UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL
MASTER OF BUSINESS ADMINISTRATION
(ENTREPRENEURSHIP)

BUSINESS PROJECT
CTS COOKIES

MAHYUDDIN BIN MAT SAAT
60386111069

JUNE 2013

UNIVERSITI KUALA LUMPUR

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DECLARATION

I declare that this report entitle 'CTS Cookies' Analysis Report' is the results of my own research excepts as cited in the references. The report has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature : ....

Name : MAHYUDDIN BIN MAT SAAT

Date : 24 JUNE 2013

APPROVAL

I have examined this report and verify that it meets the program and University requirements for Master of Business Administration.

Date:	Signature	: ....
	Supervisor's Name	: DR. YAHYA MAJRI
	Official Stamp	: Dr Yahya bin Majri Senior Lecturer Universiti Kuala Lumpur Business School Universiti Kuala Lumpur

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Not to forget to my family for their support especially my wife and children for their patience. Thanks a lot to my lecturers especially my supervisor under this Business Project Paper, Dr. Yahya Majri who are always there in time of need.

I would also like to thank Puan Siti Fatonah Binti Sukani from CTS Cookies for her time and continues support in completing this Business Project.

Last but not least, I would like to thank everyone for their support.

Thank you very much.

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Abstract of the Business Project presented to the panel of University Kuala Lumpur Malaysia in fulfillment of the requirement of the degree of Master of Business Administration in Entrepreneurship.

CTS COOKIES

By

MAHYUDDIN BIN MAT SAAT

June 2013

The company is a manufacturer of traditional Malay cookies such as Almond London Biscuit, Tart and many other confectioneries.

This paper discusses the company's strengths and weaknesses as well as its financial performance over the last three years and recommendations for the company's growth.

CHAPTER 1

INTRODUCTION TO THE STUDY

1.0 INTRODUCTION

1.1 Objective of Business Project.

Business Project Paper is one of the requirements prior to completion of Master in Business Administration (Entrepreneurship) in University Kuala Lumpur Business School. This project is about research on a feasible study on a company owned by Bumiputera entrepreneur and to identify problems faced by the company. The analysis includes SWOT analysis, PESTLE analysis, Porter's Five Forces analysis and financial ratio analysis. The purpose of the study is to identify the problematic area encountered by the company. Upon sufficient analysis of the problems encountered by the company is done, the recommendations to rectify those respective problems will be carried out in order to solve them for the sake of the company's future.

1.2 Overview Of The Company.

CTS Cookies is a Bumiputera Food Manufacturing company located in rural area in Sabak Bernam District. It's about 110km away from Kuala Lumpur. They produce 38 sorts of traditional confectioneries such as Almond London Biscuit, Tart, Kuih Bangkit, Karipap Mini, Rempeyek, Pisang Salai, Kuih Tiram, Bahulu, Roti, Sambal Kacang, and many others types of cakes. But the most popular and demanding product is Almond London Biscuits and Tart Nanas.

They have also gained Halal Certificate from Majlis Agama Islam Selangor (MAIS) in which their food processing is recognized and complied to the Islamic regulations.

1.3 Company Background

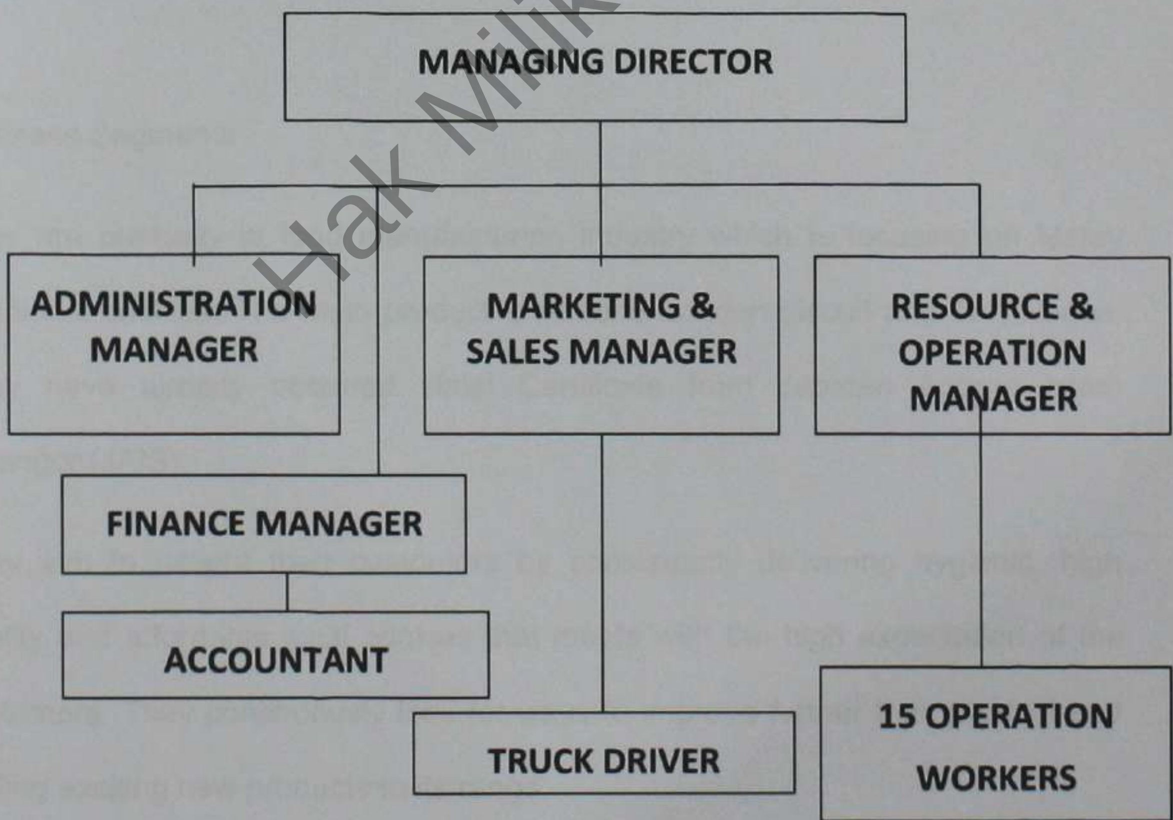
Registered Name	:	CTS Cookies (001577653-V)
Date of Establishment	:	5 October 2004
Registered Office	:	Parit 7, Ban 1 Sungai Leman, 45400 Sekinchan, Selangor DarulEhsan.
Telephone/Fax Number	:	012-6299256 / 03-32411125
Start-up Capital	:	RM 100,000.00
Business Status	:	Sole Proprietor
Business Nature	:	Food Manufacturing
Business Area	:	Processing Malay Traditional Cookies (Mainly Almond London Biscuit & Tart Nanas)

1.4 Owner Background

Name	:	Siti Fatonah Binti Sukani
Date of Birth	:	07/01/1965
Marital Status	:	Married
Children	:	5 children
Highest Education	:	SPM

1.5 Company's Organization Chart

Chart 1: Organization Chart



1.6 Mission & Vision

Mission:

To ensure sustainable growth and success by harnessing smart entrepreneurship to deliver quality products, backed by efficient innovation and excellence through our market channels. Brand love and consumer satisfaction are non-negotiable and we embrace the CTS Cookies way to ensure optimum performance in all these areas.

Vision:

To endow our customers with an authentic traditional cookies for every occasion and a smile on every face.

1.7 Business Segments

They are basically in food manufacturing industry which is focusing on Malay traditional cookies. The main product is Almond London biscuit and Tart Nanas. They have already obtained Halal Certificate from Jabatan Agama Islam Selangor (JAIS).

They aim to delight their customers by consistently delivering hygienic, high quality and affordable local cookies that meets with the high expectation of the customers. They continuously look for ways to improve further their product and adding exciting new products to its range.

1.8 Market Channels

The markets for traditional Malaysian cookies are huge and they are growing each year. Its main customers are Mydin Hypermarkets and The Store Hypermarkets which market percentage reach around 60% and 30% accordingly. The remaining 10% market goes to the local retailers. Demand trend is increasing during 4 main festival seasons in Malaysia which are Hari Raya Puasa, Hari Raya Haji, Chinese New Year and Deepavali. The peak busy schedule is always in Hari Raya Puasa which is almost up to 70% sale of the year comes from this festival. Mydin Hypermarket alone has 6,000 boxes ordered for Hari Raya Puasa 2013.

Significantly, sales agreement with Mydin Hypermarket and The Store was signed on yearly basis. They agreed to supply certain volume of their products according to their specification and also strict in quality control. More than 10,000 boxes of the products have been delivered to those hypermarkets every year. Each box contains 2 dozens pack of the product. 1 pack has 50 pieces of the cookies.

CHAPTER 2

LITERATURE REVIEW

2.0 MALAYSIA'S ECONOMIC ANALYSIS

The Malaysian economy remains surprisingly resilient. In 3Q2012, its GDP growth moderated to a still commendable 5.2 per cent year-on-year from a revised 5.6 per cent in the second quarter. The growth was driven by strong domestic demand, with impressive albeit slightly slower year-on-year growth in private consumption and private and public investment outlays. Net exports had meanwhile contracted further due to the deterioration in external demand for manufactured goods and commodities.

