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A Case Study at Pasar Tani Kluang: Factors that affect sales under Jimat Belanja Dapur Programme

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Abstract

The first Pasar Tani was established in Malaysia in 1985 by Federal Agricultural Marketing Authority (FAMA). The business concept practiced by the pasar tani is to provide a niche market for the farmers or producers to market their own products directly to consumers. At the same time, the establishment of the market is also to reduce financial burden of consumers in spending for daily food and beverages consumption. In addition, the prices of the products are cheaper compared to the supermarket. In 2014, FAMA launched Jimat Belanja Dapur programme under Pasar Tani to promote healthier and more affordable products to local residents. Nevertheless, the sales statistics from the programme indicates that it is not at satisfactory level. Therefore, the objective of the study is to identify factors that cause low sales at Pasar Tani and how to solve the problem. The study is based on Pasar Tani Kluang sellers. The data were collected through interviewing the sellers that participate in the Pasar Tani programme and the FAMA representative. Findings of the study were analyzed using content analysis. The findings indicate the reduction of sales is caused by consumer spending behavior, high number of competitors and lack of promotion. The problems can be solved through selling quality product, creating competitive advantage for the sellers and establishing a good relationship between the seller and buyer.

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1. Introduction

The first Pasar Tani was established in Malaysia in 1985 by Federal Agriculturlal Marketing Authority (FAMA). The products sold are by the farmers and small entrepreneurs who directly produced the products. Normally local vegetables, fruits, fish and meats are sold at Pasar Tani. The selling price is a reasonable price. The government provides a platform for Pasar Tani at every state in Malaysia to offer reasonable price of goods to the local
community. *Pasar Tani* provides opportunity to the famers or producers to market their products directly to the consumers. This is also to enhance the entrepreneurship skills of rural famer or producer to sell the fresh products with some added values and comfortable service. Consumers love to shop at *Pasar Tani* because the environment is more like a carnival compared to the supermarket environment. In addition, the products are safe, fresh and possess good quality. Moreover, the products are sold at reasonable price. However, the living cost and expenses of Malaysians are high due to the rise in energy price and other economic factors. Therefore, one of the struggles that the consumers face is the rising price of foods such as fresh vegetables, fish, fruits and meat. This is also one of the reasons for the government to control price on selective foods product. In 2014, the government took effort in reducing the citizen burden by introducing the *Jimat Belanja Dapur* programme. 513 of *pasar tani* throughout Malaysia joined the programme (Berita Harian, 2014). However the study focuses on sales at *Pasar Tani* Kluang. The participation of sellers at *pasar tani* keeps rising but the sales are inconsistent. The sales from the sellers who joined the programme in *Pasar Tani* Kluang are presented below:

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (RM)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2014</td>
<td>102.9</td>
<td>17.54</td>
</tr>
<tr>
<td>February 2014</td>
<td>207.9</td>
<td>35.29</td>
</tr>
<tr>
<td>March 2014</td>
<td>128.50</td>
<td>21.90</td>
</tr>
<tr>
<td>April 2014</td>
<td>77.25</td>
<td>13.17</td>
</tr>
<tr>
<td>May 2014</td>
<td>71.00</td>
<td>12.10</td>
</tr>
</tbody>
</table>

Therefore the study was conducted to identify factors that cause inconsistency of sales under *Jimat Belanja Dapur* Programme at *Pasar Tani* Kluang and explore the possible solution that can be implemented by *Pasar Tani* FAMA.

