

CERTIFICATE

I acknowledge that have read this thesis and in my opinion this thesis is sufficient in term of scope and quality for the quality for the award of Bachelor of Technopreneurship with Honour

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MINIMIZING THE PRODUCT RETURN BY DISTRIBUTORS IN PRIMA
QUALITY FOOD INDUSTRIES SDN BHD

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A report submitted in partial fulfilment of the requirement for the Degree of

Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka

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RECOGNITION

“I admit that this report is a product of my own work except the citation for each of which I have mentioned the sources”

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Dedicated to
My beloved parents and family

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Bismillahirrahmanirrahim,

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ABSTRACT

The objective of this study is to examine the factors that distributor return in Prima and to identify the highest factors of product return by distributor in Prima Quality Food Industries Sdn Bhd. Independent variable for this research is Quantity Produce (TP), Number of Employees (NOE), Number of Workers Doing Overtime (NOEDO), Maximum Hours Doing Overtime (MHOO), Product Problem (PP) and Type of Product (TYPE). Among these six factors, this studied identify which factors was the highest influence. This study obtained data from Prima Quality Food Industries Sdn Bhd from years 2013 until 2014. Pearson Correlation Analysis, Simple Regression Analysis and Independent Sample Test tools were used to analyse the data. The results of this study had shown that there are relationships between the Total Return (TR) with Quantity Produce (TP) and Type of Product (TYPE), while there are no relationships between the Total Return (TR) with Number of Employees (NOE), Number of Employees Doing Overtime (NOEDO), Maximum Hours Doing Overtime (MHOO) and Product Problem (PP). Both of the type of product have important role in production in Prima. Based on the result of this study, Prima recommended to focus on the production of their so that these problems do not happen again and keep the quality of the production.

ABSTRAK

Objektif kajian ini adalah untuk mengenalpasti faktor yang menyebabkan pembekal memulangkan produk ke Prima dan untuk mengenalpasti faktor mana yang paling tinggi yang menyebabkan pembekal memulangkan produk ke Prima. Pembolehubah kajian ini ialah Kuantiti Penghasilan (QP), Bilangan Pekerja (NOE), Bilangan Pekerja Yang Melakukan Kerja Lebih Masa (NOEDO), Jam Maksimum Melakukan Kerja Lebih Masa (MHOO), Masalah Produk (PP) dan Jenis Produk (TYPE). Antara enam faktor ini, kajian ini akan mengenalpasti faktor mana yang paling memberi kesan. Kajian ini mendapatkan data dari Prima Quality Food Industries Sdn Bhd dari tahun 2013 sehingga 2014. Analisis Korelasi Pearson, Analisis Regresi Mudah dan Ujian Sampel Bebas telah digunakan untuk menganalisis data. Hasil kajian ini telah membuktikan dimana terdapat hubungan hubungan antara Pemulangan Produk (TR) dengan Kuantiti Penghasilan (TP) dan Jenis Produk (TYPE) manakala tidak terdapat hubungan antara Pemulangan Produk (TR) dengan Bilangan Pekerja (NOE), Bilangan Pekerja yang Melakukan Kerja Lebih Masa (NOEDO), Jam Maksimum Melakukan Kerja Lebih Masa (MHOO) dan Masalah Produk (PP). Kedua dua jenis produk mempunyai peranan yang penting dalam pengeluaran di Prima. Berdasarkan keputusan kajian ini, Prima disarankan untuk fokus tentang pengeluaran produknya agar masalah ini tidak berulang lagi dan menjaga kualiti pengeluaran produk.

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LIST OF SYMBOLS

SYMBOL

y	=	Return of product
a	=	Constant
x1	=	Quantity Produce
x2	=	Number of Employee
x3	=	Number of Employee do Overtime
x4	=	Maximum Hour of Overtime
x5	=	Product Problem
x6	=	Type of Product
b	=	Regression Coefficient

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter discussed towards the overview of this study. It consist the introduction, background of study, problem statement, research question, research objectives, scope of study, significant of study, limitation of study and the summary that explained more detail.

1.2 Background of Study

1.2.1 Food Industries in Malaysia

Malaysia's food and beverage sector was increased sophisticated and influenced by health and convenience trends. Consumer awareness of nutrition value and food fortification for healthcare has created the demand for functional, minimally processed fresh, organic and natural foods.

