ABSTRACT

Solutions Resolve for Problem Encountered of Entering New Market in Fraser & Neave Holdings Bhd (F&NHB)

F&NHB is among the oldest and most successful businesses in Singapore and Malaysia with core expertise and leadership in the food, beverage and other sectors. 135 years ago, two visionaries who are John Fraser and David Chalmers Neave formed The Singapore and Straits Aerated Water Company to produce carbonated soft drinks. This company eventually became one of the region's food and beverage giants which is Fraser & Neave (F&N). Now, this company had been listed on Bursa Malaysia’s main board. F&NHB has an annual turnover in excess of RM 4 billion from its core business in the manufacture, sale and marketing of beverages and dairy products.

In the present work, there are a problem encountered for entering new market of F&NHB according to our research. In fact, entering new market is a big challenge for every company because it represents the company must expand its business scope to make more profits. Before entering new market, F&NHB must determine the problems which will be faced in the future through analysing the political environment, economic environment, social and technology environment. Therefore, information is gathered to make the best decision for the market entry.

Subsequently, solutions will be sought out and discussed to solve the issues which occurred in following new market through investigation. We will collect the data needed by referring the company website and other websites then analyse data to make the assignment completed.

Chapter 1 Introduction of the Company

Fraser & Neave Holdings Bhd (F&NHB) is one of the oldest and most established food and beverage companies in the region, with many market leaders and household names. The group is listed on the Main Board of the Malaysian Stock Exchange and its core business is the production, sales and marketing of beverages and dairy products with an annual turnover of more than RM4 billion. (About us, 2016)

The company's business operations are organized according to products and services, namely Malaysian Food & Beverage (F&B Malaysia), which includes Malaysia's soft drink and dairy business; Thai food and beverage (F&B land). F&NHB operates in Malaysia, Brunei, Thailand and Indochina and those are the subsidiaries of Fraser and Neave which is a company listed on the Singapore Stock Exchange. This company founded in 1883 by John Fraser and David
Chalmers Neave. The F&N brand is derived from the instant recognition initials "F&N" and is now synonymous with high quality and halal products handed down from generation to generation.

F&NHB's product portfolio and geographic operations diversity, strong distribution network and market resilience over more than a century of experience, and the commitment of 2,700 employees, this make F&NHB uniquely integrated into the community and the environment to deliver sustainable performance and growth. F&NHB's vision is to be the stability and leader of the ASEAN region. Next, its mission is to become the owner and provider of quality and innovative products that ASEAN's leading consumer choice and trust.

F&NHB is one of the largest beverage manufacturers and distributors in the region, with leading brands such as 100PLUS, F&N Fun Flavors, F&N SEASONS, F&N NutriSoy, F&N ICE MOUNTAIN, OYOSHI, Rangers and EST Cola. F&N beverages are deeply integrated into the fabrics of this country and are part of every celebration and occasion, creating a sense of enjoyment and precious memories in the last century.

F&N is also the undisputed leader in the sweets and condensed milk markets of Malaysia and Thailand. Millions of consumers can enjoy the precious moments of the day, enjoy a cup of tea (teh tarik) or coffee, cakes or candy made from F&N's extensive dairy products, including F&N, TEAPOT, CARNATION, CapJunjung and the IDEAL brand, as well as liquid milk and juice products from F&N Magnolia, FARMHOUSE and F&N Fruit Tree Fresh.

Their products are exported to 68 countries around the world. In this case, the company will continue to expand the breadth and depth of exports, while focusing on the halal market, has been certified by the Halal Center. The company's products meet the tastes and appetites of several generations and will continue to deepen the connection with consumers, provide excitement and enjoyment, and promise "pure enjoyment, pure beauty."

F&NHB has eight manufacturing facilities in Malaysia and Thailand to meet the needs of consumers in the region. State-of-the-art manufacturing facilities are used to meet the highest standards of food safety and production efficiency, and strict quality control measures are taken at every step of the manufacturing process.

As a fully integrated green factory, these facilities also incorporate cutting-edge green technologies, water, energy and environmental protection processes that are in line with F&NHB's sustainable business approach. (About us, 2016)

As part of state-of-the-art manufacturing practices, all facilities are certified to ISO 14001 Environmental Management Standards, ISO 22000:2005 Food Safety Management Certifications, except for GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis Critical Control Point). Their factories have won numerous awards for their superior product quality, productivity and energy management.

