



**CASE STUDY OF DOWNSTREAM SUPPLY CHAIN ACTIVITIES AMONG
HALAL FOOD MANUFACTURERS IN MELAKA**



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Bachelor of Technology Management with Honors (Technology Innovation)

Final Year Project

Faculty of Technology Management and Technopreneurship

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

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


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JUNE 2022

APPROVAL

‘I hereby declare that I have read and go through this dissertation/report/thesis and certify that, this thesis is satisfactory in the sense of scope and quality as a partial fulfilment the requirements for the award of Bachelor Technology Management (Innovation) with Honours and will submitted to the Universiti Teknikal Malaysia Melaka.’


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DECLARATION

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is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in the candidate of any other degree.



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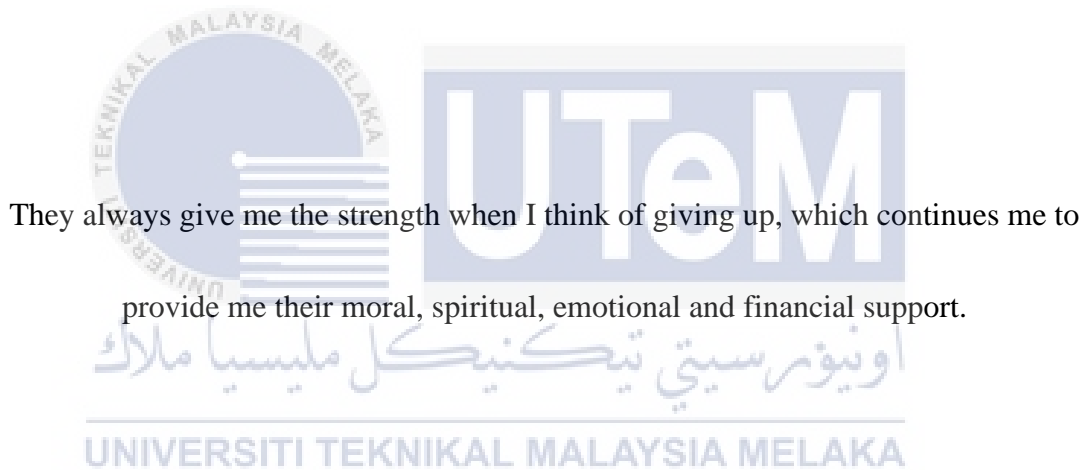
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DEDICATION

This research paper is wholeheartedly dedicated to my dear parents which is my
main source of motivation.



They always give me the strength when I think of giving up, which continues me to
provide me their moral, spiritual, emotional and financial support.

I wish to share gratitude for the encouragement and support to my beloved family,
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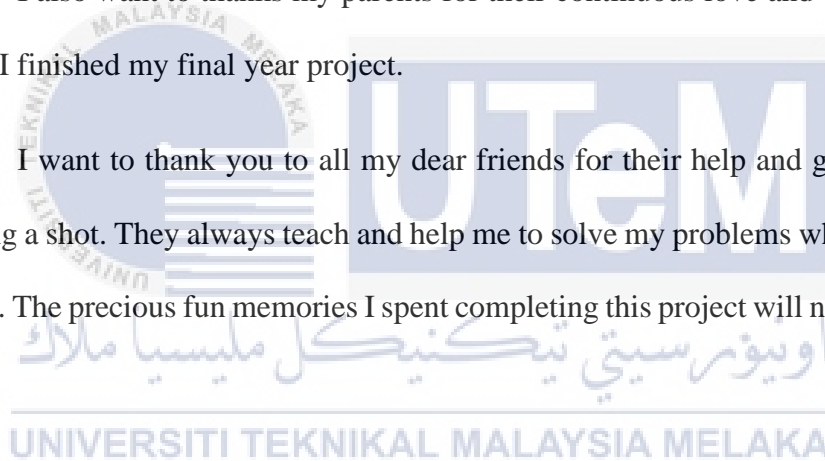
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ABSTRACT

