

THE IMPLICATION OF SUPPLY CHAIN MANAGEMENT ON CONSUMER
PURCHASING DECISION TOWARDS FOOD INDUSTRY IN MELAKA

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This thesis is submitted in partial fulfilment of the requirement for the award of
Bachelor of Technology Management (Technology Innovation) with Honors

Faculty of Technology Management and Technopreneurship
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

JUN 2019

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BTM (Innovation Technology)

2019 UTaM

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INDUSTRY IN MELAKA**

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APPROVAL

I hereby confirm that I have examined this project paper entitled:
The Implications of Supply Chain Management on Consumer Purchasing Decision
towards Food Industry in Melaka

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DECLARATION OF ORIGINAL WORK

“I hereby declare that the work of this project is mine except for the quotations and summaries that have been duly acknowledged.”

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DEDICATION

Thank you wholeheartedly to:

My irreplaceable parents,

Lovely siblings,

Fellow friends,

And my supervisor: Dr. Nurul Zarirah Binti Nizam

For all moral, spiritual support and knowledge sharing that has been given to me all these times.

ACKNOWLEDGEMENT

I would like to express my deepest appreciation to all those who provided me the possibility to complete this research. A special gratitude I give to my supervisor, Dr. Nurul Zarirah Binti Nizam, whose contribution in stimulating suggestion and encouragement, helped me to coordinate my project especially in writing this research report.

Furthermore, I would like to acknowledge with much appreciation the crucial role of the Universiti Teknikal Malaysia Melaka, institute gave me the permission to use all required equipment and the necessary material to complete my research. Last but not least, I have to appreciate the guidance given by other supervisor as well as the panels that has improved our presentation skills thanks to their comment and advices.

ABSTRACT

Managing the supply chain is essential in order to supply end-customers with the goods and services. However, the notions of supply chain management can only indirectly linked to the problems of consumer purchasing decision and avoid customer satisfaction. The role of supply chain management is, without a doubt, an important factor for improving corporate success, as mentioned in many publications. The consumer behaviour is also an important consideration for organisational viability in years to come from a distinct view. This study attempts to study the relationship between factors in supply chain management on consumer purchasing decision towards food industry in Malacca. The factors in supply chain management in this study are inventory management, traceability and customer service. This study provides the important for organisational to deliver good supply chain managements as the consumer nowadays are became aware about their needs and wants, it will results for organizational to deliver better supply chain and improved customer satisfaction towards food industry.

Keywords: Supply chain management, consumer purchasing decision, inventory management, traceability and customer service.

ABSTRAK

Menguruskan rantaian bekalan adalah penting untuk membekalkan pelanggan akhir dengan barangan dan perkhidmatan. Walau bagaimanapun, tanggapan pengurusan rantaian bekalan hanya boleh secara tidak langsung dikaitkan dengan masalah keputusan pembelian pengguna dan mengelakkan kepuasan pelanggan. Peranan pengurusan rantaian bekalan adalah tanpa ragu, merupakan faktor penting untuk meningkatkan kejayaan korporat, seperti yang dinyatakan dalam banyak penerbitan. Tingkah laku pengguna juga merupakan pertimbangan penting untuk daya maju organisasi pada tahun-tahun yang datang dari pandangan yang berbeza. Kajian ini cuba mengkaji hubungan antara faktor-faktor dalam pengurusan rantaian bekalan ke atas keputusan pembelian pengguna terhadap industri makanan di Melaka. Faktor dalam pengurusan rantaian bekalan dalam kajian ini adalah pengurusan inventori, kebolehkesanan dan perkhidmatan pelanggan. Kajian ini memberikan yang penting kepada organisasi untuk menyampaikan pengurusan rantaian bekalan yang baik memandangkan pengguna kini sedar tentang keperluan dan keinginan mereka, ia akan menyebabkan organisasi menyediakan rangkaian bekalan yang lebih baik dan meningkatkan kepuasan pelanggan terhadap industri makanan.

Kata kunci: Pengurusan rantaian bekalan, keputusan pembelian pengguna, pengurusan inventori, kebolehkesanan dan perkhidmatan pelanggan.

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LIST OF ABBREVIATIONS

SCM	=	Supply Chain Management
SC	=	Supply Chain
TQM	=	Total Quality Management
WIP	=	Work-In-Progress
JIT	=	Just-In-Time
QR	=	Quick Response
SOP	=	Standard Operating Procedure
MRA	=	Multiple Linear Regression

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CHAPTER 1

INTRODUCTION

1.1 Background of the study

The leadership of the supply chain management (SCM) has proven to be one of the principal mechanisms by which businesses manage expenses and enhance financial efficiency in today's increasingly dynamic industry. Nevertheless, businesses must turn their SC designs into evolving problems such as environmental protection, transparency, employee benefits and security concerns. Installing supply chains which are socially friends to harmonize with existence must be built instead of concentrating only on financial results.

In today company globe, there is increasing rivalry between organisations and the difficulties of having a item and service at a good cost at the correct moment. SCM is an important idea for the efficiency and establishment of long-term relationships in the management of production service activities (Sambasivan et al, 2013). The worldwide supplier service forum was described as the inclusion of the main business processes from end-users to initial providers that provide extra importance for goods, facilities and customers and other stakeholders.

From the definition stated, the main target of SCM seems to be maximising the chain's profitableness. When interactions between parties improve, it's expected that outcomes accelerate. Maybe this is frequently the case when higher inventory turnovers, timely delivery, responsiveness, quality, reduced prices, efficiency and efficiency will be transferred to customers.