The services sector expanded at a higher pace of 7.0 per cent year over year in the third quarter compared to 6.6 per cent in the previous quarter. The manufacturing sector is obviously feeling increasingly the heat of negative developments overseas as its third quarter pace of growth moderated somewhat significantly to 3.3 per cent year over year compared to the second quarter's 5.6 per cent. The construction sector, which is benefitting from the on-going implementation of infrastructure projects, expanded a still staggering 18.3 per cent year over year (2Q2012: 22.2% year over year). In terms of percentage point contribution towards real GDP growth, services contributed 3.8, manufacturing contributed 0.8, while construction contributed 0.6.

Consumer confidence is still holding up and is expected to remain largely intact going forward, as indicated by the results ofMalaysian Institute of Economic Research's (MIER) Consumer Sentiments Survey. The Consumer Sentiments Index (CSI) ended the fourth quarter marginally higher at 118.7 points, compared to 118.3 points in the previous quarter. Of the three components that make up the CSI, Current Financial Position gained 1.5 points quarter on quarter while Expected Financial Position was flat quarter on quarter. Expected Availability of Jobs was the only component that registered a decline (-0.9 points). All three components remain above the neutral 100-point level.

Business conditions in the manufacturing sector, however, have deteriorated somewhat and could deteriorate further, according to the results of the fourth quarter MIER Business Conditions Survey. MIER's Business Conditions Index, which had broken through its 100-point growth-neutral threshold level in the third quarter to settle lower at 96.0 points, fell further in the fourth quarter to register 94.1 points. Both the expected local sales and expected export sales sub-indices declined slightly in the fourth quarter.

Likewise, the half-yearly FMM-MIER Business Conditions Index settled lower at 88.9 points in the second half compared to 96.8 points previously. The FMM-MIER BCI's forward-looking expected business conditions index also settled lower at 101.1 points (1H2012: 120.2 points), an indication that manufacturers have become less confident in their outlook.

Of the four MIER's sectoral indices, only the Residential Property Index (RPI) came in higher at 124.8 points in the fourth quarter (3Q2012: 113.6 points), while the Tourism Market Index (TMI) was largely unchanged at 129.8 points (3Q2012: 129.9 points). The two remaining sectoral indices, the Automotive Industry Index (AII) and the Retail Trade Index (RTI), came in significantly lower at 105.4 points (3Q2012: 160.0) and 94.8 points (3Q2012: 130.2) respectively. The RTI is the only sectoral index to have settled lower at below the 100-point neutral level.

On account of the results of MIER's fourth quarter surveys, we are keeping to our full-year 2012 growth estimate at 5.1 per cent in this economic update. Going forward, we expect domestic demand to remain resilient and to continue picking up the slack of weak external demand. We are keeping to our 2013 GDP growth forecast 5.6 per cent for the time being. As for Malaysia's real GDP growth in 2014, we expect it to register within the 5.0 and 6.0 per cent range.

Inflationary pressures meanwhile remain benign in Malaysia. For the January - November 2012, the CPI increased 1.7 per cent when compared to the same period last year. We are maintaining our inflation rate forecast for full-year 2012 and 2013 at 1.7 per cent and 2.5 per cent respectively and the unemployment rate at the 3.0 per cent for both years. For 2014, we expect inflation and unemployment to register 2.5 per cent and 3.0 per cent respectively.

Table 1: Malaysian Economic Indicators

	2012	**2013f**
Population	29.3 million	29.7 million
GDP	RM743.54 billion	RM780.98 billion
GDP Growth	4.5 – 5.0%	4.5 – 5.5%
Per capita Income	RM30,956 (USD9,890)	RM32,947 (USD10,526)
Inflation Rate (CPI)	1.9%	-
Labor Force	12.9 million	13.3 million
Unemployment	3.2%	3.1%
Total Export	RM702.2 billion	RM740.7 billion
Total Import	RM607.4 billion	RM639.9 billion
Major Exports Products (Jan – Dec 2012)	• Electrical and electronic products • Refined petroleum products • Palm oil • Liquefied natural gas (LNG) • Chemicals and chemical products • Crude petroleum	
Major Export Markets (Jan – Dec 2012)	• People's Republic of China • Singapore • Japan • USA • Thailand	

2.1 Outlook For 2013

Malaysia's GDP growth performance will once again hinge on the global economic momentum, which at this juncture is clouded by the prospects of the recovery in the Euro region. Recent developments in the Euro region suggest that the outlook is less encouraging as the economy is likely to stall in the near term following the contractions of several economies such as Greece, Spain and Italy due to deep austerity measures implemented by their governments. Offsetting this, however, is the US economy which we think will surprise on the upside, despite registering below its long-term growth trend of 3-plus percent. Judging by the latest statistics, its labour market is steadily healing and rising consumer confidence will likely offset the mediocre performance of the business sector. In Asia, the bottoming of China's economy will also help Asia's export performance and contribute to Malaysia's net trade in 2013.

The bottoming of Malaysia's exports will likely lead to a mild rebound in external trade performance as exports to Asian economies stabilize. In addition, an upturn in the US new orders signals a recovery in Malaysia's future export performance. Notwithstanding this, the wobbly demand for semiconductors as evidenced by the declining B-T-B ratio and softening crude oil and CPO prices will cap Malaysia's external trade performance in 2013. With semiconductor sales expected to rebound by only 4.5% (according to the estimates by World Semiconductor Trade Statistics) and palm oil prices expected to move within the range of RM2,200 and RM2,600 per tonne next year, we anticipate that Malaysian real exports will post a mediocre growth of 4.0% in 2013.

Malaysia's domestic demand will likely stay resilient amidst rising contributions from private investment and private consumption. Judging by the recent trend, the momentum in private investment is the key to the possible upside of Malaysia's GDP performance in 2013, although consumers play a leading role in supporting the economy. We foresee that Malaysia's private investment will continue to remain robust in view of the mega projects that will be undertaken by the government in the next few years. These include, among others, the MRT project, Menara Warisan, the RAPID project and the Second Penang Bridge. It is worth noting that the contribution by total investments to the headline growth has climbed to an average 5 percentage points in the first nine months of 2012, compared with the average contribution of 1.3 percentage points in the last six years. In addition, its share of Malaysia's GDP has risen from 22.3% in 2005 to an average of 26.7% in the January to September period. On that score, we view that private investment will remain robust and register a growth rate of 14.0% in 2013.

The strength of private consumption is undeniable as the labour market continues to remain stable. The unemployment rate remains relatively low at 3.2% in October, although it has climbed from as low as 2.7% in August 2012. Thus far, there has been no significant jump in the number of retrenched workers and the downward trend remains intact. The key factor to look at is the impact of the slowdown in export-oriented industries on the labour market. If a more serious downturn in the export-oriented industries leads to significantly higher retrenchments, then the strength of private consumption will be tempered.

Another critical factor is the access to lending for consumers, which so far remains relatively easy despite the slowdown in household sector growth. Lending by banking institutions to the household sector slipped to 11.8% year over year in October but has remained well within the double-digit territory since January 2010. However, lending for credit cards and hire purchases declined more dramatically to 1.5% and 6.7% respectively in October 2012 following stricter lending rules by the BNM, with the latest measure imposed in January 2012. Notwithstanding this, the relatively resilient consumer sentiments suggest that GDP growth in 2013 will likely hover around Malaysia's long-term growth trend of 5.0% (chart 18). Assuming the upbeat sentiment is sustained and the labour market remains relatively stable, we anticipate private consumption to be able to chalk up another impressive growth of 6.2% in 2013, slightly slower than this year's estimated growth of 7.5%. Overall, taking into consideration domestic forces that may offset weaknesses in the external sector, we foresee another relatively resilient growth performance in 2013 with GDP growing at a 5.3% pace.

Table 2: GDP Growth on the Demand Side

Table 1: GDP growth on the demand side

				MARC		MOF	
Growth % y-o-y	2009	2010	2011	2012F	2013F	2012F	2013F
GDP	-1.5	7.2	5.1	5.0	5.3	4.5 - 5.0	4.5 - 5.5
Domestic Demand	0.3	7.0	8.2	10.4	7.3	9.4	5.6
Private Consumption	0.6	6.6	7.1	7.5	6.2	7.0	5.7
Public Consumption	4.9	2.9	16.1	5.8	3.6	11.3	-1.2
Private Investment	-7.4	15.5	12.2	21.5	14.0	11.7	13.3
Public Investment	2.9	5.0	-0.3	16.1	6.3	15.9	4.2
Real Exports	-10.9	11.3	4.2	1.8	4.0	1.6	2.8
Real Imports	-12.7	15.6	6.2	6.2	6.4	5.1	3.6

Source: CEIC, MoF, MARC Economic Research.

2.2 Inflation Rate

Based on the above scenario and barring unforeseen supply shocks, the inflation rate as measured by the CPI will not likely surpass the critical threshold that may cause a dramatic decline in private consumption. In view of the slow recovery of the global economy and the moderate expansion of the Malaysian economy, we do not see any compelling reason to forecast a CPI growth of more than 2.5% in 2013. However, there are forces that will likely push the CPI higher than its level in 2011.

Possible supply shocks such as higher global food and energy prices are the wild card for 2013. Recent global developments point towards higher food prices following adverse weather conditions in the US and Eastern Europe that have pushed up prices of corn, soybean and wheat. The Food and Agriculture Organization (FAO) food price index, which provides a good indication of the future trend in Malaysian food prices, suggests a likelihood of higher prices in the near future.