2. Literature Review

2.1. Wet Market

Wet market is a popular place to shop among people who have low and middle income those years. However, high living expenses and production cost led people from any group income to shop there. In the past one year, the petrol price has been increasing in Malaysia. M.Yusof Saaria (2013) argues that producers and consumers are likely to be affected seriously if the impacts of higher petroleum and electricity prices are simultaneously taken into consideration. People in Malaysia have burden to face the increased prices and the high living cost. The increases in petrol price directly contribute to big impact to sellers and buyers especially. For example, the seller will charge the high price of the product because they also bought the product from the supplier with the high price. Besides that, it is also included with the transportation cost and other costs. Therefore, the buyers are forced to accept the prices that were charged by the sellers. In term of prices of good or product, the customers are more prefer to pay lower prices. However, if the price of good is high and the quality is also high, it will not be a problem for them to pay more. Wet market has also become a place for social interaction for multi-racial (Mele et. all, 2015). Even though wet market is a place where fresh product are sold at cheap price, the increase in number of supermarkets and supermarkets characteristics at urban area force the number of shoppers at wet market to reduce (Gorton et. all, 2011). Dabholkar (2015) found that customers’ participation in business is highly associated with service quality that the service provider can give. Although wet market sells fresh product such as meat, vegetables and fruit (Mele et. al, 2015), there are issues on quality that have been argued by Bougoure, 2009. He found that wet market vendors are not providing the level of service quality demanded by their customers in Hong Kong wet market.

2.2. Consumer behaviour
Consumer behaviour means an individual’s action related to acquisition of items and their usage that cover his actions from the origin of the problem, which may be resolved by purchasing the item in question to the reaction towards the purchased item. Ausras (2006) said that the rise of the living standard fortifies economic opportunities of this social class and determines the changes of consumer behaviour. Nowadays, most of the customers have the medium and high level of income, so they are more prefer to shop at places that are more comfortable like hypermarket or fast food outlets. Other than that, customers have awareness to choose the high quality product. Mergenthaler (2009) claimed that the rising of consumers’ income lead to the demand of high-value fruits and vegetables. Shannahah (2015) found that customers purchasing behaviour have high relationship in participating of a business activity. Goldman et.al. (1999) found the strength of wet market is contributed by consumers shopping and consumption culture that influence the wet market sales.

2.3. Marketing promotion

Homburg et.al. (1999) found that marketing department has greater influence towards company sales performance. Promotion is included in the tools of marketing strategy. Bougoure et. al (2009) found that wet market vendors are not providing the level of service quality demanded by their customers. In particular, the findings suggest that wet market vendors need to improve the visual attraction of their stalls, work on making them look more professional and start using more modern equipment. Promotion is a way on how the sellers communicate to their customers and it is also as a way to attract the customers. Pauline and Philippe (2012) gave opinion that sales promotion can improve consumer efficiency during the purchase by reducing search costs. It can remind them of the need for the product and even help them to find the desired one. Usually, if the company have the promotion for their product, they will do the promotion through the advertisement on television, newspaper, bunting, banner or other ways. If the company runs a slow promotion or use the limited cost for promotion, it will be the factor that causes the sales reduction. Results from the research in Thailand show that the effect of the less effectiveness and slow promotion Kittichai and Watchravesringkan (2011) claimed that the Tesco’s advertising ineffectiveness promotion such as using the annoyed pictures and less of information were viewed negatively among the participants compared to the advertising strategies of other companies. One of the factors that contributed to the low sales of the business is lack of promotional campaign.

2.4. Competitors

Wet market in most of the countries have their own uniqueness (Mele et. all, 2015). Despite of that, with the modern technology and needs, there are huge number of supermarkets and hypermarkets that exist to fulfil the market demand. Characteristics and quality services provided by the supermarket as a competitor are able to surpass the growing of the wet markets. (Bougoure and Lee, 2009; Trappey and Lai 1997)

2.5. Competition strategies

Business environment nowadays is very competitive. Ha Xuan Cuong (2014) said, “If you are not moving forward, you are moving backward and will be passed by your rival”. To compete with other competitors, the sellers need to organize a good strategy. A growth strategy is very important for any business in order to survive and develop further in the market, getting bigger and increasing annual sales over time. Competitors would be a killer to our business if we do not have a competitive advantage that can attract the customer’s attention. A business will fail if it cannot compete with its competitors. Especially for wet market outlets, they can offer the high quality and good prices of fresh vegetables and fruits, create a good competitive advantage. Bougoure and Lee, 2009 found the wet market needs to be competitive in order to survive in the industry.