Chapter 2 Background of Idea

Product/Services

In Malaysia, F&NHB products often appearing in people’s daily lives because they involved in the field of various soft drinks, dairies and ice cream such as 100PLUS, F&N Magnolia, KING’S and others.

One of the most famous drink in Malaysia is 100PLUS and it deserves to drink because it contains Vitamin B3, B6 and B12 which helps us rehydrates and replenishes by providing sufficient energy. 100PLUS also consists of combination of carbohydrates (glucose and sucrose) and electrolytes (minerals) which transport nutrients into the body to allow people to perform their best in daily activities. (100PLUS, March 29, 2019)
Another type of soft drink is NutriSoy and it is made from Canadian non-GMO soya beans to give peoples natural quality goodness. NutriSoy contains vitamins and minerals to renew and improve overall health. It is also enriched with calcium to build strong bones and teeth (F&N NutriSoy, March 29,2019). F&N SEASONS is also one of the beverages which is visible in everywhere and always provide people with a refreshing experience in their mind, body and soul. It is also delivering a healthy well-being for consumers because it carries a range of non-carbonated soft drinks with no added preservatives. There are a few recipes and natural ingredients in F&N SEASONS which basically provide the needed nutrition for consumers. There are many choices at the variety of offerings under F&N SEASONS such as Ice Lemon Tea, Ice Apple Tea, White Chrysanthemum Tea, Winter Melon Tea, Grass Jelly Drink and many more (F&N SEASONS, March 29,2019). Besides, F&NHB is also involved in the markets of sweet and condensed milk in Malaysia and Thailand. Teh-C is the most common milk tea in Malaysia is formed by using one of their products which is CARNATION Evaporated Creamer. CARNATION Evaporated Creamer is enriched of distinct aroma and creaminess to helps to make the dishes creamier. (CARNATION®, March 29,2019)

Moreover, F&N Magnolia includes several types of milk such as Pasteurised Milk, UHT Milk, Sterilized Milk and Barista Milk. Pasteurised Milk is made through pasteurised process which helps to maintain freshness taste of milk as well as keeping nutrition at its maximum level. For UHT Milk, it contains high calcium and protein to meet daily nutritional needs while Sterilized Milk enriched with high calcium, Vitamin A and D in a high grade. Barista Milk complements artisanal blends to create more aromatic coffee from cappuccino to café mocha. (F&N Magnolia, March 29,2019)

For ice creams, the brand that represents the best is KING’s. KING’s extensive range of ice creams promises to treat the taste buds with tantalizing flavour from signature traditional potong ice cream to flavours in sticks, cups and take-away tubs. KING’s also offer quality ice cream with great value for consumers by bringing them a few innovative flavours of ice creams continuously. These are most common flavour ice creams in Malaysia which are Fruity Lime Surprise, Grand Chocolate, Neapolitan Bar, Potong Durian, Potong Red Bean and so on.

**Market Opportunity Analysis**

Fraser and Neave Limited (“F&N”) play the role of lead in the food and beverages space in Asia Pacific. F&N became a public company and develop popular brand such as 100Plus, F&N Seasons, F&N Canned Milk and Oyoshi. 100Plus is the top brand success in Malaysia while SEASONS is the no.2 player in the Asian.

A potential target is Vietnam Dairy Products JSC, also known as Vinamilk, according to Lee Meng Tat, F&N’s chief executive officer for non-alcoholic beverages. Vietnam’s largest milk producer is an example of what F&N wants in an acquisition: a company with market presence, well-known brands, and a strong distribution network.

There is a time when Coca-Cola company terminated bottling and distribution agreement unconsciously affect F&N to find some solution regarding the issue. In the end, F&NHB created the growth for the homegrown brands by reducing the dependency on the Coca-Cola distribution. In 2016, the markets like Singapore, Malaysia, Myanmar, Thailand, Vietnam and Indonesia made up 96% of the Group’s revenue.