In addition, we are factoring in some development that may take place in 2013 – implementation of the minimum wage policy, further rationalization of subsidies and the reaction to the impending implementation of the GST – that will likely put a mild upside pressure on consumer prices. Implementation of the minimum wage will take off in early January 2013 and the rationalization of subsidies will be undertaken in 2013 irrespective of the outcome of the GE in our view. Although we anticipate that subsidies will generally be rationalized rather than reduced dramatically, the adverse impact on CPI prices cannot be ignored. Secondly, although the government may only provide a timetable for the implementation of the GST (and not implement it in 2013), some businesses will likely take advantage by charging higher prices on the pretext of getting ready for an eventual rise in prices after the implementation of GST.

Beyond consumer prices, we are of the view that the upward trend in asset prices will not wane - something we feel would slowly put a slight dampener on consumer spending. Of utmost concern are property prices which in some areas (Kuala Lumpur, Selangor, Penang and Negeri Sembilan) have increased at a double-digit pace, outpacing the growth of incomes of a majority of the population. Equity prices have also remained resilient, evidenced by the benchmark FBM KLCI which climbed by 9.5% this year to a high of 1675.69 points despite rising equity risk premiums.

2.3 Interest Rate

The BNM has maintained its policy rate – the OPR – unchanged at 3% despite the pressure to lower it amidst a weakening external sector. The rate has been normalized from as low as 2% during the height of the Great Recession in 2009. Among the primary reasons for keeping the rate status quo are: (1) upside surprise in GDP growth in the first three quarters of 2012; (2) strong consumer sentiment, evidenced by the Malaysian Institute of Economic Research's (MIER) rising consumer sentiment index (CSI); and (3) high household indebtedness.

Strong headline GDP growth spurred by robust investments which has grown at a double-digit pace in since 1Q2012 has to some extent reduced the possibility of a significant downturn despite the weak external sector. Although net exports subtracted 4.9 percentage points from the headline growth in the first nine months of 2012, average GDP expanded by a robust 5.3%, outpacing neighbouring countries such as Thailand (2.6%) and Singapore (1.5%). Loan growth remained strong, expanding by an average 12.2% in the first 10 months of 2012. At the same time, capacity utilization in the manufacturing sector has not softened since hitting its peak of 82% in 2Q2012.

In 2013, we feel that the monetary policy will remain unchanged with a slight upside bias unless the growth momentum declines significantly. Based on its rhetoric, we sense that the BNM is not willing to endanger the financial system by inducing more over-leveraging practices through lower interest rates, especially among households. As household debt-to-GDP has topped 60% in the past one decade, premature reductions in the policy rate will not be in line with the central bank's intention to curb households' appetite for debt. In addition, raising the policy rate at a time when the US Fed is planning to keep the rate unchanged for a considerable period will lure more capital inflows which are dominated by portfolio flows. This may lead to a continuous surge in foreign holdings of Malaysian securities, especially MGS. As of September, foreign holdings of MGSs has reached an all-time high of 42.1% of total outstanding MGSs.

In fact, we are of the view that if the US macro numbers improve materially and the financial market begins to discount the possibility of the US Fed lifting interest rates earlier than planned, then there is a possibility of an upward bias in the OPR. This is especially true if China begins to show a quick recovery from the current downward cycle and starts to increase their imports from other Asian countries.

2.4 Government Financial and Debt Position

Unless the growth momentum dissipates significantly in 2013, we foresee the federal government fiscal position to improve in 2013 and that the deficit target of 4% of GDP will not be difficult to achieve. This is based on the expectation of a stronger revenue growth that the economy is likely to see. At the heart of the argument, we think that the 0.7% growth forecast for revenue in 2013 is a gross underestimation. This is based on past experience which has shown that revenue collection was on average RM8 billion more than projected per annum in normal years. However, such an outcome is premised on the assumption that GDP growth will not be seriously dented by strong external headwinds.

The only concern is on the expenditure side which again, based on past experience, suggests an underestimation. Again, except for the recessionary years of 2001 and 2009, operating expenditures were underestimated by an average RM8.8 billion per annum in the past 10 years. Adding to that is the possibility of higher government spending during an election year (should the GE is called towards the tail end of the allowable period in June 2013). Offsetting this, however, is the possibility that subsidy rationalization measures will resume after the GE. We are of the view that this will take place irrespective of the outcome of the GE. Secondly, the government's determination to achieve the deficit target of 4% of GDP will mean that, barring unforeseen circumstances, it will be more cautious in its spending habits in 2013.

On the whole, we believe that the two-pronged strategy that the government is adopting to deal with budget deficits should be continued and that is: (1) a steady reduction in deficits as a percentage of GDP without harsh austerity measures such as those imposed on some of the European economies in order to avert a sharp deceleration in growth; and (2) a long-term target that should be strongly pursued to avoid major macro imbalances. Bear in mind that Malaysia was on a steady path to balancing its budgetary position until the global economy fell into a deep recession in 2009. Up until 2007, Malaysia managed to slash its deficits from 5.5% of GDP to 3.1% of GDP. If the Great Recession had not occurred, the downtrend in the deficit would have continued, in our view.

The federal government debt level will likely remain above 50% of GDP in 2013 as RM43 billion worth of issuance will take place to finance the deficits. Notwithstanding this, it is worth mentioning that the level of deficits that are financed through the issuance of MGSs and GIIs (and thus constrained by the self-imposed limit of 55%) remains circa 45% of GDP. The debt structure, which shows the overwhelming portion of the debt (circa 95%) being financed by domestic sources, suggests that the overall situation does not warrant alarm at this juncture. If there is an area worth paying attention to, it is the increasing proportion of short-term debt as a percentage of total debt.

3.0 MALAYSIA FOOD INDUSTRY

The Malaysian foodservice sector is very diverse and offers an array of options for consumers. Approximately 75% of the foodservice sector consists of small foodservice chains or stand-alone operations (USDA, 2010). This means the sector is highly fragmented and competitive as the varying operations battle for market share.

According to the USDA, the sector is composed of the following groups (2010):

- 19% food caterers
- 8% full-service restaurants
- 3% fast food restaurants
- 70% other areas of the industry

Malaysia's food industry is rich in terms of tropical and agricultural resources reflecting diverse cultures in Malaysian society — Malay, Chinese and Indian, have resulted in a fascinating range of processed food with an Asian twist. Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood.

The Malaysian food and beverage market is becoming increasingly sophisticated and is supplied by both local and imported products. The strong economic growth in the late 80's and early 90's contributed to major changes in consumer purchases and consumption patterns. Malaysians living in urban areas are relatively brand conscious, and they prefer to shop in stores, which offer them convenience and good product selections. Lifestyle changes have led to an increase in the demand for convenience food and health food.

The food processing industry is predominantly Malaysian-owned. In Malaysia, the food industry is dominated by small and medium scale companies. The major sub-sectors are the fish and fish products, livestock and livestock products, fruits, vegetables and cocoa.

In line with the government's emphasis on the agriculture sector, the processed food and beverages industry had become an important component of the agro-based industry. In 2010, the food processing industry contributed about 10% of the Malaysian manufacturing output attracted a total of RM1.972 billion in 69 projects. Employment in the processed food and beverages industry decreased in 2009 by 5.1% to 43,080 compared with 45,418 in 2008. Labor cost for the industry remained competitive, as its Unit Labor Cost decreased by 8.2%, reflecting an efficient utilization and management of resources. Small and medium sized enterprises represent more than 80% of the total number of establishments in the processed food segment.

Malaysia is also one of the world major producers of spices. In 2010, Malaysia ranked as the sixth largest producer of pepper and pepper-related products (specialty pepper, processed pepper and pepper sauces).

.1 Sub Sectors of Food and Beverage Industry

They are mainly involved in sub sectors like fish and fish products, livestock and livestock products, fruits and vegetables, and cocoa-based products. The beverage segment covers the manufacture of soft drinks and mineral water.

The fisheries product's sub-sector includes processed seafood products such as frozen and canned fish, crustaceans and molluscs products. This sub-sector remained the main contributor to the exports of processed food.

In the livestock sub-sector, Malaysia is self-sufficient in poultry and eggs, but imports about 80% of its beef requirements. Among the dairy products produced are milk powder, sweetened condensed milk, pasteurized or sterilized liquid milk, ice cream, yoghurt and other fermented milk.

A closer look at selected sub sectors shows:

- The fisheries product's sub-sector includes processed seafood products such as frozen and canned fish, crustaceans and mollusks, shrimp and shrimp products. This sub-sector remained the main contributor to the exports of processed food.
- In the livestock sub-sector, Malaysia is the third largest producer of poultry meat in the Asia Pacific region. Malaysia is self-sufficient in poultry, pork and eggs, but imports about 80% of its beef requirements.
- Among the dairy products produced are milk powder, sweetened condensed milk, pasteurized or sterilized liquid milk, ice cream,

yogurt and other fermented milk. Currently, Malaysia is the largest cocoa processor in Asia and ranks fifth in the world. However, meanwhile output of cocoa is declining due to a significant reduction in cultivation area in Sabah, as well as intensive replanting activities. Consequently, most of the cocoa beans are imported. Malaysia is also one of the world major producers of spices.

- In the fruits sub-sector, besides mangos, star fruits and papayas, the cultivation of pittaya (dragon fruit) is gaining interest among farmers. Most of these fruits are to cater for the domestic market. Vegetables are mainly grown on a small scale for fresh consumption, and are exported mainly to Singapore. The major locations for the cultivation of vegetables are in Johor, Pahang, Kelantan and Perak.
- Functional/health foodproduced in Malaysia is mainly in the form of food products thatare enriched. Food ingredients such as customized formulations required by food manufacturers, natural food additives and flavors have the potential for further growth.