The Halal food industry is a vital importance to Muslims world wide as it gives them a sense of security that whatever they consume, use and purchase is Syariah compliant. Globally, non-Muslims are becoming more and more interested in halal food products because the term is associated with good, safe, and high-quality standards. For this reason, Malaysia has long stated its desire to establish itself as a major global center for the manufacture and supply of halal products and services. The government recently announced the creation of the Halal Industry Development Corporation (HDC) and reaffirmed its determination to play a leading role in the halal industry because it believes there are more business opportunities to be seized. The area case study is at Halal Hub, Melaka. The data were collected from five companies and they are mostly managers and very experience people that will been interview as respondents. Qualitative method is used for this study. The findings indicated that the elements and goals that were employed are related to one another and are successful in enhancing customer satisfaction. This approach offers a better platform to facilitate better customer and company engagement for a better future. This research explores the Halal hub industry on their downstream sector. This research aims to provide a comprehensive understanding of the downstream supply chain dynamics and performance of halal food manufacturing companies in Melaka, and inform strategies for increasing efficiency and effectiveness in the supply chain as well as government policies and regulations to support the industry.

Keywords: Halal Food Manufacturer, Downstream, Supply Chain Management, Hub

ABSTRAK

Industri makanan halal merupakan kepentingan yang menjadi keutamaan umat Islam di seluruh dunia kerana ia memberi mereka satu keadaan yang selamat terhadap apa yang mereka makan, gunakan dan beli adalah mematuhi Syariah. Di peringkat global, semakin ramai orang bukan Islam semakin berminat dengan produk makanan halal kerana istilah tersebut dikaitkan dengan standard yang baik, selamat dan berkualiti tinggi. Oleh sebab itu, Malaysia telah berhasrat untuk mewujudkan pusat global utama bagi pembuatan dan pembekalan produk halal. Pertubuhan Perbadanan Pembangunan Industri Halal (HDC) telah menegaskan untuk memainkan peranan yang penting di dalam industry halal kerana terdapat banyak peluang perniagaan yang bakal direbut oleh mereka. Kajian telah dilakukan di Halal Hub, Melaka. Data dikumpul daripada lima syarikat dan kebanyakan mereka adalah pengurus dan orang yang sangat berpengalaman yang akan ditemu bual sebagai responden. Kajian ini menggunakan kaedah kualitatif. Penemuan menunjukkan bahawa elemen dan matlamat yang digunakan adalah berkaitan antara satu sama lain dan berjaya dalam meningkatkan kepuasan pelanggan. Pendekatan ini menawarkan platform yang lebih baik untuk memudahkan penglibatan pelanggan dan syarikat yang lebih baik. Penyelidikan ini meneroka industry halal di sector hiliran mereka. Penyelidikan ini bertujuan untuk memberikan pemahaman menyeluruh tentang dinamik rangkaian bekalan hiliran dan prestasi syarikat pengeluar makanan halal di Melaka, dan memaklumkan strategi untuk meningkatkan kecekapan dan keberkesanan dalam rangkaian bekalan serta dasar dan peraturan kerajaan untuk menyokong industri.

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LIST OF ABBREVIATIONS

UTeM	Universiti Teknikal Malaysia Melaka
SCM	Supply Chain Management
SCP	Supply Chain Performance
KPIs	Key Performance Indicator
CRM	Customer Relationship Marketing
AMA	America Marketing Association
RM	Relationship Marketing
IT	Information Technology
CSCMP	Council of Supply Chain Management Professionals
SME	Small and Medium-sized Enterprise
MeSTI	<i>Makanan Selamat Tanggungjawab Industri</i>
GMP	Good Manufacturing Practise
HACCP	Hazard Analysis Critical Control Point
R&D	Research and Development
EOQ	Economic Order Quantity
MRP	Material Requirement Planning
MPS	Master Production Schedule
ROI	Return of Investment
COGS	Cost of Goods Sold
NPS	Net Promoter Score
CLV	Customer Lifetime Value
CAC	Customer Acquisition Cost