2.6. Customer relationship management
Customers are more engaged to business that provides good quality service and response in time with them Dabhalkar, (2015). Other than that, the effective way of the wet market in managing the customers is also the reason for customer to retain their purchase there. Shannahan et. al, (2015); Plé, & Lecocq, (2015) and Huang, Tsai and Chen (2015).

3. Methodology

The study was conducted at Pasar Tani Kluang by conducting in depth interview between the sellers and also FAMA authority who are involved in this programme. The interview was conducted on 10 sellers out of 35 sellers at Pasar Tani FAMA Kluang during the business hours which are around 9.50 am until 1.00pm on Sunday. The sellers are involved in selling fresh vegetables, fruits, meat and fish. They have already been in the business for more than 2 years.

4. Results and Discussion

From the interview conducted, the respondents informed that sales are inconsistency because of several factors as identified below:

Table 2: Interview transcripts for Research Objective 1: Factors that cause inconsistency in sales at Pasar Tani Kluang

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Interview Transcript</th>
<th>Journal</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,3,5,6,7,8, 9&amp;10</td>
<td>“The number of customers that came to the market was reduced.” “Number of customers are low” “Customers that came to pasar tani are reduced” “I think the number of customers are reduced” “The number of customers that reduced” “The number of customers are not consistent”</td>
<td>Solomon, 2014; Chintagunta and Haldar, 1998 and Shapiro and Slemrod, 1993 shoppers have certain time to purchase at wet market and normally do purchasing during the week the salary been credited</td>
<td>Number of customers are inconsistent</td>
</tr>
<tr>
<td>1, 2,4,5,8</td>
<td>“the number of supermarkets and hypermarkets in Kluang has increased” “The numbers of the supermarket that are developing in Kluang area also gave impact to the sales at pasar tani” “We have to compete with the competitors either with other salespersons at pasar tani or supermarkets” “There are a lot of competitors” “We have to compete with other salesperson”</td>
<td>Characteristic and quality service provided by the supermarket and service quality provided by them as a competitor able to surpass the growing of the wet markets. (Bougour and Lee, 2009; Trappey and Lai 1997) “…compared to wet markets, modern retailers sell higher quality at higher prices, indicating that they are primarily targeting better-off consumers, and not directly competing for the same market segments. Christin Schipmann and Matin Qaim (2011). Thais shopping behaviour seeks to understand the shift away from wet markets to supermarkets. They found that attributes affecting retail outlet choice, supermarkets outperform wet markets even though</td>
<td>Existence of competitors</td>
</tr>
</tbody>
</table>
wet markets continue to account for the majority of expenditure on fresh produce that their market shared has eroded sharply. Gorton, M., Sauer, J., & Supatpongkul, P. (2011).

“Customers prefer to buy the goods at hypermarket because the environment are more comfortable to shop”

“….. prefer to shop at supermarket”.

“Consumer purchasing behaviour that prefers to shop at other places than pasar tani”.

“customers prefer shopping at supermarket and their income has also increased, so the demand for the product at pasar tani has decreased”

“Customers prefer to buy at supermarket”

The rise of the living standard fortifies economic opportunities of this social class and determines the changes of consumer behaviour. Family also contributes to the purchase behaviour especially in terms of product that consumed by the whole family. Aura et. al (2006) Mergenthaler (2009) claimed that the rising consumer income leads to the demand for high-value fruits and vegetables. Shannahaman, (2015) found that customer purchasing behaviour has high relationship in participating of a business activity. Goldman et.al, (1999) found the strength of wet market is contributed by consumers shopping and consumption culture that influence the wet market sales.