Talking about the food industry, the packaged food is of special importance and therefore in the sector performance used as indicator for the whole industry. Another important aspect is the structure of the retailers who sell the food.

3.2 Sector Performance

The production of packaged food can be seen in the following table. All figures show the volume of their type of food in 1000 tons, except for ice cream which is measured in million liters. However, the sum of all volumes is unequal to the total sum of packaged food since there are products that were counted double (canned soup is included in soups and canned food e.g.)

Table 3: Production and Sales of Packaged Food

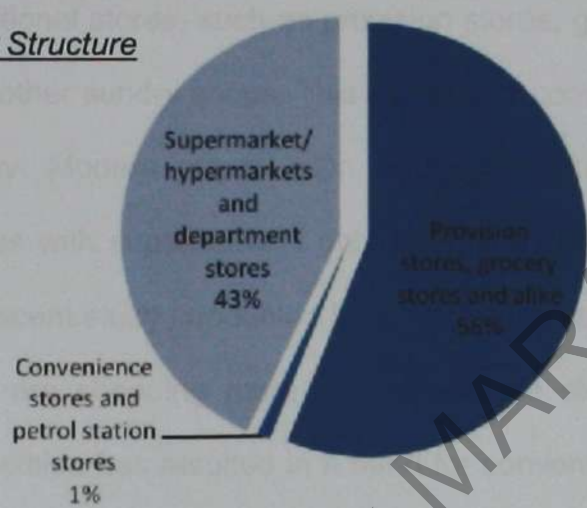
Production Volume (in 1000 tons)				Sales Volume in mln RM		
Type	**2009**	**2010**	**Growth**	**2009**	**2010**	**Growth**
Baby Food	-	-	n.a.	1218.3	1316	8.02%
Bakery	259.8	263.4	1.39%	2406.5	2463.3	2.36%
Canned/ Preserved Food	86.6	88.7	2.42%	902.5	931.2	3.18%
Chilled Processed Food	5.3	5.4	1.89%	250.3	259.1	3.52%
Confectionery	29.3	29.8	1.71%	894.3	917.5	2.59%
Dairy	-	-	n.a.	2891.4	3006.2	3.97%
Dried Processed Food	818.9	848.8	3.65%	2794.1	2991.7	7.07%
Frozen Processed Food	37.6	38.7	2.93%	474.1	491.5	3.67%
Ice Cream	44.1	45.2	2.49%	534.8	548.6	2.58%
Meal Replacement	0.8	0.8	0.00%	130.9	142	8.48%
Noodles	104.7	109.3	4.39%	939.9	1044	11.08%
Oils and Fats	699.8	713.8	2.00%	2223.5	2281.6	2.61%
Pasta	1.5	1.6	6.67%	11.2	12.6	12.50%
Ready Meals	6.4	6.6	3.12%	101	105	3.96%
Sauces, Dressings and Condiments	77.5	79.7	2.84%	1158.4	1192.9	2.98%
Snack Bars	0.2	0.2	0.00%	7.2	7.7	6.94%
Soup	2.6	2.7	3.85%	49.2	51.8	5.28%
Spreads	10.3	10.6	2.91%	129.7	134.7	3.86%
Sweet and Svoury Snacks	31.1	31.9	2.57%	603.7	623.2	3.23%
Impuls and Indulgence Products	-	-	n.a.	3592.3	3688.6	2.68%
Nutrition/ Staples	-	-	n.a.	10256	10759.3	4.91%
Meal Solutions	209.6	215.3	2.72%	2836.5	2928.6	3.25%
Packaged Food	-	-	n.a.	16666.3	17357.2	4.15%

Table 1 - Production and Sales in Malaysia[18]

3.3 Retailer Structure

The structure of the retailers of can roughly be divided into three parts: (1) Provision and grocery stores, (2) supermarkets/ hypermarkets and department stores as well as (3) convenient stores and petrol station stores.

<u>Chart 2: Retailer Structure</u>



Malaysia has a large and growing food retail market that is supplied by local and imported products. The current total retail sales of food and beverages are estimated at US$11 billion. The forecast for this sector is likely to grow by around 10% per annum over the next three to five years. Malaysian households spend an average 24% of their household income on retail purchase of foods. Due to rising affluence and higher education level, Malaysian consumers have become more sophisticated and demand higher quality for the goods that they purchased.

Historic high growth categories included meal replacement products, frozen processed food, soup, canned/preserved foods, baby food, pasta and dairy products. The forecast for growth in this market has also been reported. By the year 2014, the retail sales in the packaged food market in Malaysia is expected to reach US$4.6 billion, a growth rate of nearly 4.5%, or US$201 million.

Products in the forecast for high growth include most of the same as the historic rates and are complimented by include snack bars, ice cream and bakery products.

According to Retail Group Malaysia, the bulk of retail food sales are channeled through the traditional stores, such as provision stores, grocery stores, specialty food stores and other sundry shops. This sub-sector commands close to 60% of food sales today. Modern stores such as supermarkets, hypermarkets and department stores with supermarkets only have around 43% share of the retail food market. A recent study conducted by a retail consultant in Malaysia showed that Malaysians are shopping more at convenience stores and petrol marts. Increasing competition has resulted in a need for convenience stores to become more professional. Customers are now expecting more sophisticated offers like a wider range of better quality ready-to-eat snacks and hot-and-chilled beverages.

Competition among the retailers, especially hypermarkets, is intense with large international retailers like Carrefour, Tesco and Giant frequently engaging in price wars to establish their presence as major players in the market. Carrefour has successfully launched the price cuts strategy for about 1,200 products in their stores. Meanwhile, Giant, the largest hypermarket operator in Malaysia, is reported to sacrifice profits in order to maintain the low-price leader status. Pressure is mounting for local retailers such as The Store to maintain competitive prices and carry a good variety of products in order to keep up with the international players.

Nestlé (M) Bhd continued to dominate packaged food in Malaysia throughout 2010 due to its well-established brand name, which has allowed it to build a very strong presence in Malaysia. Nestlé consistently introduced new products into Malaysia during 2010 in order to maintain its strong customer base. For instance, the company launched its new Nestlé Drumstick Almond Thrill and Nestlé Low Fat fruited spoon able yoghurt in a new flavor of blueberry, apple &nata de coco. Furthermore, Nestlé also ensured that its promotional activities were able to build strong awareness of the Nestlé brand among consumers. One of Nestlé's most successful campaigns during 2011 was the Nestlé Bliss Yogurt Drink 14 Day Challenge, which has been organised annually for several years now.

3.4 Food Service Sector

Malaysia has a sizeable and rapidly growing food service market today. Sources from the trade estimate the food service market today is valued between US$ 4.9 billion to US$ 5.5 billion today. The food service market has been growing at a rapid average rate of around 6.5% per annum over the past five years. They indicated that this market is likely to grow at between 7%-10% per annum over the next three to five years.

Hotels and resorts, restaurants, and the institutional sub-sectors represent the best potential for exporters. The restaurant sub-sector accounted for 70% of the total food service sales in 2008. This is followed by the hotels and resorts (8%) and catering services to institutions (5%).

3.5 The Halal Industry

With a Muslim population of 60%, the demand for halal foods by Malaysian consumers has increased over the years. The expectation of halal standard in food products have extended from meat and meat products to non meat-based products such snacks, confectionery, dairy, bakery, etc. Halal is fast becoming recognized as a new benchmark for quality, hygiene and safety. Food products and ingredients that have halal certificates have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for halal certificates for non-meat based food products and ingredients.

With the emphasis given by the Government to promote Malaysia as an international halal hub, the prospects for the halal food industry are promising. Malaysia also works closely with the Organization of Islamic Conference (OIC) countries to promote the Malaysian Halal Standard as the benchmark for international standard for halal products. This is expected to further contribute to the acceptance of Malaysia's halal food products globally.

The halal industry in Malaysia provides immense opportunities for Malaysian manufacturers. It was estimated that the potential value of the halal food industry range between USD600 billion and USD2.1 trillion. The concept of halal is associated with food products which are of high quality in terms of cleanliness, sanitation and compliance with religious requirements.

3.6 Growing Health Concerns

It is a new trend that many Malaysians shift towards a healthier diet. By now, they are not willing to sacrifice food flavor for that. But as this trend in Europe, where it is further developed, shows, this will be one of the next steps. Food products that are considered less healthy, for example those with a high share of salt or sugar, remain popular among Malaysian consumers. The Ministry of Health findings estimated that Malaysian adults consume the equivalent of 10 teaspoons of added and hidden sugar more than the amount recommended by the World Health Organization. The Malaysian government has run several healthy eating campaigns to amplify this trend. One important aspect is the education of the Malaysian people regarding the impact of diet on areas such as bone and heart health.

Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood. Functional/health food produced in Malaysia is mainly in the form of food products that are enriched. Food ingredients such as customized formulations required by food manufacturers, natural food additives and flavors have the potential for further growth.

Within the next years retailers are expected to launch healthier product ranges. A whole national community such as the LOHAS (lifestyle of health and sustainability) in Europe and the USA are not expected in Malaysia, but the trend goes towards stronger awareness. However, soon as the price is higher or the taste is less intensive customers recoil from buying health benefitting products instead of normal ones.