According to Retail Group Malaysia, 60 percent of retail food sales are made through the traditional grocery and specialty stores. The retail food and beverage sector is worth US\$15.69 billion and will grow to US\$21.17 billion by 2015 (Business Monitor International, 2011).

Malaysia is a melting pot of races and religions where Malays, Chinese, Indians and other ethnic groups live together harmoniously. Malaysian food often infuses unity within the multicultural society. The rich legacy of Malaysian cuisine is often fuelled by international influence. That is why Malaysia is highly dependent on imports of food and food ingredients for domestic production and food processing. In 2011, Malaysia imported US\$11.2 billion of food products and processed it for export (US\$6.7 billion) to more than 200 countries worldwide. Food exports contributed to 10 percent of Malaysia's manufacturing output (Malaysian Investment Development Authority (MIDA), 2012).

1.2.2 Industries of Food Bread In Malaysia

Malaysia's bread industry started as small scale processing industry and expanded to medium scale processing industry today. It had tremendous growth and bread become famous and popular food in Malaysia. Bread products in Malaysia also been categorized as most popular substitute's food of rice and noodle and necessities for consumers. Bread has been selected as good dietary sources; especially it contains high fibre wholegrain or whole meal. Malaysia's bread market worth RM 470 million to RM500 million, and it has control over large share of 62% in market. Nevertheless, it is still smaller compare to other countries bread industry such as Singapore and Thailand although it has constant growth of 4% per annum. Future growth of bread industry will continue increase and contributed to countries economic as consumers demand more premium bread due to the consumer's lifestyle changed to healthier conscious, nutrition conscious, and demand for higher quality (Nordin.A.et al, 2008).

The market for bakery and cereals in Malaysia increased at a compound annual growth rate of 8.5% between 2003 and 2008. The bread & rolls category led the bakery and cereals market in Malaysia, accounting for a share of 57.2% (Janes, 2010). In Malaysia, largest player in bread industry are operated by Gardenia, occupied approximately 40 % to 45% of market shares with the capacity of

producing 32,000 loaves per hour, which is the highest in the region. Its product been distributed in whole peninsular Malaysia with more than 20,000 retail outlets yet they do export their products to others countries like Singapore and Philippines.

1.2.3 Industries of Food Bread In Perak

This study focused on industries of food bread in Perak; there are many industries in Perak that involved with the make of bread. Some of the industrial production of bread in the state of Perak is Kilang Roti Segar, Kilang Roti Mokhtar, Kilang Roti Suria, Kilang Roti Biskut Lean Cheong, Ipoh Bakery, and Prima Quality Food Industries Sdn Bhd.

1.2.4 Profile of Prima Quality Food Industries Sdn Bhd



Figure 1.1: Front building of Prima Quality Food Industries Sdn Bhd

This study was choose Prima Quality Food Industries Sdn Bhd to complete this researched because Prima was a company that well known in Kamunting, Taiping. Prima Quality Food Industries Sdn Bhd was established on 15 May 1989.

This industry located at Plot 68, Kamunting Raya Industrial Estate, 34600 Kamunting, Perak Darul Ridzuan. This company carried out the business of make and sell bread. This company have 26 employees that were 13 operators, 6 office staffs and 7 salesmen. Most of the products of this company are marketed in Perak, Kedah and Perlis. Prima always supplied their product to factory, school, clinic, kindergarten and others. Prima have a systematic method of data storage. If there was any problem, all the data that has been recorded can be checked easily. Although Prima is a great company, they still have problems in the return of the product.

1.3 Problem Statement

Prima Quality Food Industries faced problem in product return by distributors. There were many factors that make distributors return back their product to Prima Quality Food Industries. More than 10% return make by distributor for every month.

Table 1.1: Percentage of Product Return in Year 2013

	PRODUCE	RETURN	TOTAL RATE OF RETURN
JANUARY	143070	25780	18.02%
FEBRUARY	138892	22978	16.54%
MARCH	143252	22093	15.42%
APRIL	144462	23591	16.33%
MAY	141906	23545	16.59%
JUNE	147658	22442	15.20%
JULY	144153	24526	17.01%
AUGUST	160963	34593	21.49%
SEPTEMBER	151484	33569	22.16%
OCTOBER	149142	24481	16.41%
NOVEMBER	139100	21027	15.11%
DECEMBER	129058	20261	15.70%
TOTAL	1733140	298886	

Table 1.1 shows the percentage of return product by distributor that collected by 6 salesmen. The highest percentage of return product by distributors in year 2013 is 22.16% on September. September had highest percentage of return rate because this is the month after Hari Raya Aidilfitri. Distributors make a lot of ordered without identified customer demand then at the end they return back the unsold product to Prima Quality Food Industries Sdn Bhd.