“Lack of promotion. The customers have less awareness about this programme”

“The lack of promotion about the Jimat Belanja Dapur programme itself”

“This programme was less exposed to the public”

“Customers are not aware with the program information”

Bougoure et. al 2009 found that wet market vendors are not providing the level of service quality demanded by their customers. In particular, the findings suggest that wet market vendors need to improve the visual attraction of their stalls, work on making them look more professional and start using more modern equipment. Results from the research in Thailand show that the effect of less effectiveness and slow promotion by Tesco such as using the annoyed pictures and less information was viewed negatively among the participants compared to the advertisements from other companies finally gave impact to the demand. Kitticha and Watchravesringkan. (2011).
4.1. Inconsistency on the Number of Buyers

Most of the sellers responded that numbers of buyers at pasar tani are inconsistent. The buyers are inconsistent in purchasing at the wet market item since they do shopping during the week that the salary have been credited which is normally at the end of the month and the beginning of the month, the number of buyers are high. It is a norm for wet market shoppers to shop raw food item once or twice in a month and during the payoff time (Solomon, 2014; Chintagunta and Haldar, 1998 and Shapiro and Slemrod, 1993). Besides time and salary factors, buyers also showed some unfavourable preference to purchase product at pasar tani since there are limited products offered there compared to buyers who shop at supermarket or hypermarket. The shoppers are able to purchase all household appliances there (Gorton et al., 2011).

4.2. Competition

A tough competition between pasar tani sellers and supermarkets also lead to inconsistency of the sales. Within the Kluang district, there are four big supermarkets such as Econsave, Uda Ocean, AEON and Giant which sell from household appliances to kitchen items. Even though the pasar tani sellers can offer 20-30% less price than the supermarket price but the crowd are still not huge as compared to the buyers at supermarket. The sellers informed that supermarket environment are much more convenient and have ample of parking spaces. This causes most of the buyers shop at supermarket rather than at pasar tani. In fact, according to Bougoure and Lee, (2009); Trappey and Lai (1997), supermarket environment, characteristic, market management, fresh also hygienic product and customer loyalty program offered by the supermarket also force the customers to move from shopping at wet market to supermarket.

4.3. Marketing Promotion

The sellers also mentioned that sales are inconsistent because of the lack of promotion which contributes to the causes. The banners regarding the pasar tani are displayed only during the event which is on Sunday morning until afternoon. On the other hand, the supermarkets banners are displayed all the time at high traffic area. Despite of that, the supermarkets also distribute the flyers once in a month as part of the promotion. This indicates that the consumers get to know about pasar tani business operation for limited time only.

4.4. Consumer behaviour

The consumer behaviour is also one of the influences, such as attitude of the buyers who like convenient and comfortable place will shop at supermarket. Other than that, consumers who like to shop at one place to purchase household items also prefer to shop at supermarket. Moreover, the lifestyle of the consumers also influences the consumer purchasing behaviour at Pasar Tani Kluang. This was supported by Shannahian (2015); Goldman et al., (1999) that purchasing activity strongly influenced by consumer purchasing behaviour.
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Interview Transcript</th>
<th>Journal</th>
<th>Possible solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1, 5, 4, 2, 8 &amp; 6</td>
<td>“Supermarkets also offer the high quality of product. “Nowadays, the customers have awareness towards the high quality product, especially to agriculture product such as vegetable and fruits”. “The high quality products make a driven for customers to buy that product”.</td>
<td>Increasing concern about food safety and environment conservation has led consumers to differentiate more finely among form based product. Quality such as freshness and contribution to local environment are often cited as motivations for buying locally product food. Hisamitsu Saito &amp; Yoko Saito, (2013) Customers are more engaged to business that provides good quality service and response in time with them Dahbolkar, 2015.</td>
<td>Offer high quality product</td>
</tr>
<tr>
<td>5 &amp; 9</td>
<td>“The good communication between the salesperson and customers are important especially in bargaining process and it is indirectly can build the good relationship between them”.</td>
<td>The salespeople use the variety of approaches in the sales communication and sales performance to pursue the customers to buy the product. The approach included the interaction involvement and adaptive selling behaviour. Micheal L. Boorom, Jerry R. Goolsby, Other than that, the effective way of the wet market in managing the customer is also the reason for customer to retain their purchase there. Shannahsan et. al, 2015; Plé, &amp; Lecocq, 2015 and Huang, Tsai and Chen (2015).</td>
<td>Customer Relationship Management</td>
</tr>
</tbody>
</table>
FAMA should use variation of medium for promotion such as advertisement in printed media which includes newspaper, electronic media which includes television and radio. Other than that, through the promotion, the customers will get the information about the main purpose of this programme. The main purpose of “Jimat Belanja Dapur” programme is to ease the economic burden that faced by people, and price of the goods in this programme is 20%-30% less than price in the market. So with the promotion, it can attract the customers to buy the goods especially the fresh vegetables and chicken at pasar tani.