3.7 Outlook

Clear innovation driver in the sector are health and convenience trends. A more and more hectic and stressful lifestyle in urbanized Malaysia contributed to the growing demand for convenient and easy to prepare meals at home. Therefore, the food sector looks set to maintain its positive development within the following years. As a result of the improving economy consumers are more optimistic and will gain new confidence in the market. The key trends are expected to continue and enlarge their influence, leading to a range of innovative products to satisfy this demand.

The leading producers of packaged food in Malaysia are expected to continue strengthening their competitive edge through the introduction of healthy and convenient products. This is largely due to the increasingly sophisticated demand patterns of Malaysian consumers, many of whom are becoming increasingly health conscious. Moreover, Malaysian consumers are gradually becoming more accustomed to reading the nutritional information labels which are now printed on all packaged food packaging in Malaysia. For example, Lee KumKee (M) Sdn. Bhd has developed its Less Salty Soy Sauce, which contains 25% less sodium in comparison with regular soy sauce, in order to cater to the demand of Malaysia's health conscious consumers.

Malaysia's rising rate of inflation is expected to have caused value growth in packaged food to slow down during 2011, as slower value growth than during 2010 is projected. Many consumers will have been forced to modify their spending patterns in response to the rising cost of living and the increasing unit prices of basic necessities such as rice, noodles, bakery products and baby food, which are all essential packaged food products. The country's higher inflationary rate is unlikely; however, to have negative effect on nutrition/staples, although impulse and indulgence products are likely to be negatively affected by the ongoing rise of the inflationary rate as this category comprises mainly non-essential products. Manufacturers will therefore need to organize promotional and advertising activities in order to attract more consumers.

CHAPTER 3

ANALYSIS OF THE COMPANY

4.0 NON-FINANCIAL ANALYSIS

4.1 PESTLE Analysis

PESTLE is a strategic management tool that provides useful framework to analyze the environment pressure on CTS Cookies. These factors are beyond the control of an organization or a country but are important to be aware of while undergoing business strategy.

4.1.1 Political

The political factors account for all the political activities that go on within a country and if any external force might tip the scales in a certain way. They analyze the political temperament and the policies that a government may put in place for some effect. For example, the fiscal policy, trade tariffs and taxes are those things that a government levies on traders and organizations and they greatly alter the revenue that is earned by those companies.

Stability of political stand in Malaysia can impact to operation of business. Since Malaysian government is pro-business, it is committed to provide companies a business environment with the opportunities for growth and profits. Government support and encouragement towards Bumiputera companies has given an opportunity to CTS Cookies to pursue business growth by having chances to inject additional capital through MARA Loan, SME or other government agencies that support SME business.

4.1.2 Economic

Economic factor has direct impact with the company and have resonating long term effects. For instance, a rise in the inflation rate of any economy would affect the way companies' price their products and services. Other than that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic elements include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.

4.1.3 Social

These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics etc.

Trend in preparing food amongst Malaysian during Hari Raya Festival has influenced on CTS production. They are no more processing cookies at home. They like to buy those cookies rather than spend time preparing all sort of complicated bakes at home.

4.1.4 Technology

These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. This refers to automation, research and development and the amount of technological awareness that a market possesses.

Another external factor that can impact to the company is changing in technology. Nowadays, internet is used widely by any kind of business in promoting business activities. The company has to take the opportunity to expand their market via online marketing. Same goes to the machine that used to process the cookies. They could explore the appropriate machine that can produce cookies in speeding time to maximize their production and minimize cost.

4.1.5 Legal

Food manufacturing must obey with GMP (Good Manufacturing Practice) standard and guaranteed withHalal ingredients. GMP regulations require a quality approach to manufacturing, enabling companies to minimize or eliminate instances of contamination, mix up, and errors. This in turn, protects the consumer from purchasing a product which is not effective or even dangerous.

Since CTS Cookies has obtained their Halal Certificate from JAIS, there is a wide opportunity to produce biscuits of their own so long they do not infringe the requirements with consistency.

4.1.6 Environment

Environment factors especially weather may affect farming sector in producing wheat, flour, sugar and cocoa. Those crucial ingredients in making cookies will determine the supply and demand and the company has to plan their production to suit their demand level and the profit they will generate.

4.2 SWOT Analysis

STRENGTHS	WEAKNESSES
• Difference taste and positioning. • Pricing is good as it attracts large segment. • Well known among wholesaler customers. • Possess Halal Certificate.	• Limited target audience. i.e people who prefer traditional based biscuit. • Food products have a limited shelf life. • Penetration in urban area still limited. • Lack of promotion strategies. • Net profit margin is dropping.
OPPORTUNITIES	**THREATS**
• Tie-ups with hotel chains, restaurants. • Untapped urban markets. • Better product packaging and preservation. • More flavor option.	• Other substitute products available in the market. • Declining fraction of income spent on snack food by consumers. • Changing of preferences and demand of consumers.

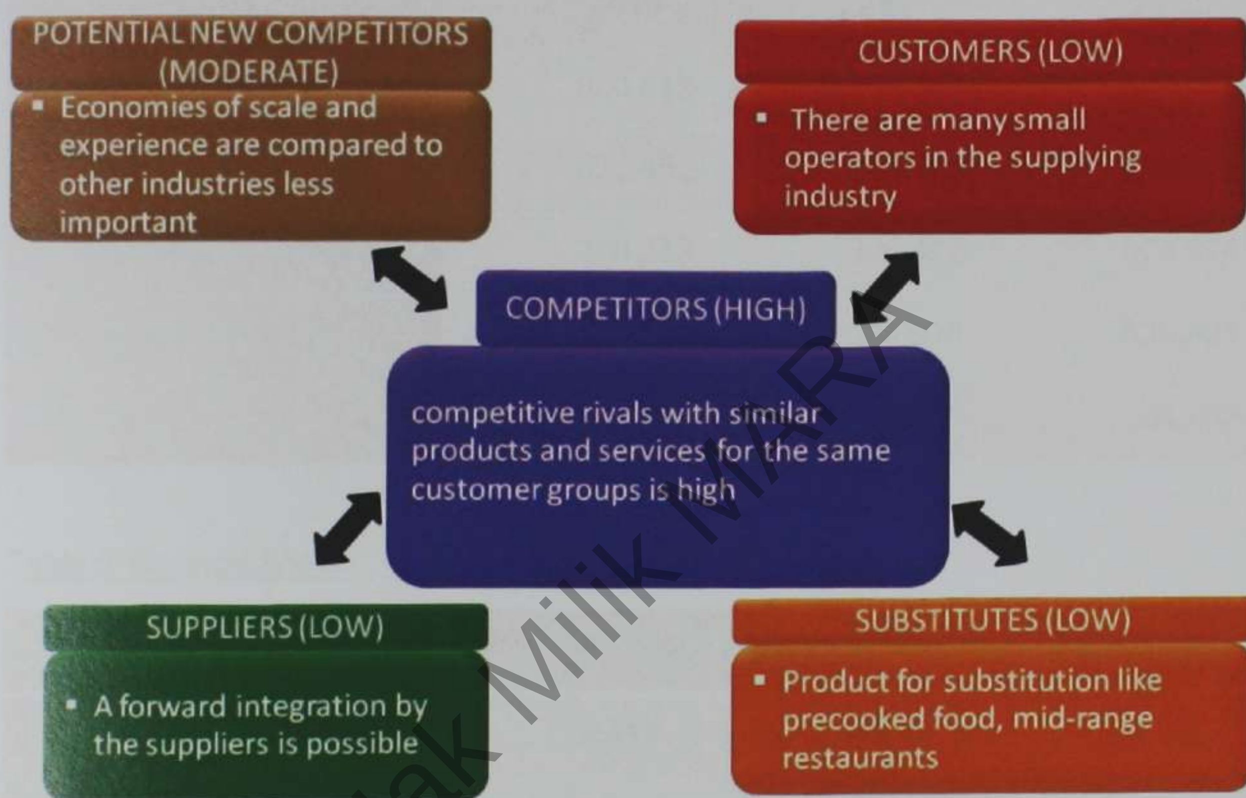
4.3 Porter's 5 Forces Analysis

Porter five forces analysis is a framework for industry analysis and business strategy development. It draws uponindustrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven to normal profit.

Three of Porter's five forces refer to competition from external sources. The remainders are internal threats.

Porter referred to these forces as the micro environment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average. A clear example of this is the airline industry. As an industry, profitability is low and yet individual companies, by applying unique business models, have been able to make a return in excess of the industry average.

Illustration 1: Brief analysis of Porter's 5 Forces for CTS Cookies



5.0 FINANCIAL ANALYSIS

Table 4: Income Statement

Income Statement for the Year Ended December 31st			
	2010	**2011**	**2012**
Sales	900,415	1,138,344	1,513,998
(-) Cost of Goods Sold	620,152	739,924	939,924
Gross Profit	280,263	398,420	574,074
(-) Operating Expenses	247,500	364,911	539,321
Net Profit	32,763	33,509	34,753

Table 5: Balance Sheet

Balance Sheet as at 31st December			
	2010	**2011**	**2012**
Current Asset	32,300	55,799	306,341
Fixed Asset	210,000	124,040	140,606
Total Asset	242,300	179,839	446,947
Current Liability	21,983	32,505	155,393
Long-Term Liability	127,714	103,714	199,419
Total Liability	149,697	136,219	354,811
Total Equity	92,603	43,620	92,136
Total Liability & Equity	242,300	179,839	446,947

Table 6: Financial Ratio & Percentage

	2010	2011	2012
Sales Growth	N/A	26%	33%
COGS	69%	65%	62%
Gross Profit Margin	31%	35%	38%
Net Profit Margin	3.64%	2.94%	2.30%
Current Ratio	1.47	1.72	1.97
Debt Ratio	0.62	0.76	0.79

Interpretation

Current Ratio

This is to determine the liquidity position of the company. The company's calculated ratio for 2010 is 1.47, for 2011 is 1.72 and for 2012 is 1.97.