F&NHB’s product also famous in Dubai as the citizens were intrigued when they saw the Malaysian version of tea or ‘Teh Tarik’. They love the taste though they might not understand the bubbles but it was a hit nonetheless. F&NHB being encouraged to expand the products to Bangladesh which has a strong chai or tea drinking culture with condensed milk. In their home country, they already have locally-produced condensed milk used by the people yet F&NHB taste differently and was still able to compete in the market. (Azam, 2018)

Recently, F&NHB resolved that they will continue to focus on F&B Malaysia, F&NHB Thailand and exports segments. In Thailand, F&NHB will take control of Nestlé’s canned liquid, UHT and
chilled dairy and juice business and in the process gain access to the large Thai and untapped Myanmar and Indochina markets. In Malaysia, Singapore and Brunei, nestle will transfer the popular Tea Pot condensed milk brand to F&N and license F&N to manufacture and distribute Nestle's Ideal, Carnation and Milkmaid brands which are also well established in the local market.

Thus, F&NHB will build up capacity and further expand their distribution network. F&NHB will keep innovate and reinvention to ensure they meet customer expectations for more affordable, healthier and tastier products.

We analysis F&NHB's environment issues by using the PEST model which are political, economic, social and technology environment to understand market growth or decline, potential and direction for the business.

**Political environment**

Sugar, which is one of the crucial ingredients needed in F&NHB soft drink recently entitled sugar tax by government which decide to impose excise duty on sweetened beverages. The sugar tax with total of 40 cents tax per litre will impose to drinks which contain more than 5 grams of sugar or sugar-based sweetener per 100ml, as well as fruit and vegetable juices with sugar content of more than 12 grams per 100ml. (F&N sugary drink prices seen to rise in face of sugar tax, 2018) This “sugar tax” will take effect on April 1, 2019. It might influence the development of F&NHB’s business. However, this could be a minimal impact bottom line due to the lower overall contribution of the soft drink segment to the group’s earnings, and the ongoing reformulation of the sugar content for most of its products to be below 5% while maintaining the same taste. Besides tax, F&NHB certified as halal by JAKIM Malaysia consequently allow Islamic people to purchase and consume the products.

**Economic environment**

Economic environment has a significant impact on how an organisation does business and how profitable they are. Economic environment are the areas that involve economic growth, interest rates, foreign exchange rates, inflation and employment or unemployment rates. In this case, F&NHB faced the risk of foreign exchange losses and fluctuating commodity prices at the past. Besides, the management recognized the possibility of a sugar tax being imposed on sweetened beverages which involved the products of F&NHB. (Tai, 2017) These issues have a direct impact on the performance and profitability of F&NHB in the aspect of economic environment. Therefore, these are the potential issues that found and need to overcome by F&NHB when entering a new market.

**Social environment**

Social environment also known as socio-cultural factors which focus on identify emerging trends. Social environment are the areas that involve population growth, age distribution, education levels, cultural trends and changes in lifestyles (Marketing Theories – PESTEL Analysis, 2016). A marketer can further understand their customers’ needs and wants. Therefore, F&NHB must overcome the problems occurred which will be involved in social environment because these problems have direct effect on how marketers understand customers and what drives them. In this case, the issue of changing in lifestyles encountered by F&NHB when entering a new market. A healthy lifestyle is irrelevant with the products of F&NHB which contain sugar as main ingredient. This is one of the issues faced by F&NHB and solutions are needed to enter a new market.

**Technology Environment**

F&NHB has been strengthening itself by improving its operational efficiency in anticipation of stiffer competition and further product diversification so that company can survive and be able compete with global markets. F&NHB focus on innovation for the growth of product portfolio with emphasis on benefits of healthier ingredients and convenience to the consumers. For the brand renovation, one of product which is 100PLUS ACTIVE in powder sachet was launched in FY2018 for frequent travellers and people who are constantly on the move. The Group’s portfolio of Sweetened Condensed Milk and Evaporated Milk are now also available in flexible packaging
from single serving stick and squeezable tube to 20kg bag to meet all consumers and customers’ needs. (F&N continues to invest in innovation, capacity, 2018) F&NHB not only concentrate to the innovation of brand products but also concern to the impact of post-consumption waste to enhance environmentally-friendly packaging.

Chapter 3 Methodology

The methodology used in this proposed qualitative study is based on bibliographic tools as implementation of secondary sources. Information that is intended to be shown as a search for information on the Internet which are company’s website, articles and magazines, as well as news. By using this method, the current market situation and process of expansion to other markets of F&NHB can be analysed and identified. In this way, it is an effective and efficient ways for finding and identifying the results.

Chapter 4: Finding and Analysis

F&NHB become a household name in Malaysia and Singapore. To maintain a sustainable growth, F&NHB has expand the structure to become a multi-industry which attribute to new probability and able to overcome the period of economic downturn.