Pauline de Pechpeyrou and Philippe Odou (2012) gave opinion that sales promotion can improve consumer efficiency during the purchase by reducing search costs. Kittichai and Watchravesringkan (2011) claimed that the Tesco’s advertising ineffectiveness promotion such as using the annoyed pictures and less of information was viewed negatively among the participants compared to the advertisement from other companies. Bougoure et. al 2009 found that wet market vendors need to improve the visual attraction of their stalls, work on making them look more professional and start using more modern equipment.

“Strategy to attract customers’ need to be made for instance performance during selling the product, how to display the product. From the good display, it can attract the customer to come and desired to purchase the product.

Used the variety of strategies to grow the business. the strategies like Ansoff Growth Matrix, Boston Consulting Group (BCG) Matrix, Mckinsey Three Horizons of Growth, and Integrative Growth Strategy. Ha Xuan Cuong, (2014)

Create A Competitive Advantage

4.5. Offer High Quality of Product

Pasar Tani is a place where fresh products are sold to customers. The market has different sellers who sell variety of products and some might sell the same product. However, they face internal competition among the sellers; the sellers need to offer better quality products since most of the products sold are wet and fresh products, especially on agricultural product. That is the example of an important aspect that should be taken seriously by the salespersons, because the customer’s first perception is important. This solution is also supported by the previous research. Hisamitsu Saito and Yoko Saito (2013) claimed that the increasing concern about food safety and environment conservation has led consumers to differentiate more finely among form-based product. Quality such as freshness and contribution to local environment are often cited as motivations for buying locally product food. In fact, customers tend to shop at supermarket because of hygienic and fresh products are available at supermarkets Dabholkar, 2015.
4.6. Customer Relationship Management

One of the possible solutions that can be adopted by Pasar Tani Kluang is to practice good customer relationship management to retain the customers. The effective management style, good and attractive bargaining concept and carnival hub can attract and retain customers to shop there. Besides that, this can lead to customers’ loyalty to shop at Pasar Tani Kluang by building trusted and loyal customers. Even though Pasar Tani practices the concept of wet market, it is still important for them to practice good customer relationship management as it offers huge impact on their business (Michael et. all, 2000; Shannahan et. all, (2015); Plé & Lecocq,(2015) and Huang, Tsai and Chen (2015).

4.7. Marketing promotions

Even though the launching of the program has made nationwide, FAMA authorities still need to display the pasar tani information through banner and organize marketing promotion to the local residents. In terms of gaining the awareness of local residents, it is still low even though the prices are cheaper compared to the price at the supermarket. Besides, the local supermarkets should distribute flyers to the housing area every week or once in a month. In addition, banner on pasar tani information should be available in high traffic of residents to create awareness among them. Marketing is very important in business regardless it is small or big Homburg et. al, (1999). Even though, it is wet market, marketing aspects are still important since it can attract and retain the customers (Pauline and Philippe, 2012).

4.8 Create a Competitive Advantage

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors Ha Xuan Cuong, (2014). In creating a competitive advantage in the business, the sellers at pasar tani should display and do packaging of the product in a unique way. Other than that, the way they conduct the business in terms of attracting and bargaining process should be different and unique. This can attract more shoppers to shop at their place and experience a healthy competition among the sellers Ha Xuan Cuong, (2014).

5. Conclusion

The study found that the inconsistency of sales at Pasar Tani Kluang has been influenced by consumer shopping behaviour and existence of supermarkets and hypermarkets. In addition, lack of promotion exposed to the consumer is also the cause of sales inconsistency. Therefore, the possible solution that can be implemented by pasar tani is by providing good quality products and services, practice good marketing promotion strategies, the seller should create competitive advantage and maintain good customer relationship management between the seller and customer.

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