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Chapter 1

Introduction

1.1 Research Background

Halal is an Islamic rule that regulates all areas of life, including food intake. According to the Quran and Sunnah, Halal implies permitted, lawful, and legal (prophetic tradition). Haram is the opposite of Halal, which implies banned, illegal, or prohibited. Furthermore, haram goods include corpse, blood, pig, permitted animals butchered wrongly, intoxicants, and alcohol. The framework of Halal food contains thoyyib principles that are utilized to improve society, particularly Muslim consumers, with religious, moral, and food security rules. The supply chain is the process of transforming raw resources into completed items and delivering them to final users. Halal supply chain is made up of two concepts: halal and supply chain. Halal supply chain is improving value for supply chain performance by organizing the movement of material, information, and money through stakeholder collaboration with expanding the idea of halal & thoyyib from raw materials to product consumption.

Furthermore, temperature control throughout processing, manufacturing, storage, and distribution is critical for a variety of products, including meat, dairy, and ready meals. Refrigerated items, particularly meat, are among the cold chain products that are more susceptible to cross-contamination with germs and non-halal. Another example in the halal food business is when the Malaysian Health Ministry declared in 2004 that there was pig DNA in Cadbury's dairy milk. Today, demand for halal food has risen and expanded dramatically, with the industry expected to reach USD 2,6 trillion by 2020 as people become more aware of the value of eating halal food and as demand for high-quality, healthful food rises.

1.2 Problem statement

The literature review revealed a gap between theory and practice, since the bulk of research on downstream integration are theoretical or conceptual in nature. Specific

guidelines or metrics were rarely identified to direct management behavior and substantiate the impact of cross-functional integration on supply chain performance (SCP) and company success. As a result, specific marketing capabilities had to be identified in order to create a link between marketing functions and SCP, which can be measured based on five attributes, namely, Reliability (RL), Agility (AG), Responsiveness (RS), Cost (CO), and Asset Management (AM) (Supply-Chain Council, 2008). These competencies are thought to have an impact on SCP and company success if marketing and SCM are well linked. The literature does not precisely identify such talents.

The downstream sector of the Halal Hub faces several challenges that can hinder its growth and competitiveness in the global market. One of the major challenges is the lack of coordination and collaboration among actors in the supply chain, leading to disjointed and inefficient processes. This can result in difficulties in managing the flow of goods and information, and can negatively impact the quality and timeliness of product delivery to customers.

Another challenge is the lack of adequate infrastructure and technology to support efficient and effective supply chain management. This can limit the ability of Halal producers to optimize their operations and compete effectively in the market. Additionally, insufficient quality control and traceability systems can lead to issues with product safety and authenticity, damaging the reputation of the Halal Hub. The limited market knowledge and access of Halal producers can also limit their ability to reach target customers and sell their products effectively.

Small and medium-sized enterprises (SME) in the Halal Hub may also face challenges with limited capacity and resources to effectively participate in the supply chain. A lack of standardization and certification systems can create confusion and uncertainty in the market, while competition from established international players can make it difficult for local Halal producers to compete.

Lastly, limited access to financing and investment can hinder the growth and development of the Halal industry in the downstream sector. Addressing these challenges is crucial for promoting the competitiveness and sustainability of the Halal Hub in the global market.

This study aims to create a paradigm for conceptualizing the quantifiable impact of downstream integration on supply chain profiling and business performance in SCM-oriented firms. The framework suggests a set of marketing skills that can have an impact on the five SCP qualities, RL, RS, AG, CO, and AM. Furthermore, the framework is backed up with a measurement matrix/taxonomy comprising of integrative measurements to analyze and measure the impact of the integration on SCP and business performance.

Companies may use the proposed conceptual framework to evaluate the success of their downstream management integration strategies in order to optimize SCP and overall company performance. Furthermore, a realistic cross-functional integration process model based on the five Multinational Companies (MNC) integration procedures is built to serve as a best practice reference for other organizations wanting to use cross-functional integration strategies.