Managers, scholars and advisors have gained ever greater attention to SCM ideas and methods (Hamister, 2012). Understanding and implementing SCM methods has played a significant role in making organisations. In the increasingly competitive world marketplace, competitive and profitable. The use of SCM methods has been used extensively in the retail market as well as by manufacturers (Randall et al, 2011).

The introduction and execution of newer and more effective company best practices could be advocated for as portion of alternatives to the stresses of the food processing industry. The SC leadership that has become a main company exercise contributing to company results across various sectors is part of such company company activities (Janvier-James, 2012). The majority of operations in businesses, starting from production to utility delivery, have been focussed on SCM to produce the results, as Gupta and Palsule-Desai (2011) indicated. Management of the SC involves scheduling and leadership of all acquisition, transformation and operations. Channel partners who can be suppliers, intermediaries, third party utility providers and clients are coordinated and cooperated on the broadcasts (Supply Chain Management Professionals Council 2010). SCM primarily includes supply and demand management throughout different organizations (Tuominen et al, 2011). A supply chain can itself be regarded as a network between various organizations, which produce and deliver products for inland and overseas end-customers immediately or indirectly (Chow et al, 2010). The SC links every stage of business, from raw materials to reverse product and information transmission (Zhou & Benton, 2010). It is the network that move continuously between organisations appropriate data, oods or facilities and taxation (Adebanjo, 2011).

Compared to other sectors, the food industry is an increasingly dynamic industry. This is because food is a vital necessity of existence. People usually consumed almost three times daily for food and beverages (F&B). According to Maslow's concept of structure, the individual will want higher lifestyle control when the vital demands of an individual are met. Therefore, when buying F&B goods, customers pursue worth when buying food products. It is not aimed only at satisfying desire but also at health, which prevents illness in their regular lives (Nikhashemi et al, 2015). But competition between national and international producers continues in order to satisfy consumer requirements. For producers, this is a great method for increasingly advanced products. It also creates a knowledge of customer requirements

by producers. Increasing rivalry can offer the customer a range of products both national and international producers. Consumers have often reacted in a way to the willingness to buy, motivating others to attract, by charging for prestigious products at greater rates. This doesn't apply to recreation but also to every economic and revenue category from rich to poor (Arsil et al, 2014). This refers not only to recreation.

1.2 Problem Statement

In Malaysia, Supply Chain Management in Food Industry can play an important role in every organization. There had several issues or challenges arise from supply chain management which it also can affect the consumer purchasing decision. One of the several problems is inventory management, which is the main reason for storage situations due to inefficiencies in store logistics due to the lack of inventory visibility (Kumar, 2010). For customers, out-of-stocks (OOS) were problematic. This has always caused the customers to be disappointed (Stelzer, 2017). The food sector is continually exposed to risks and hazards because of its inability to ensure the correct link between product flow and information flow (Pizzuti et al, 2015). Consumers can change to competitors or even boycott the products of a company. The pressure is negative due to the potential costs, more attention has been paid to sustainable traceability, which aims to achieve complete traceability along the food supply chain. Consumers are now demanding that the organisation provide reliable item traceability and discourage risks to food security (Harris, 2018). As the competition in the food industry increases, customer service plays an important role in the company. The greatest challenge in customer service is to supply the best quality products together with the best customer service (L. Vishnoi, 2018). Lack of customer service knowledge to provide the consumer with detailed information may affect customer satisfaction (Khadka, 2017). The issue or challenge which arise in supply chain management could become an important topic that can be discussed.

1.3 Research Question

The research aim to answered this following questions:

1. What is the factor that arise in implication of supply chain management that will affect on consumer purchasing decision towards food industry?
2. What is the dominant implications in supply chain management affecting the consumer purchasing decision on food industry?
3. Is there a recommendation for the solution in the safety issues on food product in supply chain management?

1.4 Research Objective

1. To identify the factors in implication of supply chain management on consumer purchasing decision towards food industry.
2. To investigate the dominant implication in supply chain management on consumer purchasing decision towards food industry.
3. To recommend the solution of safety issues on food products arise in supply chain management.

1.5 Scope and limitation of the study

This study was carried out to find out the Implication of Supply Chain Management on Consumer Purchasing Decision towards Food Products in Melaka. This study is limited on the data or information from the respondent from the age 18 and above that purchased food product in Melaka Tengah, Melaka. In determine the issues that arise in SCM, the researcher are only up to gather necessary data regarding the inventory management, customer service and traceability in SCM which these factor affect the consumer purchasing decision towards food products. The research is restricted to the actual information available in the questionnaires from the participants.

1.6 The importance of this study

Consumers seek product that can fulfil their needs and wants. Consumer conduct is far more than what customers buy. It seeks to know how decision-making functions and how it impacts the consumer's purchasing behaviour. Marketers study consumers who buy batteries to solve where they buy and why they buy. However, it is not easy to solve why consumers buy a specific product because response is deeply tied into customers' minds (Kardes et al, 2011). Nowadays, consumer are concern in their purchasing in food product which they need a product or service that can satisfy their needs. In this research, the researcher has identify several issues in supply chain management which this issues can affect the consumer purchasing decision. This issue will lead to bad perception of the customer towards organization. Satisfy consumer demands and needs is important to gain profit for the organization itself and it will cause customer return if they gain it. The results of this study will provide the impact or effects from the issues arise towards consumer purchasing decision on food products.

1.7 Summary

The inventory management, the traceability of the product and also customer service are the issues arise in supply chain management. These issues need to overcome which this could affect the consumer purchasing decision. In this chapter, it will consist background of the study, the problem statement, research questions and research objectives, and importance of the study.