Current ratio measures the extent to which the company's current liabilities are covered by its current assets. The ratio for 2012 was a good one compared to those calculated for the year 2011 and 2010. But most importantly, the company's current assets are sufficient to cover its current liabilities. As such, the company's liquidity position is good.

Debt Ratio

It measures the percentage of funds provided by creditors. Debt ratio calculated for the company for 2010 is 0.62, for 2011 is 0.76 and for 2012 is 0.97. It indicates that the company's total liabilities are low compared to its total assets and it shows that the company's debt position is good even though the ratio is growing over the years.

Sale Growth Margin

Sale growth is the increase in sales over a specific period of time, often but necessarily annually. This company has a good growing trend in sales which is 26% in 2011 compared to 2010 and 33% in 2012 compared to 2011. This trend looks promising.

Gross Profit Margin

It shows the company's revenue minus its cost of goods sold. Gross profit is a company's residual profit after selling a product or service and deducting the cost associated with its production and sale. In 2010, the company's gross profit margin is 31%, 35% for 2011 and 38% for 2012. The results for the three consecutive years are considered to be good and it also shows an increasing pattern year by year.

Net Profit Margin

It shows how much profit is earned from every RM1 sales that the company made. In 2010, the company's profit margin is 3.64%, 2.94% for 2011 and 2% for 2012. This result seems to be bad scenario because of the declining trend. This is most probably caused by the very high operating cost.

Table 7: Break-Even-Point Analysis

	2010	2011	2012
Sales	900,415.00	1,138,344.20	1,513,997.79
Variable Cost	723,152.00	882,723.73	1,136,510.73
Contribution Margin	177,263.00	255,620.47	377,487.06
Fixed Cost	98,900.00	182.791.20	285,700.00
C.M %	0.20	0.22	0.25
BEP in RM	502,366.79	814,016.59	1,145,864.90
BEP Ratio	0.56	0.72	0.76

As for the Break-Even-Point analysis, it can be deduced that the company needed to make 56% of their desired sales in 2010 before they can make money. The BEP continues to climb high by 0.72 and 0.76 in 2011 and 2012 respectively. Here is the catch that CTS Cookies really needs to do something about it before it is getting worse.

CHAPTER 4

FINDINGS AND RECOMMENDATIONS

6.0 PROBLEM IDENTIFICATION

6.1 High Employees Turnover

According to Pn. Siti Fatonah, most of the employees are reluctant to do work for long hours. This occurs when they have to supply huge volume especially when it comes to a festival season. Some of them are also not efficient in doing the task given. Since there is a standard quality to meet the requirement of the wholesaler, strict scrutiny of the production process needs to be carried out. Unfortunately certain employees are unable to adapt with the job because of the various reasons such as family commitment and also healthy concerns.

6.2 High Operating Expenses

The cause of the high operating expenses is due to inefficiency in managing production line. This is also as a result of big wastage of the raw materials when rejected products are to be disposed. This is resulted from very strict quality control in order to meet the wholesaler requirements. It could also originated by non-performing employees which has risen from the first problem identification of high employee turnover.

Obviously this scenario can be inspected from the net income margin above which had been declining from 3.64% to 2.94% and finally 2.30% over the three years whereas gross profit margin had been constantly growing from 31% to 35% and finally 38% in 2011 to 2012 accordingly.

7.0 RECOMMENDATIONS

7.1 Reduce Employees Turnover

Outstanding firms know that their human resource strategy can yield a competitive advantage. Often a large percentage of employees and large part of labour costs are under the direction of Operations Management, Consequently, an operation manager usually has a major role to play in achieving human resource objectives. A requirement is to build an environment with mutual respect and commitment and a reasonable quality of work life. Successful organizations have designed jobs that use both the mental and physical capabilities of their employees. Regardless of the strategy chosen, the skill with which a firm manages its human resources ultimately determine its success.

Labour standards are required for an efficient operations system. They are needed for production planning, labour planning, costing, and evaluating performance. They are used throughout industry, from the factory to finance, sales, and the office. They can also be used as a basis for incentive systems.

Standards may be established via historical data, time studies, predetermined time standards, and work sampling.

High employee turnover hurts CTS Cookies's bottom line. It's been estimated that it costs upwards of twice an employee's salary to find and train a replacement. And churn can damage morale among remaining employees.

Here are some recommended ways to lower turnover in CTS Cookies workplace:

i- Hiring the right people from the start is the single best way to reduce employee turnover. Interview and vet candidates carefully, not just to ensure they have the right skills but also that they fit well with the company culture, managers and co-workers.

ii- Setting the right compensation and benefits is important too. Human resources need to get current data on industry pay packages, and get creative when necessary with benefits, flexible work schedules and bonus structures.

iii- Review compensation and benefits packages at least annually. Pay attention to trends in the marketplace and have HR update the Directing Manager.

iv- Pay attention to employees' personal needs and offer more flexibility where the company can. Consider offering telecommuting, compressed schedules or on-site or back-up day care.

v- Bolster employees' engagement. Employees need social interaction and a rewarding work environment. They need respect and recognition from managers, and a challenging position with room to learn and move up.

vi- Managers often overlook how important a positive work environment is for staffers, and how far meaningful recognition and praise from managers can go to achieve that. Awards, recognition and praise might just be the single most cost-effective way to maintain a happy, productive work force. Simple emails of praise at the completion of a project, monthly memos outlining achievements of your team to the wider division, and peer-recognition programs are all ways to inject some positive feedback into a workforce. Also, consider reporting accomplishments up the chain. A thank you note to the employee is good. Copying higher-ups makes that note even more effective. To make it easier to identify accomplishments, ask your team for weekly or monthly updates of their achievements. Ask for specific numbers, examples or emails of praise from co-workers or customers.

vii- Outline challenging, clear career paths. Employees want to know where they could be headed and how they can get there. Annual reviews or midyear check-ins are one obvious venue for these discussion, but you should also encourage workers to come to you with career questions and wishes throughout the year.

7.2 Reduce Operating Expenses

In order to be a successful business entity, CTS Cookies not only need to be able to keep their costs low, but they need to make sure that the quality of their products never suffers. This is paramount to making sure that their customers, the most important people in the equation, are kept happy.

CTS Cookies may need to engage with operation cost-cutting approach. By cutting operating expenses, an otherwise healthy business may still be able to maintain profitability. Here are seven recommended ways CTS Cookies can do that:

i- Invest in more training for their employees. Investing in more training for employees will reduce the number of errors that are made, which will inevitably save money for the company. Not only that, but investing more in their employees will show them that they are valued. In return, they will be more engaged and produce more and better work.

ii- Cut office supply expenses. Reducing supply expenses can significantly reduce CTS Cookies operating expenses and improve its bottom line. This can be done by going from paper to electronic whenever possible or ordering supplies in bulk in order to obtain discounts. In addition, if they purchase all of their supplies at the same outlet, they may be able to negotiate a better price. At the very least, shop around for lower prices and any loyalty programs offered by potential suppliers.

iii- Cut out travel and entertainment expenses. Although T & E expenses are considered a "perk," during tough times, these are expenses a business can do without. For clients with whom they have a longstanding relationship, try holding their meetings via conference call. This can dramatically reduce costs and allow business to be conducted much faster than it normally would be. Also, try not to spend funds on company outings, meals, or other entertainment.

iv- Take a look at the services that they use. Does the frequency of use justify the cost? This is an especially important question for things like computer equipment. If they are wondering about how to reduce operating costs, then they can save a good amount of money on their company's information technology by outsourcing things like data storage and equipment maintenance. This not only keeps them from having to worry about downtime due to maintenance and equipment failures, but they also don't have to worry about upgrading equipment when they outsource their IT infrastructure.

v- Rent or lease equipment as opposed to purchasing new equipment. Leasing business equipment and tools preserves capital and provides flexibility. The primary advantage of leasing business equipment is that it allows businesses to acquire assets with minimal initial expenditures. In addition to this, leasing offers the benefits of improved cash flow, tax advantages, flexible terms, and the ability to easily upgrade equipment.

vi- Reduce marketing and advertising expenses. CTS Cookies can split advertising and promotion costs with neighboring businesses. Jointly promote a sidewalk sale, or take your marketing alliance further by sharing mailing lists, distribution channels and suppliers with businesses that sell complementary goods or services.

vii- Reevaluate the roles of their employees – Who does what in the company? One way to keep operating costs down is to give an employee as many tasks and responsibilities as they can reasonably handle. Practicing this is a balancing act. We don't want to burden an employee with too much work because that could lead to something only being partially done, if it gets done at all. At the same time, we want to make sure that employee has enough work that they always have something to do. Making sure that workloads are distributed as evenly as possible keeps us from hiring two people for a job that can be done by one. Efficiency like this is one of the cornerstones to cost reduction. This could result the same idea with reducing the staff-well, sort of. This doesn't necessarily mean completely laying off their workers. Instead, consider rehiring new workers on a contract basis as a temporary employee. This could save company's money on salary expenses as well as employee benefits until the business gets back on track and is able to rehire workers on a permanent basis.

viii- Outsource administrative functions. Consider outsourcing functions such as their accounting and payroll to help reduce your business expenses.