1.3 Research aim and objectives

Based on the above discussion regarding of empirical study on the impact of downstream supply chain profiling among halal food manufacturing in Melaka, the research aim is:

To develop a conceptual framework for a measured downstream supply chain activity among halal food manufacturing in Melaka and business performance to be used by companies as a guide for effective supply chain profiling practices.

In order to achieve main aim of this research, the following objectives have been formulated:

- RO1:** To profile downstream activity at Halal food manufacturer in Melaka.
- RO2:** To analyze problems at the downstream activity at Halal food manufacturer in Melaka.
- RO3:** To model downstream performance at Halal food manufacturer in Melaka.

1.4 Research questions

In order to achieve main objective of this research, the following questions have been constructed:

RQ1: How to profile downstream activity at Halal food manufacturer in Melaka?

RQ2: What are the problems at the downstream activity at Halal food manufacturer in Melaka?

RQ3: How to model downstream performance at Halal food manufacturer in Melaka?

1.5 Research Statement

It is critical to have clear customer insights and respond effectively to their various needs through the coordination and integration of the organization's demand creation side (marketing) and supply fulfilment side (SCM), which can be a source of superior competitive advantage in today's highly competitive markets. For the last 30 years, the issue of marketing and SCM integration has piqued the curiosity of many people in both fields (Juettner et al., 2010). Despite the fact that the studies conducted have highlighted the importance of this integration to the supply chain and utilizing success, no contribution to date addresses specific actions to realize the integration or concrete integrative measurements to assess the integration's impact on SCP and business performance.

This study uses an awareness of downstream integration challenges to help organizations compete with existing supply chain network-based competition. The original contribution to knowledge consists of creating a framework for measurable downstream alignment and offering a measurement matrix as a tool for measuring the impact of this alignment on SCP and business performance.

The suggested paradigm challenges the traditional view of marketing as a demand creator and SCM as a demand fulfiller by utilizing the need of integrating marketing skills that influence SCP. The study leads practitioners to downstream integration managerial difficulties and indicates the necessity for a supply chain profiling method to assist integration and have a beneficial influence on performance.

The conceptual framework is verified using five FMCG sector worldwide leaders as case studies in this study. Through a realistic supply chain profiling model suggested in this research, the significance of this research is also reflected in assisting practitioners in identifying tools to develop and implement a supply chain profiling process. Organizations may utilize this realistic methodology to achieve integration and boost performance. It leads to balancing customer value generation with the current demand fulfilment resource. According to the findings, supply chain profiling techniques significantly improved the Key Performance Indicators (KPIs) of a major case study.

1.6 Scope of Research

This study was carried out at the Halal Hub manufacturing in Melaka and the downstream supply chain. Recent studies and researches will be used as references in finding out what are the problem they facing in the downstream industry. Thus, this study will focus on the downstream industry as a whole and not on other parts.

This research will not extend to the upstream course, such as Supply Relationship Marketing (SRM) but only to Customer Relationship Marketing (CRM). Besides, this research will cover on how the industry supply their products on retailers. It will also show the relation of the industry with the retailers.

1.7 Limitations of Study

This study is constrained by a limited number of respondents, time constraints, and the honesty of respondents. This study is limited to the downstream sector of Melaka Halal Hub; hence, the findings are more industry-centric. In addition, the researcher will have just twelve weeks to gather data. While one of the constraints was the respondent's honesty while answering the interview questions about their expertise or understanding of the supply chain strategy for the downstream sector, the respondent's honesty was one of the limitations.

1.8 Conclusion

The first chapter of this thesis clarify the background of the study and further explains the field of downstream supply chain and the halal food manufacturer in Melaka. This is followed by the problem statements, research aim and objectives, research questions, research statements, also the scope of the research. The chapter summarizes with the organization of the thesis.



