

ATAN BINA HARDWARE SDN BHD: IT'S EXPANSION PLAN

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INTRODUCTION

It was early morning of 5th January, 2016. Nurul Zalikha (subsequently known as Nurul) was driving her car very fast to reach office before 8am. She had to attend one important meeting at 10am with her father Mr Ab. Rahim Bin Ab. Muthalib (subsequently known as Mr. Ab Rahim), the director of Atan Bina Hardware Sdn Bhd located at Masai, Johor Darul Takzim - West Malaysia. Atan Bina used to sell household hardware and construction materials. Nurul was driving and thinking about the discussion agenda. She whispered herself:

Yes, I know that the sales is declining, but I also know that there will be a solution to this situation. We can't just postpone our expansion plan for this reason! Who knows, it might turn out to be a better option to boost up sales? May be our location is not strategic to attract the customers! May be we need to open different outlets in different places with better strategic location! We can't leave the situation like this... We must find way out to increase sales...

Atan Bina Hardware Sdn Bhd was established in 2001 in Masai, Johor. After 10 years of its operation, the company started to lose its profit. The situation worsened at the end of 2014 and an increased number of orders started to be cancelled. Nurul suggested her father to open two more branches to resolve this situation which Mr Ab. Rahim did not find as an appealing option. However, he did not reject the option, instead, he asked Nurul to have a discussion to understand her point of view. Before she meets her father, she wanted to sit in her office desk to think properly about the pros and cons pertaining to the expansion plan.

Lots of thoughts occupied her mind.

I can see that, we have three options in front of us: first, either proceed with the expansion plan to open two more outlets, one at Muar and another one at Kuala Lumpur. Second, proceed with the expansion plan but with only one brunch at Muar. And the last one would be not to open any brunch for now till we recover the sales decline... Oh no! I don't wanna think about this last option... But we have to make a decision soon. Otherwise, the owner of the premises will release their reservations to other prospects.

She comforted herself: *I do hope that it will be okay soon by Almighty's mercy. We will find out the right option.*

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DESCRIPTION OF THE INDUSTRY

Malaysia's economy was projected to continue to grow at 4% in 2016. The positive growth was expected to derive from all sectors with the exception of agricultural sector that had been recorded negative growth or very small insignificant growth. As for the construction sector, the contribution to the economy had been consistent and stable with the potential to grow and benefit from the government's mega projects and infrastructure development plans.

During 2012, Malaysia's construction industry was looking considerably good despite slow economic growth in many other sectors. Since 2012, the sector had documented a double-digit growth and seemed to be resistant to the challenges faced by the overall economy (Manalingam, September 16, 2015). Although the growth in 2015 was of a single digit, it was still showing that this volatile sector was sustainable and growing.

According to the Construction Industry Development Board (CIDB), this was mainly due to the ongoing government's mega projects that had been approved under the 11th Malaysia Plan, the country's economic roadmap stretching from 2016 to 2020. It was announced that the development expenditure was set to be around RM260 billion under this plan, which was an increase of 16% from the 10th Malaysia Plan.

The long list of projects were spread nationwide covering most states and cities especially the big cities like Kuala Lumpur, Johor Bahru and Penang. In addition, there were still many other sectors that required continuous supply of hardware materials for the construction business such as the commercial, industrial and other residential projects.

DESCRIPTION OF THE COMPANY

Atan Bina Hardware Sdn Bhd (subsequently known as Atan Bina) was a bumiputera company which was established in 2001 in Masai, Johor. It was a new start up business operating in domestic hardware industry. The owner, Mr. Ab. Rahim bin Ab. Muthalib started the company to sell household hardware and construction materials. From a humble beginning of one store, it had expanded in 15 years with two branches and one hardware factory.

The company also diversified its business by venturing into the property development. Atan Bina provided a range of household hardware, building and construction material product, a type of material, which could be used for building. Director of the company, Mr. Ab. Rahim Bin Ab. Muthalib ran the business himself assisted by his daughter, Ms. Nurul Zalikha Binti Ab. Rahim who was also the Managing Director of the company.

Atan Bina tried to sell the best product and the products follow standard and specification that the customer need. All products and materials that they used to sell followed the standard quality in the market. Since Atan Bina focused on construction sector, they had their own factory to produce their product such as cements and block bricks. It was beneficial because they were able to control all outputs.

ATAN BINA'S CHALLENGE ABOUT SALES DECLINE

Since its inception on 2001 till 2011, Atan Bina's sales and profit was satisfactory. However, the sales of Atan Bina started to decline from 2012 which worsened at the end of 2014. The sales and profit declined substantially. There were increased number of orders that were cancelled at the very last minute which resulted in declining the sales. Orders were declined by their customers due to the price of the material that increased in the market which was the result of unstable economic condition. Many of their products were purchased by big construction companies but a few years back they had failed to increase their sales.

Revenue was going down to an amount that could barely cover the overheads. This is evident in the account statements of Atan Bina Sdn Bhd for the year 2012 to 2015. Since Atan Bina was their family business for long time, the family's earning relied on the income that used to come from the sales. Not only the financial aspect, but also the reputation and image was another concern. Nurul and her father dreamt to bring the company to the level where it could be considered as the market leader. However, the things did not work as they thought. Based on the current situation faced by Atan Bina, which was the declining trend in sales and profit, Nurul felt to work on improving the company's financial condition. Collection of debts must be done quickly to ensure a healthy cash flow for the future years.

Both Mr. Ab. Rahim and Nurul were in a dilemma and were in need to have a solution by the end of 2016. They need to decide how to boost the sales and whether to proceed, postpone or totally drop their expansion plan.

CONCLUSION

Nurul came back to her office room and stood in front of the window which was behind her office desk. She started to think about the future plans by looking at the window shield.

By realizing her father's trust on her, Nurul felt determination to come up with a proper expansion plan and effective promotional and pricing strategy to increase sales. She whispered: *I will not give up. I will make it happen...* However, when she realized that the very big decision was left on her shoulder, she felt little bit nervous and asked herself: *Should we proceed or not to proceed with the expansion plan?*

REFERENCE

Manalingam, September 16, 2015