This will give them more time to focus on building their business and costing projects, while possibly reducing the expense of these functions if they are able to outsource them for cheaper than performing them within their business.

ix- Reevaluate their suppliers. Especially if they rely on a number of different suppliers, they may find that they can get supplies of comparable quality from suppliers that charge less. Merely making inquiries may also lead their current suppliers to cut prices.

x- Consider promoting alternative work schedules. This has been a popular option for many employers who have been trying to figure out how to reduce operating costs because it produces a number of benefits.

If they allow their employees to set the hours when they will work, they are more likely to retain key talent and not have as much turnover. By not being confined by a traditional 9 to 5 schedule, their employees can get their tasks done when they feel most comfortable working and will be motivated to do the best that they can.

Keep in mind that this arrangement has to be met with some balance. While they can promote their employees setting their own hours, they may still require time for team meetings and collaborative sessions, so they want to work their flexible scheduling around those.

In the end, they have to look at various strategies related to how to reduce operating costs and figure out what is ideal for their business.

Of course, not everything will work for every industry, but there are cost cutting measures out there that will benefit them and help them to reduce their overhead while they continue providing the same level of quality for their customers.

While cutting expenses may seem like something to do temporarily to maintain their business, actually implementing these ideas when revenues are increasing will continue to help their business generate the most profitability possible.

8.0 PROJECTION OF COMPANY'S FINANCIAL PERFORMANCE FOR 2013

Table 8: Projected Income Statement

Income Statement for the Year Ended December 31st				Projected
	2010	2011	2012	**2013**
Sales	900,415	1,138,344	1,513,998	**1,756,237**
COGS	620,152	739,924	939,924	**1,079,924**
Gross Profit	280,263	398,420	574,074	**676,314**
Gross Margin	31%	35%	38%	**39%**
Operating Expenses	247,500	364,911	539,321	**624,920**
Net Profit	32,763	33,509	34,753	**49,852**

Table 9: Projected Balance Sheet

Balance Sheet as at 31st December				Projected
	2010	2011	2012	**2013**
Current Asset	32,300	55,799	306,341	**823,212**
Fixed Asset	210,000	124,040	140,606	**224,969**
Total Asset	242,300	179,839	446,947	**1,048,181**
Current Liability	21,983	32,505	155,393	**756,315**
Long-Term Liability	127,714	103,714	199,419	**129,305**
Total Liability	149,697	136,219	354,811	**885,620**
Total Equity	92,603	43,620	92,136	**161,561**
Total Liability & Equity	242,300	179,839	446,947	**1,048,181**

Table 10: Projected Financial Ratio & Percentage

	2010	2011	2012	Projected 2013
Sales Growth	N/A	26%	33%	**16%**
COGS	69%	65%	62%	**61%**
Gross Profit Margin	31%	35%	38%	**39%**
Net Profit Margin	3.64%	2.94%	2.30%	**2.93%**
Current Ratio	1.47	1.72	1.97	**1.09**
Debt Ratio	0.62	0.76	0.79	**0.84**

Table 11: Projected Break-Even-point

	2010	2011	2012	**2013**
Sales	900,415.00	1,138,344.20	1,513,997.79	**1,756,237.43**
Variable Cost	723,152.00	882,723.73	1,136,510.73	**1,270,825.43**
Contribution Margin	177,263.00	255,620.47	377,487.06	**485,412.00**
Fixed Cost	98,900.00	182.791.20	285,700.00	**311,270.00**
C.M %	0.20	0.22	0.25	**0.28**
BEP in RM	502,366.79	814,016.59	1,145,864.90	**1,126,185.64**
BEP Ratio	0.56	0.72	0.76	**0.64**

By only having a projected growth of 16% in 2013, CTS Cookies can cut down their cost of goods sold by 1%. The gross profit margin also will increase by 1% from 38% in 2012 to 39% in 2013. Hence, the big point here is to boost up their net profit margin to 2.93%. It is only less 0.01% from what they have achieved 2 years ago. As for the Break-Even-Point goes down to 0.64, it seems like CTS Cookies has potential to gradually back on the right track. But yet, its current ratio and debt ratio do not seem to be very good but still acceptable. Those scenarios will do much favour to the company as long as they keep practicing the recommended ways to minimize their cost for the good of the company.

CHAPTER 5

CONCLUSION

9.0 CONCLUSION

From the two major problematic areas that have been identified, it is clearly observed that apart from promising growth of sales and gross profit over the 3 years, it was not resulted to the significant net profit margin to the company. The company has been doing excellent since the endorsement of agreement with the hypermarkets. But the company somehow failed to scrutinize their financial condition which is look good but it is not. This is one of the reason why they are not making much money at the end of the year even though the business is growing rapidly and demand have been increasing continuously.

From the research, having the right employees from the beginning will reduce the high employee turnover. It will also lead to an excellence performance by the employees and able to minimize wastage of rejected products which can contribute to fix the high operating expenses problem. Wastage of rejected product could also be minimized by practicing Good Manufacturing Practice. Most of the food manufacturing factories in Malaysia now are trying to get the GPM recognition. CTS Cookies is also going to achieve the GMP recognition for the factory soon. The good thing is they have successfully met the main requirement of the food industry in Malaysia which is Halal Certificate.

On the other hand, The company has to look seriously at the cost-cutting measures given that will benefit them to overcome the high operating cost problem to sustain in the market and to be able to control the expenses in order to keep growing in the future.

The future prospect of the company is very bright since food industry in Malaysia is continuously growing over the years regardless of the economic downturn. All they have to do is to control their cost leadership and keep up the innovation of the product in order to sustain their visibility in the market. Only then they would reflect to any circumstances of the business environment.

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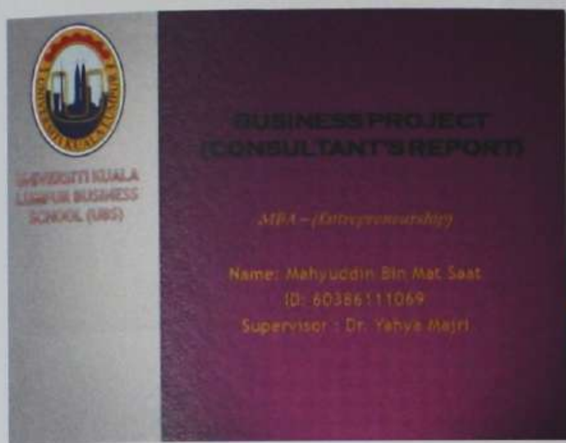
5. http://www.mida.gov.my/env3/index.php?page=key-economic-indicators
6. Operations Management (Tenth Edition) by Jay Heizer & Barry Render

11.0 APPENDICES

Appendix A: Presentation Slide



FINANCIAL PERFORMANCE

Income Statement for the year ending December 31st			
	2010	2011	2012
Income	900,415	1,138,344	1,513,998
(-) Cost of Goods Sale	620,152	739,924	939,924
Gross Profit	280,263	398,420	574,074
Gross Margin	31%	35%	38%
(-) Operating Expenses and Others	247,500	364,911	539,321
Net Profit	32,763	33,509	34,753
Net Profit Margin	3.64%	2.94%	2.30%

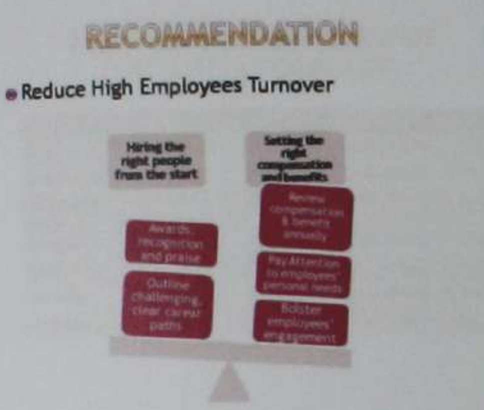
RATIO ANALYSIS

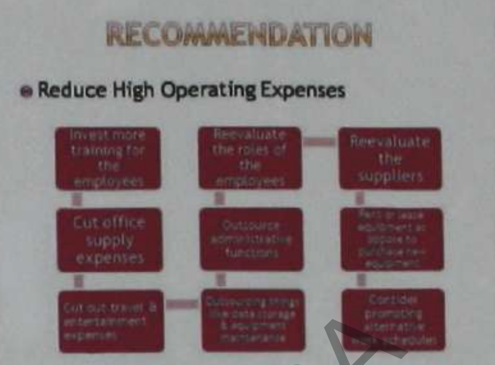
	2010	2011	2012
Sales Growth	N/A	26%	33%
COGS	69%	65%	62%
Gross Profit	31%	35%	38%
Net Profit	3.64%	2.94%	2.30%
Current Ratio	1.47	1.72	1.97
Debt Ratio	0.62	0.76	0.79

