direct quotes when using another's ideas and statistical data. Moreover, redundant publication should not be practiced when conducting a research. Redundant publication occurred when two or more papers having similarities in hypothesis, data and discussions, conclusion, and references (Jenn, 2006). It is not ethical when someone is using the similar data, slightly change the title, and publish to another journal (Navalta & Stone & Lyons, 2019).

In conclusion, researcher should be ethical enough when interpreting the results of the study. During conducting action research, the researchers also had to take consideration to protect the confidential and privacy of involved companies and participants if requested (Dooly & Moore & Vallejo, 2017).



## **1.7 RESEARCH SIGNIFICANCE**

In this section, research significance split into two parts, which are theoretical and practical. For theoretical, it explains how theory and model related to this study. It also establishes some of the past studies to support the idea in this study. In term of practical, actions such as interview and survey will be conducted in case company to understand their problems, then interventions will be proposed to solve the existing issues in this study.

### **1.7.1 Theoretical**

Wealth and profit are the essential for most of the palm oil fruit dealers to expand or sustain their business. Therefore, previous studies are important to identify the causes why fruit dealers having an intense competition in this fruit trading market. The researcher had to provide some interventions to improve the competitiveness of company towards other fruit dealer in order to increase their fruits trading.

Besides, this research reviewed some theory and model to improve and highlight the competitiveness of fruit dealer's business. Porter's Diamond theory was one of the theories discuss about the competitive advantage of a company. This theory elaborated that a business can achieve competitive advantage if fruit dealers emphasized on 4 attributions in diamond theory. Besides, Porter five forces model also introduce in this research to assess the competitive strength of a business by looking at the 5 aspects, which are rivalry among competitors, threat of substitute products or services, threat of new entrants, bargaining power of supplier, and bargaining power of buyers.

There was few studies or journal mentioned about the competitive challenges faced by agriculture intermediary business, especially for palm oil fruit dealer business (Omar, & Ishak & Awang & Hussain, 2018). Most of the studies highlighted about the sustainability and environmental impact of palm oil industry in Malaysia. Therefore, a further identification for this related topic is required to make sure researcher understand exactly the challenges faced by fruit dealer in this competitive FFB trading market. Some literature from past studies related to this topic will be discussed further.

Throughout interview and survey session, data and information gathered from management perspective to understand the reasons why company not able to attract more customers to involved in palm oil fresh fruit bunches trading. So, interventions will be proposed to tackle this problem.

### **1.7.2 Practical**

In this research study, high competitiveness of fruit dealer affected the trading of FFB in the company. The researcher required to evaluate the factors and reasons why the smallholders choose not to trade their FFB with KTG Yong Hin Sdn. Bhd. The main objective in this research is to find out the problems existing in KTG Yong Hin Sdn. Bhd. Throughout the interview and survey session, it shown that decreasing annually in fruit trading amount is due to the intense competitive in the fruit dealer market. Thus, some suggestion and intervention were proposed by company to solve this problem.

In this study, it helped company to improve the competitive position in this fruit trading market, which attract more customers to sell their FFB to company. As the results, fruit trading amount and profit improved.

Besides, the intervention plan proposed in this study become a guidance for management on how to increase their fruit trading. It also gives an idea for this company to figure out on how to tackle their business issue when similar problem happens again in the future. As the results, the issue can be solved efficiently and probably it might minimize the losses for the company.

## **1.8 SUMMARY OF THE CHAPTER**

In summary, the problems faced by KTG Yong Hin Sdn. Bhd. have been identified in this chapter. The palm oil fruit trading among company and smallholders are obviously reduced annually, which affected the earning profit for company. This study had discovered the factors that caused reduction of fruit trading in KTG Yong Hin Sdn. Bhd. through interview and some sharing session.

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