F&NHB enlarge its market strategy to worldwide. One of the ways F&NHB been done is to have a superior distribution network, which is promote the product portfolio to Asean region such as Thailand, Indonesia and Myanmar as the countries has market demand for beverage industry. Across the regional market, F&NHB’s core brand such as 100PLUS, F&N SEASONS and OISHI keep supply to serve consumers.

Vinamilk, Vietnam's top listed firm by market value, is seen as one of the country’s most attractive companies as it commands around half of the domestic market for dairy goods and has seen steady earnings growth. Thus, F&NHB aim the opportunity to stake in Vinamik. In 2017, 18.74% stake in Vinamilk which gave F&NHB a strategy position in largest diary company in Vietnam. While in 2018, F&NHB purchased a total of 705,080 shares in Vietnam's Vinamilk from were acquired through a series of open market purchases. To support the entering of new market, F&N upgraded its IT infrastructure and implemented an integrated warehousing and delivery system. The new setup also allowed company to have its own direct sales workforce to effectively execute its sales strategy. In order to expand its product offerings in Indonesia, F&NHB has also teamed up with YFI to expand its presence in other key cities like Jakarta and Surabaya.

Success of enter new market also support by marketing and sales programmes such as participation in car free day activation and consumers activation during fasting month to drive trials and recruit consumers. F&NHB also increase market presence by re-evaluating its business model across all aspects of its value chain from the extensiveness of its portfolio, product and packaging innovation to warehousing and logistics. This solution had extended its offerings beyond traditional markets. Besides that, the company focus the packaging and innovation strategy by remove one-size-fits-all concept to provide the needs of consumers such as individual consumers, hotels, restaurants, industrial consumers in the food, beverage and confectionery sectors. F&NHB made several tests such as study consumer markets in Indonesia and Vietnam to test 100Plus' growth potential. (Lee, 2013) F&NHB also form a roadshow around both East and West Malaysia to promote new packaging.

F&NHB once face challenge year ahead to the end contract of Coca-Cola Company. Revenue from F&N’s operations in Malaysia fall from RM2.88 billion in 2011 to RM2.40 billion in 2012. F&NHB created new product launches to decline the effect result from the issue which would ultimate translate into loss volume. However, the critical situation in Thailand which left limited access to company’s Thai plant and remained non-committal on possible length of plant closure. The research house revealed that the plant was insured for RM500million of which RM380 million should cover for repairs and machineries while the remaining would cover for consequential loss.

Howard Telford who is the senior beverage analyst at Euromonitor International said the consumer interest in the functionality. Instead of asking “What’s in this bottle?”, they are asking...
“What is this bottle doing for me?”. Thus, the consumer is demand for convenience, healthy ingredients and low-sugar options of beverage. F&NHB understand the need of healthy lifestyle of consumer and they invented reduced sugar version which is the new 100PLUS Reduced Sugar, contain 33% lower amount of sugar content compared with the 100PLUS Original. F&NHB has done promotion by provide sampling in supermarkets. (Lim, 2018) In result, there is good response and consumers have been receptive towards the new taste. Some consumers might prefer 100PLUS Original instead of 100PLUS Reduced Sugar as they like the old version and they familiar to the old taste. F&NHB carry on with the innovation strategy to create product extension for global market. F&NHB must understand the consumers as if the business doesn’t know a person likes or dislikes, they are more than willing to jump ship to another vendor to gain a sense of personalized connection.

Besides that, F&NHB have to alert that consumers not always loyal to the company. The simple act of being appreciative to those around company can boost productivity, thus improving work quality and producing better returns. F&NHB can keep things personal such as by wishing consumers a happy birthday. If the communication isn’t always about getting more money from them, the relationship won’t seem so one-sided and will come off as more genuine. F&NHB can apply Consumers Relationship Management (CRM) tools to keep track of how many consumers return to the company and why. In result, handling consumers relationships right not only keep them but encourage them to come back more frequently or make larger purchases.

F&NHB not only focus to consumers but they also can contribute benefits to their employees. F&NHB need to always put themselves in the shoes of their employees. They need to think what employees have learn today. F&NHB hire local talent to support the local communities they operate in. In the operations across the globe, the majority of their local workforce comprises citizens of that particular country. F&NHB has developed a global human resource policy that encourages continuous learning, strengthens leadership skills and promotes cooperation between colleagues, consumers and the community. F&NHB also engaged Competitive Dynamics International (CDI) to the organisation to become a world-class, lean operation. Knowledge sharing, skill development, effective talent path management and leadership training are all crucial to F&NHB’s efficient operation and ongoing competitiveness. With the potential of the greatest asset of employees by providing pro-active and value-added human service resources, F&NHB able to complete corporate vision, business objective and enter new market naturally.