Chapter 2

Literature Review and Analysis

2.1 Introduction

Food supply chain vulnerability is a current problem in the international food sector. Furthermore, in recent years, the trend in food quality literature has been about food security, with the halal notion being expanded. Similarly, halal and thoyyib meals have specific meanings with the usage of safe and healthy components. A number of food supply chain scandals have recently happened in a variety of commodities. Consider the 2008 situation in China, when milk and milk products were deliberately adulterated with melamine. Global meat consumption, particularly beef consumption, is expected to rise during the next decade. The rise of halal meat is a result of Muslim population expansion. Malaysia has a Muslim population of 22.8 million people, accounting for 69.6 percent of the overall population. The majority of raw ingredients for food items in Malaysia originate from meat, which will generate a high level of demand for meat.

The goal of this chapter is to identify gaps in the integration of the supply chain and marketing concepts. To accomplish this goal, considerable research is conducted on the ideas of marketing and SCM metrics, as well as their evolution and definitions. As a result, this chapter is organized as follows: It begins by outlining the historical events in the corporate environment that led to the conceptualization of SCM ideas. The published research on marketing and SCM integration viewpoints is then examined. Following that, the results of the literature review are examined. The literature review identified a vacuum in the literature regarding measuring metrics capable of analyzing the integration impact on company performance. As a result, the literature gap is explored, and conclusions are formed.

2.2 Marketing

History and advancements are first reviewed in order to fully define the notion. This section examines the corporate historical developments following the Industrial Revolution that contributed to the conceptualization of marketing.

Various definitions of marketing are also provided and explored. Following that, the marketing method and functions, as well as the marketing mix, are utilized. Furthermore, marketing talents are scrutinized. The highlighted shortcomings of transactional marketing lead to the following section 'Relationship Marketing'.

2.2.1 The development of the marketing concept

To get at the present Marketing idea, business methods have evolved over time and have gone through four major stages of development: production, product, selling, and marketing concepts. As a result, the marketing idea was differentiated.

The first stage, which began with the Industrial Revolution, is known as the Production Concept. It is assumed that consumers desire approachable and relatively inexpensive items, and hence a corporation should focus on production and distribution. Although this notion was conceived around the turn of the twentieth century, it is still employed when demand exceeds supply or manufacturing costs are high. To break it down, more productivity is required.

The Product Concept is based on the assumption that consumers choose high-quality items with superior performance and unique features. It focuses on product enhancements while ignoring other marketing and promotional techniques that allow the firm to interact successfully with its clients and consumers. Furthermore, this approach may lead to marketing myopia, or concentrating on the product rather than its purpose or the consumer's initial need.

According to the Marketing Concept, buyers would not buy the goods until massive selling and promotional efforts are made. Its goal is to sell rather than to research the market's requirements and desires. This strategy is typically utilized in instances of excess capacity or with unappealing items (i.e. insurance and blood donations). The selling philosophy is primarily concerned with short-term sales transactions

rather than long-term client relationships, with the assumption that dissatisfied consumers would forget and purchase again. It is a dangerous tactic because surveys have shown that disgruntled consumers do not forget their poor experiences and prefer to tell others about them, resulting in negative word of mouth.

The Marketing Concept, which was created in the mid-1950s, is focused with consumers rather than products. It believes that identifying consumers' requirements and satisfying them better than rivals is the most important aspect in achieving organizational goals. Marketing is all about recognizing and generating things that consumers need and want, not about finding the ideal buyer for an organization's existing products. According to marketing academics, marketing is a customer-driven notion.

Kotler and Armstrong (2014) back up the preceding claim by arguing that marketing should be proactive rather than reactive. Thus, rather than just responding to consumers' visible demands, future needs and desires must be anticipated before the customers are even aware of them. Customer-driven implies conducting thorough study on consumers' present and projected aspirations and requirements.

2.2.2 Definition of the marketing concept

Many business organizations and academics have defined marketing, and it has evolved through time. Since 1948, the American Marketing Association (AMA) has been the authoritative source for establishing formal definitions of marketing. Their definitions serve as guidance for field practitioners, educators, and researchers. The AMA accepted a definition from its forefather organization, the National Association of Marketing Teachers, in 1948. 'Marketing is the conduct of commercial operations that influence the flow of products and services from producers to consumers,' according to the original definition.