PROBLEM IDENTIFICATION

BREAK-EVEN-POINT ANALYSYS

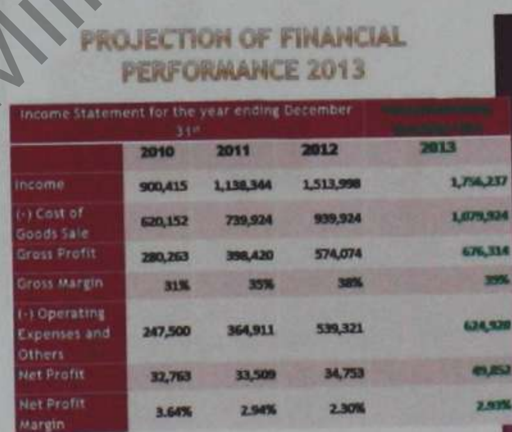
	2010	2011	2012
Sales	900,415.00	1,138,344.20	1,513,997.79
Variable Cost	723,152.00	882,723.73	1,136,510.73
Contribution Margin	177,263.00	255,620.47	377,487.06
Fixed Cost	98,900.00	182.791.20	285,700.00
C.M %	0.20	0.22	0.25
BEP in RM	502,366.79	814,016.59	1,145,864.90
BEP Ratio	0.56	0.72	0.76





INCOME STATEMENT DETAILS

	2010	2011	2012	2013 (F)
Sales	900,415	1,138,344	1,513,998	1,756,237
COGS	620,152	739,924	939,924	1,079,924
Gross Profit	280,263	398,420	574,074	676,314
Operating Expenses	223,500	347,191	515,887	595,772
Depreciation	24,000	17,720	23,434	29,149
PBT	32,763	33,509	34,753	51,393
Tax	983	1,005	1,043	1,542
PAT	31,780	32,504	33,710	49,852



PROJECTION OF FINANCIAL PERFORMANCE 2013

Income Statement for the year ending December 31st				[illegible]
	2010	2011	2012	2013
Income	900,415	1,138,344	1,513,998	1,756,237
(-) Cost of Goods Sale	620,152	739,924	939,924	1,079,924
Gross Profit	280,263	398,420	574,074	676,314
Gross Margin	31%	35%	38%	39%
(-) Operating Expenses and Others	247,500	364,911	539,321	624,920
Net Profit	32,763	33,509	34,753	49,852
Net Profit Margin	3.64%	2.94%	2.30%	2.93%

BREAK-EVEN-POINT ANALYSIS (WITH 2013 FORECAST)

	2010	2011	2012	[illegible]
Sales	900,415.00	1,138,344.20	1,513,997.79	1,756,237.43
Variable Cost	723,152.00	882,723.73	1,136,510.73	1,270,825.43
Contribution Margin	177,263.00	255,620.47	377,487.06	485,412.00
Fixed Cost	98,900.00	182.791.20	285,700.00	311,270.00
C.M %	0.20	0.22	0.25	0.28
BEP in RM	502,366.79	814,016.59	1,145,864.90	1,126,185.64
BEP Ratio	0.56	0.72	0.76	0.64

CONCLUSION

The company has to look at the cost-cutting measures given that will benefit them to overcome the high operating cost problem to be sustained in the market and to be able to control the expenses in order to keep growing for the future.

Appendix B: SSM Registration

SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA

PERAKUAN PEMBAHARUAN PENDAFTARAN
AKTA PENDAFTARAN PERNIAGAAN 1956

No. Pendaftaran
001577653-V

CTS COOKIES
PARIT 7, BAN SATU, SUNGAI LEMAN
45400 SEKICHAN
SELANGOR

Dengan ini diperakui bahawa Perniagaan yang dijalankan dengan nama

CTS COOKIES

telah didaftarkan dari hari ini sehingga **25 DISEMBER 2013** menurut peruntukan-peruntukan Akta Pendaftaran Perniagaan 1956, dengan sesuatu yang dinyatakan di sini dan tempat utama perniagaannya di **PARIT 7, BAN SATU, SUNGAI LEMAN, 45400 SEKICHAN, SELANGOR.**

Jenis Perniagaan:

Bertarikh di SHAH ALAM pada **12 NOVEMBER 2008.**

DATUK ABDUL KARIM BIN ABDUL JALIL
Pendaftar Perniagaan Semenanjung Malaysia

SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA

** MAKLUMAT PERNIAGAAN **

** JENIS PERNIAGAAN **

** MAKLUMAT CAWANGAN **

*** TIADA CAWANGAN ***

SURUHANJAYA SYARIKAT MALAYSIA
COMPANIES COMMISSION OF MALAYSIA

PERAKUAN PEMBAHARUAN PENDAFTARAN
AKTA PENDAFTARAN PERNIAGAAN 1956

No. Pendaftaran
001577653-V

CTS COOKIES
PARIT 7, BAN SATU, SUNGAI LEMAN
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Jenis Perniagaan:

Bertarikh di **SHAH ALAM** pada **12 NOVEMBER 2008.**

DATUK ABDUL KARIM BIN ABDUL JALIL
Pendaftar Perniagaan Semenanjung Malaysia

Appendix C: HALAL Certificate

SPH4

Nº 0342

MAJLIS AGAMA ISLAM SELANGOR MALAYSIA

ISLAMIC RELIGIOUS COUNCIL OF SELANGOR MALAYSIA

Sijil Pengesahan

CERTIFICATE OF AUTHENTICATION

HALAL

Kepada / to
CTS COOKIES
Parit 7 Sg. Leman.
45400 Sekinchan.
Selangor Darul Ehsan.

produk / premis berikut / products / premise below:

JENAMA & PRODUK : CTS COOKIES

Biskut (Tart Nenas. Bangkit. Almond London) Sambal Kacang. Karipap Mini. Rempeyek. Pisang Salai. Kuih Tiram. Bahulu. Roti. Kek.

yang dikeluarkan / disediakan oleh / produced / prepared by

CTS COOKIES
Parit 7 Sg. Leman.
45400 Sekinchan.
Selangor Darul Ehsan.

telah mematuhi keperluan Hukum Syarak

has fulfilled the Hukum Syarak

JALSEL.BPP.03/01(S)/07/S.BER -2

Dikeluarkan / Issued : 1 OKTOBER 2007

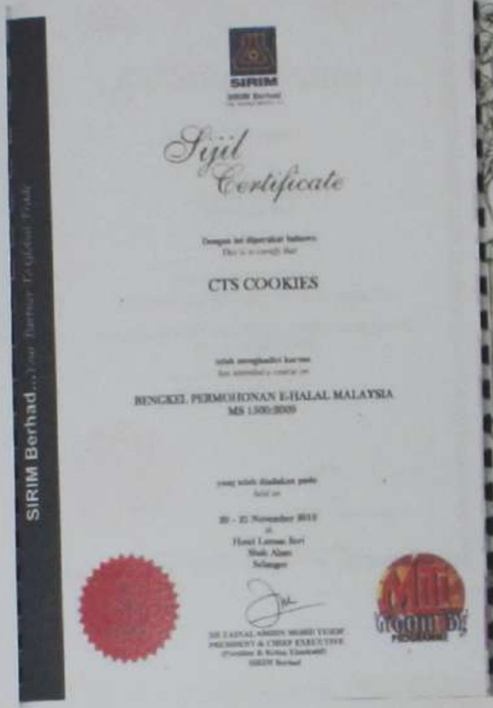
Tamat / Expiry : 30 SEPTEMBER 2009

S . S. Dato Hj. Mohammed Khusrin
Bin Hj. Munawi

Setiausaha / Secretary :
Majlis Agama Islam Selangor (MAIS)

Appendix D: Images of CTS Cookies' Products and Processes

Appendix E: Certificates of Courses Attended



Sijil Penyertaan

TAHNIAH DAN SYABAS

kepada

Siti Fatonah bt. Sukani

650107-10-5182

di atas penyertaan aktif dalam

KURSUS MEMBUAT PASTRI & BISKUT

PUSAT LATIHAN PERTANIAN KALUMPANG

09 - 12 OGOS 2005

Semoga anda mencapai kejayaan yang lebih tinggi dan gemilang

Pengarah

Jabatan Pertanian Negeri Selangor

Sijil

Certificate

SITI FATONAH SUKANI

(CTS COOKIES)

PROGRAM "GROOM BIG" PENINGKATAN KUALITI PRODUK - FAST TRACK HALAL

11 – 12 APRIL 2007

DE PALMA INN , SHAH ALAM.

Unit Amal Nisa'Wal-Banat

KAWASAN TG KARANG

Sijil Penghargaan

Dengan setinggi penghargaan,dengan ini disahkan bahawa

Siti Fatonah bt Sukani

A0302839

Telah mengikuti kursus membuat kuih Cakpi & Pau yang telah diadakan pada tarikh:22 Mei 2004 hari Sabtu 8.00 pagi hingga12.00 tgh.dengan jayanya. Anjuran Unit Amal Nisa Wal-Banat Tg Karang di Dewan KOMPAS Tg Karang Selangor D'Ehsan.

Sijil Penyertaan

TAHNIAH DAN SYABAS

kepada

SITI FATONAH BT. SUKANI

650107-10-5182

di atas penyertaan aktif dalam

KURSUS PEMBUNGKUSAN, PELABELAN DAN PENGGREDAN MAKANAN

PUSAT LATIHAN PERTANIAN KALUMPANG

21 – 24 JUN 2005

Semoga anda mencapai kejayaan yang lebih tinggi dan gemilang

Pengarah

Jabatan Pertanian Negeri Selangor