In 2011, F&NHB sponsored RM80,000 towards the establishment of an F&N IT Corner and also contributed an additional RM10,000 towards the implementation of an international computer training programme to further hone the students’ IT skills. F&NHB think that education is a fundamental to a person which can lead the society to better future. Similarly, F&NHB established F&N Go Green++ programme by collecting recyclable items consisting of paper, plastic, aluminium, and electronic waste as part of an internal recycling drive. The programme aim to give employee a chance to have quality time spend with children to help equip underprivileged children with new school bags and necessary school supplies to learn as they returned to school. F&NHB hope to ease the financial burden of the families and motivate the children to get excited about heading back to school. Reputation is necessary as it show an outcome of who the company really are, not a construct to be managed. It is the result of the company’s products, activities and how well they connect with society.

F&NHB once faced risks of commodity price volatility and foreign exchange losses. Management hedges 60% of foreign exchange demand and plans to increase export markets to reduce the impact of local currency depreciation. Management confirms that sugar tax may be imposed on sugary drinks. However, F&NHB believes it can solve this problem because it has been reducing the sugar content of its products since 2004. For example, its best-selling product, 100PLUS, has a 40% lower sugar content than other carbonated soft drinks on the market.

In summary, as F&N Holdings Berhad develops into a leading catering industry organization in Southeast Asia, it has established a record of long-term sales and profit growth and continued dividend payments to shareholders. F&NHB have to concentrate to their consumers, to give them...
what they want. The company also should build relationship by diversifying the networks by offer and deliver help, connect people with each other, or share industry or nonprofit-sector information. Furthermore, the company's operation should not skip steps even though it is complicated, they need to find the easiest way out of it.

**Conclusion**

Fraser & Neave Holdings Bhd (F&NHB) is one of the largest beverage manufacturers and distributors in the region with leading brands such as 100PLUS, F&N Fun Flavours, F&N SEASONS, F&N NutriSoy, F&N ICE MOUNTAIN, OYOSHI, Rangers and EST Cola. F&NHB is ramping up its product offerings to quench growing consumer demand for healthier products and convenience, in tandem with the shifting trend in today's lifestyles (Bhd, 2018). The reason why F&NHB faced the problem encountered of entering new market is some of the products may not have satisfied the tastes and appetites of new market. In this case, the purpose of F&NHB is to solidify its commitment to sustainable growth and profitability through continued emphasis on driving innovation and capability building. Sustainability has always been at the heart of F&NHB's operations. This approach drives F&NHB’s strategic decisions to innovate and deliver healthier option, and more sustainably produced product. As a matter of fact, F&NHB’s product is exported to more than 68 countries across the globe. However, F&NHB will continue to extend the breadth and depth of their export footprint while focusing intently on halal markets levering our halal hub accreditation (Our story, 2018). With all these F&NHB create for its self a successful position between competitors and made a great brand image which will attract more customers to buy their products with all satisfaction.

**Recommendation**

To overcome the problem encountered of entering new market stated above, F&NHB should adopt the following measures as part of its operational and business strategy:

1. **F&NHB should has effective and efficiency marketing and sales programmes.**
   F&NHB can increase market presence by re-evaluating its business model across all aspects of its value chain from the extensiveness of its portfolio, product and packaging innovation to warehousing and logistics.

2. **F&NHB should have complete packaging and innovation strategy.**
   F&NHB can remove one-size-fits-all concept to provide the needs of consumers such as individual consumers, hotels, restaurants, industrial consumers in the food, beverage and confectionery sectors.

3. **F&NHB should has a superior distribution network.**
   A superior distribution network can promote the product portfolio to Asian region such as Thailand, Indonesia and Myanmar as the countries has market demand for beverage industry.

4. **F&NHB should contribute benefits to their employees.**
   F&NHB need to always put themselves in the shoes of their employees. With the potential of the greatest asset of employees by providing pro-active and value-added human service resources, F&NHB able to complete corporate vision, business objective and enter new market naturally.

**References**


2. Main website of F&NHB Company