1.4 Research Question

The research questions that were be asked in this study are:

- i. What are the factors that distributor returns their product to Prima Quality Food Industries Sdn Bhd?
- ii. What are the most frequently factors of product return by distributor in Prima Quality Food Industries Sdn Bhd?

1.5 Research Objective

The research objectives of this study are:

- i. To examine the factor that distributor return in Prima Quality Food Industries Sdn Bhd.
- ii. To identify the highest factors of product returns by the distributor in Prima Quality Food Industries Sdn Bhd.

1.6 Scope

This study focused on the factor of return product and most frequently product that return by distributor in Prima Quality Food Industries Sdn Bhd. This study will use invoice data that collected from Prima Quality Food Industries Sdn Bhd for years in 2013 and 2014. This research is conducted in Prima Quality Food Industries Sdn Bhd.

1.7 Significant

The result of this study can be minimizing the number of product return in Prima Quality Food Industries Sdn Bhd. Moreover, it would improve the quality product produced by Prima Quality Food Industries Sdn Bhd. Indirectly Prima Quality Food Industries will earned more profit in the future. The result can be gained after collected all administration data from Prima Quality Food Industries Sdn Bhd.

1.8 Limitation

This study highlighted several limitations. Firstly about the duration of data provided, the data only can be providing for two years from 2013 until 2014. Another year data has been sent to the accounting section and it takes a long time to be restored. So, only two years of data that can be used to complete this study. This study need long term data because long term data will provided precise in predicting the contributed.

Another limitation factors toward product return that occurred in Prima Quality Food Industries Sdn Bhd was the factor of product return did not note in an

invoice. Researcher need to make double check to collect a complete data. Separate information needs a long time to gather the data needed.

1.9 Summary

Overall, chapter 1 is briefly clarified about the development of the framework for the research. In this chapter consist of 8 elements which is introduction, background of study, company profile, problem statement, research question, research objective, scope, significant and limitation. Nowadays, many companies do not know the impact of product return; researcher will study the factors and problem that happened in Prima Quality Food Industries Sdn Bhd.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This study determined the supply chain management (SCM) as theory for this study. Focus on Supply Chain Performance Process that only involved customer service management and order fulfilment. This studied also determined the factors of product return by distributors in all industries sector and describe the theoretical framework of this study.

2.2 Supply Chain Management (SCM)

Supply Chain Management (SCM) is a tool for forecasting, planning, implementing, and controlling the process of the supply chain with the objective to satisfy customer requirements in an efficient manner. It involves coordinating, integrating and controlling the product, information and finance flows both within the organization and among the partners. In the past, firms were implementing SCM with the purpose of achieving operational efficiency and cost reduction (Sakun B. and Pongpanarat, 2011).

In today's business, however, firms are looking for leveraging competitive advantage to deliver better customer service. In fact, the integrated supply chain management fulfils the firm's requirement. The purpose of the supply chain in a manufacturing industry is reducing cycle time, inventory, and logistics costs. In the service industry, most of this purpose is irrelevant as the service provided is intangible or in transferable (Prasad, B.V.S. and Selven, 2010).

Supply chain aficionados continue to press managers to form closer, long term relationship between customers and fewer suppliers as the only response to increase market sophistication and globalization. Martin, C. (2005) defined "Supply Chain Management is the management upstream and downstream relationship with customer, suppliers and key stakeholder in order to increase value and decrease cost for all members of supply chain (SC)".

2.3 Supply Chain Management (SCM) Performance Process

Effective performance measurement systems provide the basis to understand the system, influences behaviour throughout the system, and provide information regarding the results of system efforts to supply chain members and outside stakeholder. In effect, performance measurement was the glue that holds the complex value created system together; directed strategic formulation as well as playing a major role in monitored the implementation of that strategy.

Bello, D.C, and Gilliland, D.I (1997) said in Nenad and Stefanovic (2011) through research. In addition, research finding suggest that measuring supply chain performance in and of itself leads to improvement in overall performance. Lee, H. L. and Billington, C (1992) Lack of an appropriate performance measurement system has been cited as a major obstacle to effective supply chain management.

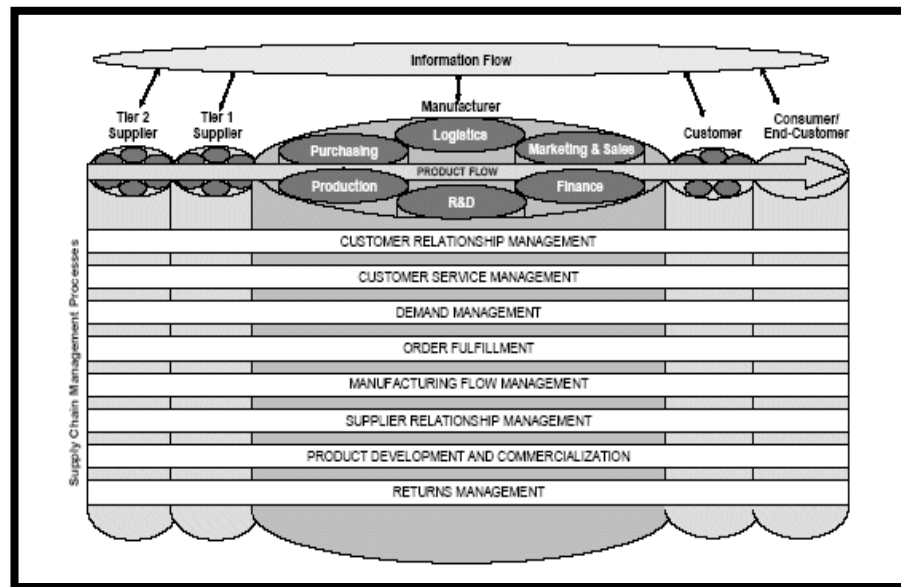


Figure 2.1: Supply Chain Management (SCM) Process

Figure above show about SCM process in a business, start from customer relationship goes to the customer services management, next to the demand management and start to fulfil the order by customer. After take note about customer order, manufacturing flow management have to be done before send product to the supplier. Supplier relationship management have to be cared to develop and commercialization product. Last process was return management; this was the hard process that all company had to face every day. Among all of this process, this study focused only on customer relationship management, and order fulfilment.

2.3.1 Customer Relationship Management

Customer Relationship Management (CRM) necessary once a company finds a market and customers for its product and services. To keep these customers satisfied and coming back, firms must continually find ways to add value to these products and services provided to customer. The often told story that “finding a new customer costs five times as much as keeping an old customers” is the motivation behind customer’s relationship management over time, value continues to be

demonstrated to customer through reliable on-time delivery, high quality products and services, competitive pricing, innovative new products and services, attention to various customer needs, and the flexibility to respond those needs adequately. Managing customer relationships starts with building core competencies that focus on customer requirement, and then delivering products and services in a manner resulting in high levels of customer satisfaction (Joel D. Wisner et.al, 2009).

According to Dyche J (2002) and Bergeron, (2002) in *Principle of Supply Chain Management* (Joel D. Wisner et.al (2009) :

“... the infrastructure that enables the delineation of an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal indeed to buy again” (Dyche, J, 2002).

“... managing the relationship among people within an organization and between customers and the company’s customer services representative in order to improve the bottom line.” (Bergeron,B, 2002).

Customer relationship management is an important component of SCM practices. Committed relationships are the most sustainable advantage because of their inherent barriers to competition. The growth of mass customization and personalized service is leading to an era in which relationship management with customers is becoming crucial for corporate survival. Good relationships with supply chain members, including customers, are needed for successful implementation of SCM programs. Close customer relationship allows an organization to differentiate its product from competitors, sustain customer loyalty, and dramatically extend the value it provides to its customers (Suhong Li et.al, 2006).

Customer relationship management (CRM) is increasingly important to firms as they seek to improve their profits through longer-term relationships with customers. In recent years, many have invested heavily in information technology (IT) assets to better manage their interactions with customers before, during and after purchase (Bohling et al. 2006). Yet, measurable returns from IT investment programs rarely arise from a narrow concentration on IT alone, with the most successful programs combining technology with the effective organization of people and their skills (Bharadwaj 2000 and Piccoli and Ives 2005). It follows that the greater the knowledge about how firms successfully build and combine their technological and